false Q3 --12-31 0001534708 P3Y P7Y 0001534708 2024-01-01 2024-09-30 0001534708 2024-11-15 0001534708 2024-09-30 0001534708 2023-12-31 0001534708 us-gaap:SeriesBPreferredStockMember 2024-09-30 0001534708 us-gaap:SeriesBPreferredStockMember 2023-12-31 0001534708 us-gaap:SeriesCPreferredStockMember 2024-09-30 0001534708 us-gaap:SeriesCPreferredStockMember 2023-12-31 0001534708 2024-07-01 2024-09-30 0001534708 2023-07-01 2023-09-30 0001534708 2023-01-01 2023-09-30 0001534708 us-gaap:PreferredStockMember us-gaap:SeriesBPreferredStockMember 2022-12-31 0001534708 us-gaap:PreferredStockMember us-gaap:SeriesCPreferredStockMember 2022-12-31 0001534708 us-gaap:CommonStockMember 2022-12-31 0001534708 us-gaap:AdditionalPaidInCapitalMember 2022-12-31 0001534708 us-gaap:RetainedEarningsMember 2022-12-31 0001534708 2022-12-31 0001534708 us-gaap:PreferredStockMember us-gaap:SeriesBPreferredStockMember 2023-03-31 0001534708 us-gaap:PreferredStockMember us-gaap:SeriesCPreferredStockMember 2023-03-31 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us-gaap:AdditionalPaidInCapitalMember 2024-07-01 2024-09-30 0001534708 us-gaap:RetainedEarningsMember 2024-07-01 2024-09-30 0001534708 us-gaap:PreferredStockMember us-gaap:SeriesBPreferredStockMember 2023-09-30 0001534708 us-gaap:PreferredStockMember us-gaap:SeriesCPreferredStockMember 2023-09-30 0001534708 us-gaap:CommonStockMember 2023-09-30 0001534708 us-gaap:AdditionalPaidInCapitalMember 2023-09-30 0001534708 us-gaap:RetainedEarningsMember 2023-09-30 0001534708 2023-09-30 0001534708 us-gaap:PreferredStockMember us-gaap:SeriesBPreferredStockMember 2024-09-30 0001534708 us-gaap:PreferredStockMember us-gaap:SeriesCPreferredStockMember 2024-09-30 0001534708 us-gaap:CommonStockMember 2024-09-30 0001534708 us-gaap:AdditionalPaidInCapitalMember 2024-09-30 0001534708 us-gaap:RetainedEarningsMember 2024-09-30 0001534708 us-gaap:SubsequentEventMember 2024-10-07 0001534708 us-gaap:SubsequentEventMember us-gaap:SeriesCPreferredStockMember 2024-10-07 0001534708 2023-01-01 2023-12-31 0001534708 2024-01-01 2024-06-30 0001534708 us-gaap:AccountsReceivableMember us-gaap:CustomerConcentrationRiskMember EAST:TwoDistributorMember 2024-01-01 2024-09-30 0001534708 us-gaap:AccountsReceivableMember us-gaap:CustomerConcentrationRiskMember EAST:ThreeDistributorMember 2023-01-01 2023-12-31 0001534708 us-gaap:SalesRevenueNetMember us-gaap:SupplierConcentrationRiskMember EAST:OneDistributorMember 2024-01-01 2024-09-30 0001534708 us-gaap:SalesRevenueNetMember us-gaap:SupplierConcentrationRiskMember EAST:OneDistributorMember 2023-01-01 2023-09-30 0001534708 srt:MinimumMember 2024-09-30 0001534708 srt:MaximumMember 2024-09-30 0001534708 EAST:SpiritsProgramAndCoPackingProgramMember 2024-01-01 2024-09-30 0001534708 EAST:SpiritsProgramMember 2024-01-01 2024-09-30 0001534708 EAST:CopackingProgramMember 2024-01-01 2024-09-30 0001534708 EAST:CopackingProgramMember 2023-01-01 2023-09-30 0001534708 EAST:DebtAgreementMember EAST:BiggerAndDistrict2Member 2024-09-04 0001534708 EAST:DebtAgreementMember 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2016-09-08 0001534708 EAST:TwoThousandAndSixteenEquityIncentivePlanMember 2024-09-30 0001534708 EAST:TwoThousandAndSixteenEquityIncentivePlanMember 2024-01-01 2024-09-30 0001534708 EAST:TwoThousandAndTwentyFourSecuredNotesMember EAST:LoanAgreementMember EAST:BiggerDistrictTwoAndLDIMember 2024-05-16 0001534708 EAST:TwoThousandAndTwentyFourSecuredNotesMember EAST:LDInvestmentsLLCMember EAST:LoanAgreementMember 2024-05-16 0001534708 EAST:TwoThousandAndTwentyFourSecuredNotesMember EAST:DistrictTwoMember EAST:LoanAgreementMember 2024-05-16 0001534708 EAST:TQLALLCMember us-gaap:WarrantMember 2022-03-21 0001534708 us-gaap:WarrantMember 2021-05-12 0001534708 us-gaap:WarrantMember 2021-07-30 0001534708 EAST:NewWarrantSharesMember 2021-07-30 0001534708 EAST:NewWarrantSharesMember 2023-09-29 0001534708 us-gaap:WarrantMember EAST:LoanAgreementMember 2020-01-15 0001534708 us-gaap:WarrantMember 2024-01-01 2024-09-30 0001534708 us-gaap:MeasurementInputPriceVolatilityMember us-gaap:WarrantMember 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EAST:SeniorSecuredNotesMember us-gaap:SubsequentEventMember 2024-11-14 0001534708 EAST:SeniorSecuredNotesMember us-gaap:SubsequentEventMember EAST:PreFundedWarrantsMember 2024-11-14 0001534708 EAST:SeniorSecuredNotesMember us-gaap:SubsequentEventMember 2024-11-14 2024-11-14 0001534708 EAST:PurchaseAgreementMember us-gaap:SubsequentEventMember 2024-11-14 0001534708 EAST:PurchaseAgreementMember EAST:PreFundedWarrantsMember us-gaap:SubsequentEventMember 2024-11-14 0001534708 us-gaap:SubsequentEventMember EAST:PurchaseAgreementMember us-gaap:SeriesFPreferredStockMember 2024-11-14 0001534708 us-gaap:SubsequentEventMember EAST:PurchaseAgreementMember us-gaap:SeriesFPreferredStockMember EAST:TwoInvestorsMember 2024-11-14 0001534708 EAST:LDIInvestmentsLLCMember us-gaap:SubsequentEventMember 2024-10-30 0001534708 EAST:LDIInvestmentsLLCMember us-gaap:SubsequentEventMember 2024-11-24 0001534708 EAST:EmploymentAgreementMember srt:ChiefExecutiveOfficerMember 2024-09-04 0001534708 EAST:EmploymentAgreementMember srt:ChiefExecutiveOfficerMember 2024-09-04 2024-09-04 iso4217:USD

xbrli:shares iso4217:USD xbrli:shares xbrli:pure Â Â Â UNITEDSTATESSECURITIESAND EXCHANGE COMMISSIONWASHINGTON,D.C. 20549Â FORM10-QÂ â˜' QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 Â Â Â For the quarterly period ended September 30, 2024 Â Â â˜ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 Â Â Â For the transition period from ______________ to _________________ Â CommissionFile No.: 001-38182Â Â EASTSIDEDISTILLING, INC.(Exactname of registrant as specified in its charter)Â Nevada Â 20-3937596 (State or other jurisdiction of incorporation or organization) Â (I.R.S. Employer Identification No.) Â 755Main Street, Building 4, Suite 3Monroe,CT 06468(Addressof principal executive offices)Â Registrantâ€™stelephone number: (484) 800-9154Â Securitiesregistered pursuant to Section 12(b) of the Act:Â Common Stock, $0.0001 par value Â EAST Â The Nasdaq Stock Market LLC (Title of Each Class) Â (Trading Symbol) Â (Name of Each Exchange on Which Registered) Â Securitiesregistered pursuant to Section 12(g) of the Act: NoneÂ Indicateby check mark whether the registrant (1) has filed all reports required by Section 13 or 15(d) of the Securities Exchange Act of 1934during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subjectto such filing requirements for the past 90 day. Yes â˜' No â˜Â Indicateby check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive DataFile required to be submitted pursuant to Rule 405 of Regulation S-T (Â§232.405 of this chapter) during the preceding 12 months (orfor such shorter period that the registrant was required to submit such files). Yes â˜' No â˜Â Indicateby check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reportingcompany. See the definitions of â€œlarge accelerated filer,â€ â€œaccelerated filer,â€ â€œsmaller reporting companyâ€and â€œemerging growth companyâ€ in Rule 12b-2 if the Exchange Act.Â Large accelerated filer â˜ Accelerated filer â˜ Non-accelerated filer â˜ Smaller reporting company â˜' Emerging growth company â˜ Â Â Indicateby check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act. Yes â˜ No â˜'Â Asof November 15, 2024, 4,991,065 shares of our common stock were outstanding.Â DocumentsIncorporated by Reference: None.Â Â Â Â Â Â EASTSIDEDISTILLING, INC.Â FORM10-QÂ September30, 2024Â TABLEOF CONTENTSÂ Â Â Page Â 2 Â Â PARTI: FINANCIAL INFORMATIONÂ ITEM1 â€" FINANCIAL STATEMENTSÂ EastsideDistilling, Inc. and SubsidiariesConsolidatedBalance Sheets(Dollarsin thousands, except shares and per share amounts)Â Â Â September 30, 2024Â Â December 31, 2023Â Â Â (unaudited)Â Â Â Â AssetsÂ Â Â Â Â Â Â Â Current assets:Â Â Â Â Â Â Â Â CashÂ $310Â Â $306Â Trade receivables, netÂ Â 105Â Â Â 163Â InventoriesÂ Â 1,793Â Â Â 2,686Â Prepaid expenses and other current assetsÂ Â 176Â Â Â 113Â Current assets held for saleÂ Â 2,640Â Â Â 1,269Â Total current assetsÂ Â 5,024Â Â Â 4,537Â Property and equipment, netÂ Â 112Â Â Â 169Â Right-of-use assetsÂ Â 430Â Â Â 680Â Intangible assets, netÂ Â 4,178Â Â Â 4,178Â Other assets, netÂ Â 182Â Â Â 247Â Non-current assets held for saleÂ Â 6,298Â Â Â 7,669Â Total AssetsÂ $16,224Â Â $17,480Â Â Â Â Â Â Â Â Â Â Liabilities and Stockholdersâ€™ Equity (Deficit)Â Â Â Â Â Â Â Â Current liabilities:Â Â Â Â Â Â Â Â Accounts payableÂ $1,388Â Â $1,062Â Accrued liabilitiesÂ Â 418Â Â Â 465Â Current portion of secured credit facilities, related partyÂ Â 3,447Â Â Â -Â Current portion of secured credit facilities, net of debt issuance costsÂ Â 728Â Â Â -Â Current portion of notes payableÂ Â 8,155Â Â Â 486Â Current portion of notes payable, related partyÂ Â 92Â Â Â 92Â Current portion of lease liabilitiesÂ Â 191Â Â Â 223Â Other current liability, related partyÂ Â 85Â Â Â -Â Current liabilities held for saleÂ Â 3,124Â Â Â 1,877Â Total current liabilitiesÂ Â 17,628Â Â Â 4,205Â Lease liabilities, net of current portionÂ Â 213Â Â Â 458Â Secured credit facilities, related partyÂ Â -Â Â Â 2,700Â Secured credit facilities, net of debt issuance costsÂ Â -Â Â Â 342Â Notes payable, net of current portionÂ Â -Â Â Â 7,556Â Non-current liabilities held for saleÂ Â 843Â Â Â 1,366Â Total liabilitiesÂ Â 18,684Â Â Â 16,627Â Â Â Â Â Â Â Â Â Â Commitments and contingencies (Note 14)Â Â -Â Â Â -Â Â Â Â Â Â Â Â Â Â Stockholdersâ€™ equity (deficit):Â Â Â Â Â Â Â Â Common stock, $0.0001 par value; 6,000,000 shares authorized as of September 30, 2024 and December 31, 2023; and 3,140,625 shares and 1,705,987 shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectivelyÂ Â -Â Â Â -Â Preferred stock, $0.0001 par value; 100,000,000 shares authorized; 2,500,000 Series B shares issued and outstanding as of both September 30, 2024 and December 31, 2023Â Â -Â Â Â -Â Preferred stock, $0.0001 par value; 240,000 shares authorized; 117,586 Series C shares and 200,000 Series C shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectivelyÂ Â -Â Â Â -Â Preferred stock, valueÂ Â -Â Â Â -Â Â Â Â Â Â Â Â Â Â Additional paid-in capitalÂ Â 84,499Â Â Â 83,559Â Accumulated deficitÂ Â (86,959)Â Â (82,706) Total stockholdersâ€™ equity (deficit)Â Â (2,460)Â Â 853Â Total Liabilities and Stockholdersâ€™ Equity (Deficit)Â $16,224Â Â $17,480Â Â Theaccompanying notes are an integral part of these consolidated financial statements.Â 3 Â Â EastsideDistilling, Inc. and SubsidiariesConsolidatedStatements of OperationsForthe Three and Nine Months Ended September 30, 2024 and 2023(Dollarsand shares in thousands, except per share amounts)(Unaudited)Â Â Â 2024Â Â 2023Â Â 2024Â Â 2023Â Â Â Three Months Ended September 30,Â Â Nine Months Ended September 30,Â Â Â 2024Â Â 2023Â Â 2024Â Â 2023Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â SalesÂ $783Â Â $849Â Â $2,106Â Â $3,080Â Less customer programs and excise taxesÂ Â 23Â Â Â 43Â Â Â 129Â Â Â 141Â Net salesÂ Â 760Â Â Â 806Â Â Â 1,977Â Â Â 2,939Â Cost of salesÂ Â 560Â Â Â 638Â Â Â 1,476Â Â Â 1,940Â Gross profitÂ Â 200Â Â Â 168Â Â Â 501Â Â Â 999Â Operating expenses:Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Sales and marketing expensesÂ Â 218Â Â Â 303Â Â Â 699Â Â Â 1,180Â General and administrative expensesÂ Â 435Â Â Â 172Â Â Â 1,149Â Â Â 1,287Â (Gain) loss on disposal of property and equipmentÂ Â (1)Â Â -Â Â Â (1)Â Â 3Â Total operating expensesÂ Â 652Â Â Â 475Â Â Â 1,847Â Â Â 2,470Â Loss from operationsÂ Â (452)Â Â (307)Â Â (1,346)Â Â (1,471) Other income (expense), netÂ Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Interest expenseÂ Â (409)Â Â (203)Â Â (965)Â Â (850) Loss on debt to equity conversionÂ Â -Â Â Â (1,321)Â Â -Â Â Â (1,321) Other incomeÂ Â 33Â Â Â 25Â Â Â 37Â Â Â 57Â Total other income (expense), netÂ Â (376)Â Â (1,499)Â Â (928)Â Â (2,114) Loss before income taxesÂ Â (828)Â Â (1,806)Â Â (2,274)Â Â (3,585) Provision for income taxesÂ Â -Â Â Â -Â Â Â -Â Â Â -Â Net loss from continuing operationsÂ Â (828)Â Â (1,806)Â

Â (2,274)Â Â (3,585) Net loss from discontinued operationsÂ Â (531)Â Â (350)Â Â (1,866)Â Â (1,812) Net lossÂ Â (1,359)Â Â (2,156)Â Â (4,140)Â Â (5,397) Preferred stock dividendsÂ Â (38)Â Â (38)Â Â (113)Â Â (113) Net loss attributable to common shareholdersÂ $(1,397)Â $(2,194)Â $(4,253)Â $(5,510) Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Basic net loss per common shareÂ $(0.66)Â $(2.00)Â $(2.28)Â $(5.93) Basic weighted average common shares outstandingÂ Â 2,116Â Â Â 1,097Â Â Â 1,862Â Â Â 929Â Â Theaccompanying notes are an integral part of these consolidated financial statements.Â 4 Â Â EastsideDistilling, Inc. and SubsidiariesConsolidatedStatements of Stockholdersâ€™ Equity (Deficit)Forthe Three and Nine months ended September 30, 2024 and 2023(Dollarsand shares in thousands)(Unaudited)Â Â Â SharesÂ Â AmountÂ Â SharesÂ Â AmountÂ Â SharesÂ Â AmountÂ Â CapitalÂ Â DeficitÂ Â (Deficit)Â Â Â Series B Preferred StockÂ Â Series C Preferred StockÂ Â Common StockÂ Â Paid-inÂ Â AccumulatedÂ Â Total Stockholdersâ€™ EquityÂ Â Â SharesÂ Â AmountÂ Â SharesÂ Â AmountÂ Â SharesÂ Â AmountÂ Â CapitalÂ Â DeficitÂ Â (Deficit)Â Balance, December 31, 2022Â Â 2,500Â Â $-Â Â Â -Â Â $-Â Â Â 810Â Â $-Â Â $73,505Â Â $(75,021)Â $(1,516) Issuance of common stock for services by third partiesÂ Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â 11Â Â Â -Â Â Â 83Â Â Â -Â Â Â 83Â Issuance of common stock for services by employeesÂ Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â 12Â Â Â -Â Â Â 60Â Â Â -Â Â Â 60Â Preferred stock dividendsÂ Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â (38)Â Â (38) Net lossÂ Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â (1,598)Â Â (1,598) Balance, March 31, 2023Â Â 2,500Â Â $-Â Â Â -Â Â $-Â Â Â 833Â Â $-Â Â $73,648Â Â $(76,657)Â $(3,009) Shares issued for cashÂ Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â 135Â Â Â -Â Â Â 651Â Â Â -Â Â Â 651Â Preferred stock dividendsÂ Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â (37)Â Â (37) Net lossÂ Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â (1,643)Â Â (1,643) Balance, June 30, 2023Â Â 2,500Â Â $-Â Â Â -Â Â $-Â Â Â 968Â Â $-Â Â $74,299Â Â $(78,337)Â $(4,038) Issuance of common stock for services by third partiesÂ Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â 121Â Â Â -Â Â Â 373Â Â Â -Â Â Â 373Â Issuance of common stock for services by employeesÂ Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â 11Â Â Â -Â Â Â 33Â Â Â -Â Â Â 33Â Shares issued for cashÂ Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â 141Â Â Â -Â Â Â 649Â Â Â -Â Â Â 649Â Debt to equity conversionÂ Â -Â Â Â -Â Â Â 200Â Â Â -Â Â Â 297Â Â Â -Â Â Â 7,831Â Â Â -Â Â Â 7,831Â Preferred stock dividendsÂ Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â (38)Â Â (38) Net lossÂ Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â (2,156)Â Â (2,156) Balance, September 30, 2023Â Â 2,500Â Â $-Â Â Â 200Â Â $-Â Â Â 1,538Â Â $-Â Â $83,185Â Â $(80,531)Â $2,654Â Â Â Â Series B Preferred StockÂ Â Series C Preferred StockÂ Â Common StockÂ Â Paid-inÂ Â AccumulatedÂ Â Total Stockholdersâ€™ EquityÂ Â Â SharesÂ Â AmountÂ Â SharesÂ Â AmountÂ Â SharesÂ Â AmountÂ Â CapitalÂ Â DeficitÂ Â (Deficit)Â Balance, December 31, 2023Â Â 2,500Â Â $-Â Â Â 200Â Â $-Â Â Â 1,706Â Â $-Â Â $83,559Â Â $(82,706)Â $853Â Issuance of common stock for services by third partiesÂ Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â 2Â Â Â -Â Â Â 2Â Â Â -Â Â Â 2Â Preferred stock dividendsÂ Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â (38)Â Â (38) Net lossÂ Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â (1,293)Â Â (1,293) Balance, March 31, 2024Â Â 2,500Â Â $-Â Â Â 200Â Â $-Â Â Â 1,708Â Â $-Â Â $83,561Â Â $(84,037)Â $(476) Issuance of common stock for services by third partiesÂ Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Issuance of common stock for services by employeesÂ Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â 55Â Â Â -Â Â Â 67Â Â Â -Â Â Â 67Â Preferred stock dividendsÂ Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â (37)Â Â (37) Net lossÂ Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â (1,488)Â Â (1,488) Balance, June 30, 2024Â Â 2,500Â Â $-Â Â Â 200Â Â $-Â Â Â 1,763Â Â $-Â Â $83,628Â Â $(85,562)Â $(1,934) BalanceÂ Â 2,500Â Â $-Â Â Â 200Â Â $-Â Â Â 1,763Â Â $-Â Â $83,628Â Â $(85,562)Â $(1,934) Shares issued for cash, net of issuance costsÂ Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â 442Â Â Â -Â Â Â 392Â Â Â -Â Â Â 392Â Common stock issued for conversion of Series C Preferred sharesÂ Â -Â Â Â -Â Â Â (82)Â Â -Â Â Â 757Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Warrants issued in relation to debt issuanceÂ Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â 329Â Â Â -Â Â Â 329Â Preferred stock dividendsÂ Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â 178Â Â Â -Â Â Â 150Â Â Â (38)Â Â 112Â Net loss attributable to common shareholdersÂ Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â (1,359)Â Â (1,359) Net lossÂ Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Â Â (1,359)Â Â (1,359) Balance, September 30, 2024Â Â 2,500Â Â $-Â Â Â 118Â Â $-Â Â Â 3,140Â Â $-Â Â $84,499Â Â $(86,959)Â $(2,460) BalanceÂ Â 2,500Â Â $-Â Â Â 118Â Â $-Â Â Â 3,140Â Â $-Â Â $84,499Â Â $(86,959)Â $(2,460)Â Theaccompanying notes are an integral part of these consolidated financial statements.Â 5 Â Â EastsideDistilling, Inc. and SubsidiariesConsolidatedStatements of Cash FlowsForthe Nine Months Ended September 30, 2024 and 2023(Dollarsin thousands)(Unaudited)Â Â Â 2024Â Â 2023Â Cash Flows From Operating Activities:Â Â Â Â Â Â Â Â Net lossÂ $(4,140)Â $(5,397) Net loss from discontinued operationsÂ Â 1,866Â Â Â 1,812Â Adjustments to reconcile net loss to net cash used in operating activitiesÂ Â Â Â Â Â Â Â Depreciation and amortizationÂ Â 99Â Â Â 114Â Bad debt expenseÂ Â -Â Â Â 19Â Impairment lossÂ Â -Â Â Â (25) (Gain) loss on disposal of assetsÂ Â (1)Â Â 3Â Inventory reserveÂ Â (2)Â Â (8) Loss on debt to equity conversionÂ Â -Â Â Â 1,321Â Stock dividend payableÂ Â -Â Â Â (113) Amortization of debt issuance costsÂ Â 236Â Â Â -Â Interest accrued to secured credit facilitiesÂ Â 27Â Â Â 71Â Interest accrued to notes payableÂ Â 481Â Â Â -Â Payment of accrued interest on secured credit facilitiesÂ Â -Â Â Â (142) Interest accrued to secured credit facilities, related partyÂ Â 183Â Â Â -Â Payment of accrued interest on secured credit facilities, related partyÂ Â (81)Â Â -Â Interest accrued for amounts due to related partiesÂ Â -Â Â Â 348Â Payment of accrued interest on amounts due to related partiesÂ Â -Â Â Â (348) Issuance of common stock for services by third partiesÂ Â 2Â Â Â 94Â Issuance of common stock for services by employeesÂ Â 67Â Â Â 456Â Changes in operating assets and liabilities:Â Â Â Â Â Â Â Â Trade receivables, netÂ Â 59Â Â Â 54Â InventoriesÂ Â 259Â Â Â 597Â Prepaid expenses and other assetsÂ Â (1)Â Â (48) Right-of-use assetsÂ Â 250Â Â Â 233Â Accounts payableÂ Â (39)Â Â 93Â Accrued liabilitiesÂ Â (47)Â Â (632) Other liabilities, related partyÂ Â 81Â Â Â 556Â Net lease liabilitiesÂ Â (276)Â Â (236) Net cash used in operating activities of continuing operationsÂ Â (977)Â Â (1,178) Net cash used in operating activities of discontinued operationsÂ Â (626)Â Â (541) Net cash used in operating activitiesÂ Â (1,603)Â Â (1,719) Cash Flows From Investing Activities:Â Â Â Â Â Â Â Â Proceeds from sale of fixed assetsÂ Â -Â Â Â 51Â Purchases of property and equipmentÂ Â -Â Â Â (60) Net cash used in investing activities of continuing operationsÂ Â -Â Â Â (9) Net cash provided by (used in) investing activities of discontinued operationsÂ Â 114Â Â Â (111) Net cash provided by (used in) investing activitiesÂ Â 114Â Â Â (120) Cash Flows From Financing Activities:Â Â Â Â Â Â Â Â Proceeds fromÂ Â issuance of stockÂ Â 393Â Â Â 1,300Â Proceeds from secured credit facilitiesÂ Â 1,100Â Â Â 56Â Net cash provided by financing activitiesÂ Â 1,493Â Â Â 1,356Â Net increase (decrease) in cashÂ Â 4Â Â Â (483) Cash at the beginning of the periodÂ Â 306Â Â Â 612Â Cash at the end of the periodÂ $310Â Â $129Â Â Â Â Â Â Â Â Â Â Supplemental Disclosure of Cash Flow InformationÂ Â Â Â Â Â Â Â Cash paid during the period for interestÂ $12Â Â $1,056Â Cash paid for amounts included in measurement of lease liabilitiesÂ $234Â Â $254Â Â Â Â Â Â Â Â Â Â Supplemental Disclosure of Non-Cash Financing ActivityÂ Â Â Â Â Â Â Â Dividends issuedÂ $150Â Â $-Â Warrants issued in relation to debt issuanceÂ $329Â Â $-Â Debt exchanged for equityÂ $-Â Â $6,510Â Accrued interest rolled into notes payableÂ $-Â Â $241Â Â Theaccompanying notes are an integral part of these consolidated financial statements.Â 6 Â Â EastsideDistilling, Inc. and SubsidiariesNotesto Consolidated Financial StatementsSeptember30, 2024(Unaudited)1.Description of BusinessÂ EastsideDistilling (the â€œCompanyâ€ or â€œEastside Distillingâ€) was incorporated under the laws of Nevada in 2004 under thename of Eurocan Holdings, Ltd. In December 2014, the Company changed its corporate name to Eastside Distilling, Inc. to reflect the acquisitionof Eastside Distilling, LLC. On September 4, 2024, the Company entered into an Agreement and Plan of Merger and Reorganization (the â€œMergerAgreementâ€) with East Acquisition Sub Inc. (â€œMerger Subâ€) and Beeline Financial Holdings, Inc. (â€œBeelineâ€).The Merger closed on October 7, 2024. Beeline is a mortgage technology company that operates an end-to-end, all-digital, AI-enhancedplatform for homeowners and property investors. The Company currently employs 88 people in the United States, including Beelineâ€™semployees and excluding Craft Canning + Printing (â€œCraft C+Pâ€) employees.Â OnSeptember 4, 2024, the Company and its subsidiary, Craft C+P, entered into a Debt Exchange Agreement (the â€œDebtAgreementâ€), which closed on October 7, 2024, resulting in the assignment by the Company of 720 barrels of spirits to CraftC+P, followed by the merger of Craft C+P into a limited liability company owned by certain creditors of the Company. Given that theeffect of the Debt Agreement meets all the initial criteria of ASC Topic 205-20, Presentation of Financial Statements â€“Discontinued Operations for the classification of held for sale, the assets, liabilities, and operating results of Craft C+Phave been classified as held for sale as of September 30, 2024 and December 31, 2023 and for the three and nine months endedSeptember 30, 2024 and 2023. The consolidated financial statements for the prior periods have been adjusted to reflect comparableinformation.Â Subsequentto the execution of the Debt Agreement, the Company organized a subsidiary named â€œBridgetown Spirits Corp.â€ (â€œBridgetownâ€), which was incorporated on October 3, 2024,and assigned to Bridgetown the Companyâ€™s business of manufacturing and marketing spirits. Bridgetown manufactures, acquires, blends,bottles, imports, markets and sells a wide variety of alcoholic beverages under recognized brands. Bridgetownâ€™s brands span severalalcoholic beverage categories, including whiskey, vodka, rum, and tequila. Bridgetown sells products on a wholesale basis to distributorsin open states and through brokers in control states.Â 2.LiquidityÂ ThroughSeptember 30, 2024, the Companyâ€™s primary capital requirements have been for cash used in operating activities and for therepayment of debt. Funds for the Companyâ€™s cash and liquidity needs have historically not been generated from operations butrather from loans as well as from convertible debt and equity financing. The Company has been dependent on raising capital from debtand equity financing to meet the Companyâ€™s operating needs.Â TheCompany had an accumulated deficit of $87.0 million as of September 30, 2024, having incurred a net loss of $4.1 million during the ninemonths ended September 30, 2024.Â On October 7, 2024, the Companysatisfied all of its secured debt and $2.5 million of unsecured debt by assigning ownership of its subsidiary, Craft C+P, to the creditorsof that debt, who additionally surrendered to the Company 44,279 shares of Series C Preferred Stock. The transaction substantially reducedthe Companyâ€™s debt obligations. On the same day, Beeline merged into a wholly-owned subsidiary of the Company. Beeline used $8.6million in operating activities during 2023 and $10.1 million in operating activities during the first six months of 2024, funds thatit obtained from a variety of debt and equity financing transactions.Â The Companyâ€™s ability, therefore,to meet its ongoing operating cash needs over the next 12 months will depend in part on generating positive operating cash flow throughincreased sales. However, the Company will continue to depend, for the foreseeable future, on debt and/or equity financing. If the Companyis unable to obtain additional financing, or additional financing is not available on acceptable terms, the Company may seek to sell assets,reduce operating expenses, reduce or eliminate marketing initiatives, and take other measures that could impair its ability to be successful.Â Althoughthe Companyâ€™s audited financial statements for the year ended December 31, 2023 were prepared under the assumption that it wouldcontinue operations as a going concern, the report of its independent registered public accounting firm that accompanied the financialstatements for the year ended December 31, 2023 contained a going concern explanatory paragraph in which such firm expressed substantialdoubt about the Companyâ€™s ability to continue as a going concern, based on the financial statements at that time. If the Companycannot continue as a going concern, its stockholders would likely lose most or all of their investment in it.Â 7 Â Â EastsideDistilling, Inc. and SubsidiariesNotesto Consolidated Financial StatementsSeptember30, 2024(Unaudited)Â 3.Summary of Significant Accounting PoliciesÂ Basisof Presentation and ConsolidationÂ Theaccompanying unaudited consolidated financial statements for Eastside Distilling, Inc. and subsidiaries were prepared in accordance withaccounting principles generally accepted in the United States of America (â€œGAAPâ€) for interim financial information and inaccordance with the rules and regulations of the Securities and Exchange Commission (the â€œSECâ€). Certain information andfootnote disclosures normally included in financial statements in accordance with GAAP have been condensed or eliminated as permittedunder the SECâ€™s rules and regulations. In managementâ€™s opinion, the unaudited consolidated financial statements include allmaterial adjustments, all of which are of a normal and recurring nature, necessary to present fairly the Companyâ€™s financial positionas of September 30, 2024, its operating results for the three and nine months ended September 30, 2024 and 2023 and its cash flows forthe nine months ended September 30, 2024 and 2023. The unaudited consolidated financial statements should be read in conjunction withthe audited consolidated financial statements included in the Companyâ€™s Annual Report on Form 10-K for the year ended December31, 2023. Interim results are not necessarily indicative of the results that may be expected for an entire fiscal year. The consolidatedfinancial statements include the accounts of Eastside Distilling, Inc. and its wholly-owned subsidiary Bridgetown. The consolidated financialstatements also include the accounts of two other wholly-owned subsidiaries, Craft Canning + Bottling, LLC (doing business as Craft Canning+ Printing) and Galactic Unicorn Packaging, LLC, presented as assets and liabilities held for sale. All intercompany balances and transactionshave been eliminated on consolidation.Â Useof EstimatesÂ Thepreparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reportedamounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and thereported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.Â RevenueRecognitionÂ Netsales include product sales, less excise taxes and customer programs and incentives. The Company recognizes revenue by applying the followingsteps in accordance with Accounting Standards Codification (â€œASCâ€) Topic 606 â€“ Revenue from Contracts with Customers:(1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price;(4) allocate the transaction price to each performance obligation in the contract; and (5) recognize revenue when each performance obligationis satisfied.Â TheCompany recognizes spirits sales when merchandise is shipped from a warehouse directly to wholesale customers (except in the case ofa consignment sale). For consignment sales, which include sales to the Oregon Liquor Control Commission, the Company recognizes salesupon the consigneeâ€™s shipment to the customer. Postage and handling charges billed to customers are also recognized as sales uponshipment of the related merchandise. Shipping terms are generally FOB shipping point, and title passes to the customer at the time andplace of shipment or purchase by customers at a retail location. For consignment sales, title passes to the consignee concurrent withthe consigneeâ€™s shipment to the customer. The customer has no cancellation privileges after shipment or upon purchase at retaillocations, other than customary rights of return.Â Inthe Craft C+P segment, sales are recognized when printed cans are delivered or when mobile filling services are performed.Â CustomerProgramsÂ Customerprograms, which include customer promotional discount programs, are a common practice in the alcoholic beverage industry. The Companyreimburses wholesalers for an agreed amount to promote sales of products and to maintain competitive pricing. Amounts paid in connectionwith customer programs are recorded as reductions to net sales in accordance with ASC 606 - Revenue from Contracts with Customers.Amounts recorded in customer programs totaled $40,302 and $43,551 for the nine months ended September 30, 2024 and 2023, respectively.Â 8 Â Â EastsideDistilling, Inc. and SubsidiariesNotesto Consolidated Financial StatementsSeptember30, 2024(Unaudited)Â ExciseTaxesÂ TheCompany is responsible for compliance with the Alcohol and Tobacco Tax and Trade Bureau (â€œTTBâ€) regulations, which includesmaking timely and accurate excise tax payments. The Company is subject to periodic compliance audits by the TTB. Individual states alsoimpose excise taxes on alcoholic beverages in varying amounts. The Company calculates its excise tax expense based upon units producedand on its understanding of the applicable excise tax laws. Excise taxes totaled $0.1 million and $0.2 million for the nine months endedSeptember 30, 2024 and 2023, respectively.Â Costof SalesÂ Costof sales consists of all direct costs related to both spirits and canning for service, labor, overhead, packaging, and in-bound freightcharges. Raw materials account for the largest portion of the cost of sales, followed by packaging and production costs.Â Salesand Marketing ExpensesÂ Salesand marketing expenses consist of sponsorships, agency fees, digital media, salary and benefit expenses, travel and entertainment expenses.Sales and marketing costs are expensed as incurred. Advertising expenses totaled $44,480 and $0.1 million for the nine months ended September30, 2024 and 2023, respectively.Â Generaland Administrative ExpensesÂ Generaland administrative expenses consist of salary and benefit expenses, travel and entertainment expenses for executive and administrativestaff, rent and utilities, professional fees, insurance, and amortization and depreciation expense. General and administrative costsare expensed as incurred.Â Stock-BasedCompensationÂ TheCompany recognizes as compensation expense all stock-based awards issued to employees. The compensation cost is measured based on thegrant-date fair value of the related stock-based awards and is recognized over the service period of stock-based awards, which is generallythe same as the vesting period. The fair value of stock options is determined using the Black-Scholes valuation model, which estimatesthe fair value of each award on the date of grant based on a variety of assumptions including expected stock price volatility, expectedterms of the awards, risk-free interest rate, and dividend rates, if applicable. Stock-based awards issued to nonemployees are recordedat fair value on the measurement date and are subject to periodic market adjustments at the end of each reporting period and as the underlyingstock-based awards vest.Â ConcentrationsÂ Financialinstruments that potentially subject the Company to concentrations of credit risk consist principally of the trade receivables of Bridgetown.As of September 30, 2024, two distributors represented 75% of Bridgetown trade receivables. As of December 31, 2023, three distributorsrepresented 84% of Bridgetown trade receivables. Sales to one distributor accounted for 67% of consolidated sales by Bridgetown for thenine months ended September 30, 2024. Sales to one distributor and one wholesale customer accounted for 69% of consolidated sales ofBridgetown for the nine months ended September 30, 2023.Â FairValue MeasurementsÂ GAAPdefines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements.GAAP permits an entity to choose to measure many financial instruments and certain other items at fair value and contains financial statementpresentation and disclosure requirements for assets and liabilities for which the fair value option is elected. As of September 30, 2024and December 31, 2023, management has not elected to report any of the Companyâ€™s assets or liabilities at fair value under theâ€œfair value optionâ€ provided by GAAP.Â 9 Â Â EastsideDistilling, Inc. and SubsidiariesNotesto Consolidated Financial StatementsSeptember30, 2024(Unaudited)Â Thehierarchy of fair value valuation techniques under GAAP provides for three levels: Level 1 provides the most reliable measure of fairvalue, whereas Level 3, if applicable, generally would require significant management judgment. The three levels for categorizing assetsand liabilities under GAAPâ€™s fair value measurement requirements are as follows:Â Â Level 1: Fair value of the asset or liability is determined using cash or unadjusted quoted prices in active markets for identical assets or liabilities. Â Â Â Â Â Level 2: Fair value of the asset or liability is determined using inputs other than quoted prices that are observable for the applicable asset or liability, either directly or indirectly, such as quoted prices for similar (as opposed to identical) assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active. Â Â Â Â Level 3: Fair value of the asset or liability is determined using unobservable inputs that are significant to the fair value measurement and reflect managementâ€™s own assumptions regarding the applicable asset or liability. Â Noneof the Companyâ€™s assets or liabilities were measured at fair value as of September 30, 2024 or December 31, 2023. However, GAAPrequires the disclosure of fair value information about financial instruments that are not measured at fair value. Financial instrumentsconsist principally of trade receivables, accounts payable, accrued liabilities, notes payable, and the secured credit facilities. Theestimated fair value of trade receivables, accounts payable, and accrued liabilities approximate their carrying value due to the shortperiod of time to their maturities. As of September 30, 2024 and December 31, 2023, the principal amounts of the Companyâ€™s notesapproximated fair value.Â ItemsMeasured at Fair Value on a Nonrecurring BasisÂ Certainassets and liabilities acquired in a business acquisition are valued at fair value at the date of acquisition due to having indefinitelives. The Company, on an annual basis, tests the indefinite life assets for impairment. If an indefinite life asset is found to be impaired,then the Company will estimate its useful life and amortize the asset over the remainder of its useful life.Â InventoriesÂ Inventoriesprimarily consist of bulk and bottled liquor and raw materials and are stated at the lower of cost or market. Cost is determined usingan average costing methodology, which approximates cost under the first-in, first-out (â€œFIFOâ€) method. A portion of the Companyâ€™sfinished goods inventory is held by certain independent distributors on consignment until it is sold to a third party. The Company regularlymonitors inventory quantities on hand and records write-downs for excess and obsolete inventories based primarily on the Companyâ€™sestimated forecast of product demand and production requirements. Such write-downs establish a new cost basis of accounting for the relatedinventory.Â Propertyand EquipmentÂ Propertyand equipment is stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line methodover the estimated useful lives of the assets, ranging from three to seven years. Amortization of leasehold improvements is computed usingthe straight-line method over the life of the lease or the useful lives of the assets, whichever is shorter. The cost and related accumulateddepreciation and amortization of property and equipment sold or otherwise disposed of are removed from the accounts and any gain or lossis reported as current period income or expense. The costs of repairs and maintenance are expensed as incurred.Â IntangibleAssets / GoodwillÂ TheCompany accounts for certain intangible assets at cost. Management reviews these intangible assets for probable impairment whenever eventsor circumstances indicate that the carrying amount of such assets may not be recoverable. If there is an indication of impairment, managementwould prepare an estimate of future cash flows (undiscounted and without interest charges) expected to result from the use of the assetand its eventual disposition. If these estimated cash flows were less than the carrying amount, an impairment loss would be recognizedto write down the asset to its estimated fair value.Â 10 Â Â EastsideDistilling, Inc. and SubsidiariesNotesto Consolidated Financial StatementsSeptember30, 2024(Unaudited)Â Long-livedAssetsÂ TheCompany accounts for long-lived assets, including certain intangible assets, at amortized cost. Management reviews long-lived assetsfor probable impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. Ifthere is an indication of impairment, management would prepare an estimate of future cash flows (undiscounted and without interest charges)expected to result from the use of the asset and its eventual disposition. If these estimated cash flows were less than the carryingamount of the asset, an impairment loss would be recognized to write down the asset to its estimated fair value.Â ComprehensiveIncomeÂ TheCompany did not have any other comprehensive income items in either of the nine month periods ended September 30, 2024 or 2023.Â AccountsReceivable Factoring ProgramÂ TheCompany had two accounts receivable factoring programs: one for its spirits customers (the â€œspirits programâ€) that had azero balance as of September 30, 2024 and another for its co-packing customers (the â€œco-packing programâ€) that terminatedin August 2023. Under the programs, the Company had the option to sell certain customer account receivables in advance of payment for75% (spirits program) or 85% (co-packing program) of the amount due. When the customer remits payment, the Company receives the remainingbalance. For the spirits program, interest is charged on the advanced 75% payment at a rate of 2.4% for the first 30 days plus 1.44%for each additional ten-day period. For the co-packing program, interest was charged against the greater of $0.5 million or the totalfunds advanced at a rate of 1% plus the prime rate published in the Wall Street Journal. Under the terms of both agreements, the factoringprovider had full recourse against the Company should the customer fail to pay the invoice. In accordance with ASC Topic 860 â€"Transfers and Servicing, the Company has concluded that these agreements have met all three conditions identified in ASC Topic860-10-40-5 (a) â€" (c) and have accounted for this activity as a sale. Given the quality of the factored accounts, the Company hadnot recognized a recourse obligation. In certain limited instances, the Company may provide collection services on the factored accountsbut did not receive any fees for acting as the collection agent, and as such, the Company had not recognized a service obligation assetor liability. The Company factored $0.7 million of invoices and incurred $20,821 in fees associated with the factoring programs duringthe nine months ended September 30, 2023.Â RecentlyIssued Accounting PronouncementsÂ InNovember 2024, the FASB issued ASU 2024-03, Income Statementâ€"Reporting Comprehensive Incomeâ€"Expense Disaggregation Disclosures(Subtopic 220-40) (â€œASU 2024-03â€). ASU 2024-03 seeks to improve information about cost of sales and selling, general,and administrative expenses to assist investors in better understanding an entityâ€™s cost structure and forecasting future cashflows. The updated guidance is effective for the Company for annual periods beginning after December 15, 2026, and interim reportingperiods beginning after December 15, 2027. The Company does not expect the adoption of this ASU to have a material impact on its financialstatements and disclosures.Â InDecember 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (â€œASU 2023-09â€).ASU 2023-09 seeks to improve transparency in income tax disclosures by requiring consistent categories and greater disaggregationof information in the rate reconciliation and income taxes paid disclosures. The updated guidance is effective for the Company on January1, 2025. The Company does not expect the adoption of ASU 2023-09 to have a material impact on its financial statements and disclosures.Â InNovember 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures (â€œASU2023-07â€). ASU 2023-07 seeks to improve disclosures about a public entityâ€™s reportable segments and add disclosuresaround a reportable segmentâ€™s expenses. The updated guidance is effective for the Company for annual periods beginning January1, 2024, and interim periods within fiscal years beginning January 1, 2025. The Company does not expect the adoption of this ASU to havea material impact on its financial statements and disclosures.Â 4.Discontinued OperationsÂ DiscontinuedOperationsÂ TheCompany reports discontinued operations by applying the following criteria in accordance with ASC Topic 205-20, Presentation of FinancialStatements â€" Discontinued Operations: (1) Component of an entity; (2) Held for sale criteria; and (3) Strategic shift.Â 11 Â Â EastsideDistilling, Inc. and SubsidiariesNotesto Consolidated Financial StatementsSeptember30, 2024(Unaudited)Â OnSeptember 4, 2024, the Company and its subsidiary, Craft C+P, entered into the Debt Agreement with The B.A.D. Company, LLC (the â€œSPVâ€),Aegis Security Insurance Company (â€œAegisâ€), Bigger Capital Fund, LP (â€œBiggerâ€), District 2 Capital Fund, LP (â€œDistrict2â€), LDI Investments, LLC (â€œLDIâ€), William Esping (â€œEspingâ€), WPE Kids Partners (â€œWPEâ€) andRobert Grammen (â€œGrammenâ€), collectively, the â€œInvestorsâ€. The SPV is a special purpose vehicle whose equityis shared 50% by Bigger and District 2 and 50% by Aegis and LDI.Â OnOctober 7, 2024, a closing will be held pursuant to the terms of the Debt Agreement. Aegis, Bigger, District 2 and LDI will transferto the Company 31,234 shares of Series C Preferred Stock and 119,873 shares of the Companyâ€™s common stock. The Investors will alsorelease the Company from liability for $4.1 million of senior secured debt and $2.5 million of unsecured debt. In consideration of theirsurrender of stock and release of debt, the Company will cause Craft C+P to be merged into a limited liability company owned by the Investors.Given that the effect of the Debt Agreement meets all the initial criteria for classification of held for sale, the assets, liabilities,and operating results of Craft C+P have been classified as held for sale during the nine month periods ended September 30, 2024 and 2023,and as of September 30, 2024 and December 31, 2023. The consolidated financial statements for the prior periods have been adjusted toreflect comparable information.Â Assetsand liabilities related to Craft C+P were as follows:Scheduleof Disposal Groups, Including Discontinued Operations Â (Dollars in thousands)Â September 30, 2024Â Â December 31, 2023Â AssetsÂ Â Â Â Â Â Â Â Current assets:Â Â Â Â Â Â Â Â CashÂ $135Â Â $96Â Trade receivables, netÂ Â 756Â Â Â 396Â InventoriesÂ Â 1,071Â Â Â 526Â Prepaid expenses and other current assetsÂ Â 678Â Â Â 250Â Total current assetsÂ Â 2,640Â Â Â 1,268Â Property and equipment, netÂ Â 4,156Â Â Â 4,598Â Right-of-use assetsÂ Â 1,415Â Â Â 1,923Â Intangible assets, netÂ Â 517Â Â Â 827Â Other assets, netÂ Â 210Â Â Â 321Â Total AssetsÂ $8,938Â Â $8,937Â Â Â Â Â Â Â Â Â Â LiabilitiesÂ Â Â Â Â Â Â Â Current liabilities:Â Â Â Â Â Â Â Â Accounts payableÂ $2,130Â Â $1,014Â Accrued liabilitiesÂ Â 266Â Â Â 110Â Deferred revenueÂ Â 42Â Â Â 88Â Current portion of lease liabilitiesÂ Â 686Â Â Â 665Â Total current liabilitiesÂ Â 3,124Â Â Â 1,877Â Lease liabilities, net of current portionÂ Â 843Â Â Â 1,366Â Total liabilitiesÂ $3,967Â Â

$3,243Â Â Incomeand expense related to Craft C+P were as follows for the nine months ended September 30, 2024 and 2023:Â (Dollars in thousands)Â 2024Â Â 2023Â SalesÂ $6,775Â Â $5,637Â Less customer programs and excise taxesÂ Â 117Â Â Â 79Â Net salesÂ Â 6,658Â Â Â 5,558Â Cost of salesÂ Â 6,322Â Â Â 5,378Â Gross profitÂ Â 336Â Â Â 180Â Operating expenses:Â Â Â Â Â Â Â Â Sales and marketing expensesÂ Â 45Â Â Â 81Â General and administrative expensesÂ Â 2,355Â Â Â 2,103Â Gain on disposal of property and equipmentÂ Â (195)Â Â (171) Total operating expensesÂ Â 2,205Â Â Â 2,013Â Loss from operationsÂ Â (1,869)Â Â (1,833) Other income (expense), netÂ Â Â Â Â Â Â Â Interest expenseÂ Â -Â Â Â (12) Other incomeÂ Â 3Â Â Â 33Â Total other income, netÂ Â 3Â Â Â 21Â Loss before income taxesÂ Â (1,866)Â Â (1,812) Provision for income taxesÂ Â -Â Â Â -Â Net lossÂ $(1,866)Â $(1,812) Â 12 Â Â EastsideDistilling, Inc. and SubsidiariesNotesto Consolidated Financial StatementsSeptember30, 2024(Unaudited)Â 5.Business Segment InformationÂ Asof September 30, 2024, the Companyâ€™s internal management financial reporting consisted of Bridgetown and corporate. The Bridgetownbrands span several alcoholic beverage categories, including whiskey, vodka, rum, and tequila and are sold on a wholesale basis to distributorsin open states, and to brokers in control states. The Companyâ€™s principal area of operation is in the U.S. It has one Bridgetowncustomer that represents 67% of its revenue. Corporate consists of key executive and accounting personnel and corporate expenses suchas public company and board costs, as well as interest on debt.Â Themeasure of profitability reviewed are condensed statements of operations and gross margins. These business segments reflect how operationsare managed, operating performance is evaluated and the structure of internal financial reporting. Total asset information by segmentis not provided to, or reviewed by, the chief operating decision maker (â€œCODMâ€) as it is not used to make strategic decisions,allocate resources or assess performance. The accounting policies of the segments are the same as those described for the Company inthe Summary of Significant Accounting Policies in Note 3.Â Segmentinformation was as follows for the nine months ended September 30:Schedule of Segment InformationÂ (Dollars in thousands)Â 2024Â Â 2023Â BridgetownÂ Â Â Â Â Â Â Â SalesÂ $2,106Â Â $3,080Â Net salesÂ Â 1,977Â Â Â 2,939Â Cost of salesÂ Â 1,476Â Â Â 1,940Â Gross profitÂ Â 501Â Â Â 999Â Total operating expensesÂ Â 698Â Â Â 1,183Â Net lossÂ Â (162)Â Â (130) Gross marginÂ Â 25%Â Â 34% Â Â Â Â Â Â Â Â Â Depreciation and amortizationÂ Â 99Â Â 114Â Â Â Â Â Â Â Â Â Â CorporateÂ Â Â Â Â Â Â Â Total operating expensesÂ $1,149Â Â $1,287Â Net lossÂ Â (2,112)Â Â (3,455) Â Â Â Â Â Â Â Â Â Interest expenseÂ Â 965Â Â Â 850Â Significant noncash items:Â Â Â Â Â Â Â Â Stock compensationÂ Â -Â Â Â 98Â Â 6.InventoriesÂ Inventoriesconsisted of the following:Scheduleof InventoriesÂ (Dollars in thousands)Â September 30, 2024Â Â December 31, 2023Â Raw materialsÂ $770Â Â $1,740Â Finished goodsÂ Â 1,023Â Â Â 946Â Total inventoriesÂ $1,793Â Â $2,686Â Â 13 Â Â EastsideDistilling, Inc. and SubsidiariesNotesto Consolidated Financial StatementsSeptember30, 2024(Unaudited)Â 7.Prepaid Expenses and Other Current AssetsÂ Prepaidexpenses and other current assets consisted of the following:Schedule ofPrepaid Expenses and Other Current AssetsÂ (Dollars in thousands)Â September 30, 2024Â Â December 31, 2023Â Prepayment of inventoryÂ $69Â Â $52Â OtherÂ Â 107Â Â Â 61Â Total prepaid expenses and other current assetsÂ $176Â Â $113Â Â 8.Property and EquipmentÂ Propertyand equipment consisted of the following:Schedule of Property and EquipmentÂ (Dollars in thousands)Â September 30, 2024Â Â December 31, 2023Â Â Useful Life (in years)Â Furniture and fixturesÂ $625Â Â $625Â Â Â 3.0 - 7.0Â Leasehold improvementsÂ Â 1,386Â Â Â 1,386Â Â Â 3.5 - 5.0Â VehicleÂ Â 27Â Â Â 27Â Â Â 7.0Â Total costÂ Â 2,038Â Â Â 2,038Â Â Â Â Â Less accumulated depreciationÂ Â (1,926)Â Â (1,869)Â Â Â Â Total property and equipment, netÂ $112Â Â $169Â Â Â Â Â Â Purchasesof property and equipment for the nine months ended September 30, 2024 and 2023 were nil and $0.1 million, respectively. Depreciationexpense totalled $0.1 million for both the nine months ended September 30, 2024 and 2023.Â Duringthe nine months ended September 30, 2024, the Company did not dispose of any fixed assets. During the nine months ended September 30,2023, the Company disposed of fixed assets for proceeds of $0.1 million with a net book value of $0.1 million resulting in a loss of$2,962.Â 9.Intangible AssetsÂ Intangibleassets consisted of the following:Scheduleof Intangible AssetsÂ (Dollars in thousands)Â September 30, 2024Â Â December 31, 2023Â Permits and licensesÂ $25Â Â $25Â AzuÃ±ia brandÂ Â 4,153Â Â Â 4,153Â Intangible assetsÂ $4,178Â Â $4,178Â Â TheCompanyâ€™s intangible assets were determined to have an indefinite life and are not amortized. The Company, on an annual basis,tests the indefinite life assets for impairment. If the carrying value of an indefinite life asset is found to be impaired, then theCompany will record an impairment loss and reduce the carrying value of the asset. As of December 31, 2023, the Company determined thatthe AzuÃ±ia assets were impaired and recorded an impairment cost of $0.4 million. No further impairment charge was recorded duringthe nine months ended September 30, 2024.Â 10.Other AssetsÂ Otherassets consisted of the following:Scheduleof Other AssetsÂ (Dollars in thousands)Â September 30, 2024Â Â December 31, 2023Â Product brandingÂ $396Â Â $396Â DepositsÂ Â 171Â Â Â 172Â OtherÂ Â -Â Â Â 23Â Total other assetsÂ Â 567Â Â Â 591Â Less accumulated amortizationÂ Â (385)Â Â (344) Other assets, netÂ $182Â Â $247Â Â 14 Â Â EastsideDistilling, Inc. and SubsidiariesNotesto Consolidated Financial StatementsSeptember30, 2024(Unaudited)Â Asof September 30, 2024, the Company had $0.4 million of capitalized costs related to services provided for the rebranding of its existingproduct line. This amount is being amortized over a seven-year life.Â Amortizationexpense totalled $41,250 and $42,857 for the nine months ended September 30, 2024 and 2023, respectively.Â Thedeposits represent the office lease deposits and cash collateral for the Companyâ€™s credit cards.Â 11.LeasesÂ TheCompany has various lease agreements in place for its warehouse and copier. Terms of these leases include, in some instances, scheduledrent increases, renewals, purchase options and maintenance costs, and vary by lease. These lease obligations expire at various datesthrough 2026. The Company determines if an arrangement is a lease at inception. As the rate implicit in each lease is not readily determinable,the Company uses its incremental borrowing rate based on information available at commencement to determine the present value of thelease payments. Right-of-use assets and lease liabilities are recognized at commencement date based on the present value of lease paymentsover the lease term. Leases with an initial term of 12 months or less (â€œshort-term leasesâ€) are not recorded on the balancesheet and are recognized on a straight-line basis over the lease term. As of September 30, 2024, the amount of right-of-use assets andlease liabilities were each $0.4 million. Aggregate lease expense for the nine months ended September 30, 2024 was $0.2 million, consistingof $0.1 million in operating lease expense for lease liabilities and $0.1 million in short-term lease cost.Â Maturitiesof lease liabilities as of September 30, 2024 were as follows:Scheduleof Maturities of Operating Lease LiabilitiesÂ (Dollars in thousands)Â Operating LeasesÂ Â Weighted-Average Remaining Term in YearsÂ 2024Â $58Â Â Â Â Â 2025Â Â 210Â Â Â Â Â 2026Â Â 164Â Â Â Â Â 2027Â Â -Â Â Â Â Â 2028Â Â -Â Â Â Â Â ThereafterÂ Â -Â Â Â Â Â Total lease paymentsÂ Â 432Â Â Â Â Â Less imputed interest (based on 6.1% weighted-average discount rate)Â Â (28)Â Â Â Â Present value of lease liabilityÂ $404Â Â Â 2.06Â Â 12.Notes PayableÂ Notespayable consisted of the following:Scheduleof Notes PayableÂ (Dollars in thousands)Â September 30, 2024Â Â December 31, 2023Â Â Â Â Â Â Â Â Promissory notes payable bearing interest of 6.0%. The notes have a 36-month term with maturity in April 2024. Accrued interest is paid in accordance with a monthly amortization schedule.Â $486Â Â $486Â Amended and restated promissory notes payable bearing interest of 8.0%. The notes mature in March 2025. Accrued interest is paid in accordance with an amortization schedule.Â Â 7,669Â Â Â 7,556Â Total notes payableÂ Â 8,155Â Â Â 8,042Â Less current portionÂ Â (8,155)Â Â (486) Long-term portion of notes payableÂ $-Â Â $7,556Â Â 15 Â Â EastsideDistilling, Inc. and SubsidiariesNotesto Consolidated Financial StatementsSeptember30, 2024(Unaudited)Â TheCompany paid $11,588 and $1.1 million in interest on notes for the nine months ended September 30, 2024 and 2023, respectively.Â Maturitieson notes payable as of September 30, 2024 were as follows:Scheduleof Maturities on Notes payableÂ (Dollars in thousands)Â Â Â 2024Â Â 486Â 2025Â Â 7,669Â 2026Â Â -Â 2027Â Â -Â 2028Â Â -Â ThereafterÂ Â -Â TotalÂ $8,155Â Â 13.Secured Credit FacilitiesÂ NotePurchase AgreementÂ OnOctober 7, 2022, the Company entered into a Note Purchase Agreement dated as of October 6, 2022 with Aegis. Pursuant to the Note Purchase Agreement, Aegis purchased from the Company a secured promissory note in the principalamount of $4.5 million (the â€œAegis Noteâ€). Aegis paid for the Aegis Note by paying $3.3 million to TQLA to fully satisfya secured line of credit promissory note that the Company issued to TQLA on March 21, 2022; and the remaining $1.2 million was paid incash to the Company. The Aegis Note bears interest at 9.25% per annum, payable every three months. The principal amount of the AegisNote will be payable on March 31, 2025. The Company pledged substantially all of its assets to secure its obligations to Aegis underthe Aegis Note.Â OnSeptember 29, 2023, the Company entered into a Debt Satisfaction Agreement with Aegis and other creditors, pursuant to which the AegisNote was amended and restated. See: Note 16, Stockholders Equity â€“ Debt Satisfaction Agreement. Principal and interest of$1.9 million were exchanged for equity issued to a special purpose vehicle, The B.A.D. Company, LLC (the â€œSPVâ€),in which Aegis holds a 29% interest. As of September 30, 2024, the principal balance of the Aegis Note was $2.6 million and interestexpense accrued was $0.1 million.Â 6%Secured Convertible Promissory NotesÂ OnApril 19, 2021, the Company entered into a securities purchase agreement (â€œPurchase Agreementâ€) with accredited investors(â€œSubscribersâ€) for their purchase of up to $3.3 million of principal amount of 6% secured convertible promissory notes ofthe Company (â€œNoteâ€ or â€œNotesâ€), which notes are convertible into shares (â€œConversion Sharesâ€) ofthe Companyâ€™s common stock, par value $0.0001 per share pursuant to the terms and conditions set forth in the Notes with an initialconversion price of $44.00. In connection with the purchase of such Notes, each Subscriber received a warrant (â€œExisting Warrantâ€),to purchase a number of shares of common stock (â€œWarrant Sharesâ€) equal to 60% of the principal amount of any Note issuedto such Subscriber divided by the conversion price of the Note issued to such Subscriber, at an exercise price equal to $52.00. In connectionwith the Purchase Agreement, the Company entered into a Security Agreement under which it granted the Subscribers a security interestin certain assets of the Company (the â€œSecurity Agreementâ€) and a Registration Rights Agreement under which the Company agreedto register for resale the Conversion Shares and the Warrant Shares. Concurrently therewith, the Company and the investors closed $3.3million of the private offering.Â RothCapital, LLC acted as placement agent in the private offering, and the Company paid the Placement Agent a cash fee of five percent (5%)of the gross proceeds therefrom. The Company received $3.1 million in net proceeds from the closing, after deducting the fee payableto the Placement Agent and the legal fees of the Subscribers in connection with the transaction. The Company used the proceeds to repayprior outstanding notes payable and for working capital and general corporate purposes.Â Intereston the Notes accrued at a rate of 6% per annum and was payable either in cash or in shares of the Companyâ€™s common stock at theconversion price in the Note on each of the six and twelve month anniversaries of the issuance date and on the maturity date of October18, 2022.Â 16 Â Â EastsideDistilling, Inc. and SubsidiariesNotes to Consolidated Financial StatementsSeptember 30, 2024(Unaudited)Â Allamounts due under the Notes are convertible at any time after the issuance date, in whole or in part (subject to rounding for fractionalshares), at the option of the holders into the Companyâ€™s common stock at a fixed conversion price, which is subject to adjustmentas summarized below. The Notes were initially convertible into the Companyâ€™s common stock at an initial fixed conversion priceof $44.00 per share. This conversion price is subject to adjustment for stock splits, combinations, or similar events, among other adjustments.On April 1, 2022, the Company and the holders agreed to a reduction of the conversion price of the 6% secured convertible promissorynotes to $26.00 per share in connection with the Companyâ€™s issuance of a common stock purchase warrant to TQLA covering its loanamount of $3.5 million with a common stock value of $24.00 per share.Â TheNotes contain customary triggering events including but not limited to: (i) failure to make payments when due under the Notes; and (ii)bankruptcy or insolvency of the Company. If a triggering event occurs, each holder may require the Company to redeem all or any portionof the Notes (including all accrued and unpaid interest thereon), in cash.Â TheNotes are secured by a subordinated security interest in the Companyâ€™s assets pursuant to the terms of a Security Agreement enteredinto between the Company and the Subscribers.Â OnOctober 13, 2022, the Company entered into an Amendment Agreement with the holders of the 6% Secured Convertible Promissory Notes. TheAmendment Agreement changed the Maturity Date of the Notes from October 18, 2022 to November 18, 2022. In consideration of the extension,the Company issued 4,808 shares of its common stock to each of the Subscribers.Â OnSeptember 29, 2023, the Company entered into a Debt Satisfaction Agreement with the Subscribers and other creditors, pursuant to whichthe Maturity Date of the Notes was extended from November 18, 2022 to March 31, 2025 and interest accrues at 9% per annum. See: Note16, Stockholders Equity â€“ Debt Satisfaction Agreement. Principal and interest on the Notes of $3.3 million was exchanged forequity issued to the SPV, in which the Subscribers held a 50% ownership interest, and the Notes were then amended and restated. As ofSeptember 30, 2024, the principal balance was $0.4 million and interest expense accrued was $27,451.Â 2024Secured NotesÂ OnMay 15, 2024, the Company entered into a Loan Agreement with the SPV, Aegis, Bigger, District2, and LDI.Â Pursuantto the Loan Agreement, Bigger, District 2 and LDI purchased from the Company for $1.1 million cash promissory notes in the aggregateprincipal amount of $1.1 million (the â€œ2024 Secured Notesâ€). The 2024 Secured Notes may be satisfied by payment of 110% ofprincipal on or before November 29, 2024, by payment of 130% of principal on or before March 30, 2025 or by payment of 140% of principalon March 31, 2025.Â Witheach 2024 Secured Note, the Company issued Warrants to purchase a share of the Companyâ€™s common stock for $5.00 exercisable forfive years after December 2, 2024 if on November 29, 2024 the 2024 Secured Note issued to the Warrant-holder remains unsatisfied. LDIreceived a Warrant to purchase 598,021 shares and each of Bigger and District 2 received a Warrant to purchase 299,011 shares.Â TheLoan Agreement provides that if the 2024 Secured Notes have not been satisfied by November 29, 2024, then until March 31, 2025 each ofthe Subscribers will have the right to purchase a â€œKicker Noteâ€ in the amount of $0.5 million for LDI or $0.3 million foreach of Bigger and District 2 by surrendering debt or equity instruments specified in the Loan Agreement. The Kicker Notes will not bearinterest, and may be satisfied by payment of their principal amounts on or before March 31, 2026.Â TheCompanyâ€™s obligations under the 2024 Secured Notes and the Kicker Notes (collectively, the â€œ2024 Notesâ€) are securedby the Companyâ€™s pledge of its assets, subject to certain specified exceptions. In connection with the Loan Agreement, the Company,Aegis, Bigger and District 2 amended and restated the Intercreditor Agreement they had executed on September 29, 2023. In the Amendedand Restated Intercreditor Agreement, Aegis, Bigger and District 2 subordinate their liens on any barrels of spirits owned by the Company,and the parties agree that the net proceeds of any sale of barrels will be paid to the Subscribers in satisfaction of the 2024 Notes.Commencing when all barrels have been sold, the lien of the Subscribers under the 2024 Notes will become pari passu with the senior lienon the remaining collateral.Â 17 Â Â EastsideDistilling, Inc. and SubsidiariesNotes to Consolidated Financial StatementsSeptember 30, 2024(Unaudited)Â 14.Commitments and ContingenciesÂ LegalMattersÂ OnMarch 1, 2023, Sandstrom Partners, Inc. filed a complaint in the Circuit Court of the State of Oregon for the County of Multnomah allegingthe Company failed to pay for its services pursuant to an agreement entered into on October 16, 2019. The complaint sought damages of$245,000, plus a judicial declaration, due to the Companyâ€™s failure to pay for the services. The Company believes that it paidfor services rendered. On October 28, 2024, the Company signed a term sheet to settle the case.Â OnDecember 15, 2020, Grover Wickersham filed a complaint in the United States District Court for the District of Oregon against the Company.Mr. Wickersham, the former CEO and Chairman of the Board of the Company, has asserted causes of action for fraud in the inducement, breachof contract, breach of the implied covenant of good faith and fair dealing, defamation, interference with economic advantage, elder financialabuse, and dissemination of false and misleading proxy materials. During June 2024, this case was settled.Â TheCompany is not currently subject to any other material legal proceedings; however, it could be subject to legal proceedings and claimsfrom time to time in the ordinary course of its business, or legal proceedings it considered immaterial may in the future become material.Regardless of the outcome, litigation can, among other things, be time consuming and expensive to resolve, and can divert managementresources.Â 15.Net Income (Loss) per Common ShareÂ Basicincome (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstandingduring the period, without considering any dilutive items. Potentially dilutive securities consist of the incremental common stock issuableupon exercise of stock options, convertible notes and warrants. Potentially dilutive securities are excluded from the computation iftheir effect is anti-dilutive. There were no anti-dilutive common shares included in the calculation of income (loss) per common shareas of September 30, 2024 and 2023.Â 16.Stockholdersâ€™ EquityÂ DebtSatisfaction AgreementÂ OnSeptember 29, 2023, the Company entered into a Debt Satisfaction Agreement (the â€œDSAâ€) with the SPV, Aegis, Bigger, District2, LDI and TQLA, LLC. The SPV is a special purpose vehicle whose equity is shared 50% by Bigger and District 2 and 50% by Aegis and LDI.Â Pursuantto the DSA, on September 29, 2023, the Company issued to the SPV 296,722 shares of the Companyâ€™s common stock and 200,000 sharesof its Series C Preferred Stock, and executed a Registration Rights Agreement providing that the Company will register for public resalethat common stock and the common stock issuable upon conversion of the Series C Preferred Stock. In exchange for that equity, the Companyâ€™sdebts to the members of the SPV were reduced by a total of $6.5 million and the Company recognized a loss on the conversion of $1.3 millionfor the year ended December 31, 2023. Specifically, the debt was reduced as follows:Â Â â— the principal balance of the Secured Promissory Note issued by the Company to Aegis on October 6, 2022 was reduced by $1.9 million; Â Â Â Â Â â— the Companyâ€™s debt to LDI of $1.4 million arising from advances made by LDI to the Company during the past 10 months was eliminated; Â Â Â Â Â â— the aggregate principal balance of the Secured Convertible Promissory Notes issued by the Company to Bigger in April and May of 2021 was reduced by $1.6 million; and Â Â Â Â Â â— the aggregate principal balance of the Secured Convertible Promissory Notes issued by the Company to District 2 in April and May of 2021 was reduced by $1.6 million. Â 18 Â Â EastsideDistilling, Inc. and SubsidiariesNotes to Consolidated Financial StatementsSeptember 30, 2024(Unaudited)Â Furtherpursuant to the DSA:Â Â â— the maturity date of the secured debt listed above as well as unsecured notes issued by the Company and held by Bigger and District 2 in the aggregate amount of $7.4 million was deferred to March 31, 2025 and the interest rate on all such debt was increased to 8% per annum; Â Â Â Â â— the Company, Aegis, Bigger and District 2 entered into an Intercreditor Agreement, pursuant to which the remaining secured debt obligations of the Company to Aegis, Bigger and District 2 were made pari passu; Â Â Â Â â— the Common Stock Purchase Warrant issued by the Company to TQLA LLC on March 21, 2022, which permits TQLA LLC to purchase up to 145,834 shares of the Companyâ€™s common stock, was amended to prevent any exercise of the Warrant that would result in the portion of the cumulative voting power in the Company that the holder and its affiliates may own after the conversion to 9.99%. The Beneficial Ownership Limitation may be increased to 19.99% by the holder upon 61 days advance notice to the Company. Â Â Â Â â— Upon the liquidation, dissolution and winding up of the Company, or upon the effective date of a consolidation, merger or statutory share exchange in which the Company is not the surviving entity, the holder of each share of the Series C Preferred Stock shall be entitled to a distribution prior to and in preference of the holders of the common stock. Â Â Â Â â— In the event the Company declares a dividend payable in cash or stock to holders of any class of stock, the holder of each share of Series C Preferred Stock shall be entitled to receive a dividend equal in amount and kind to that payable to the holder of the number of shares of the Companyâ€™s common stock into which that holderâ€™s Series C Preferred Stock could be converted on the record date for the distribution common stock. The dividends issued on the Company s outstanding Series B Preferred Stock are excluded from this provision. Â Â Â Â â— The holders of Series C Preferred Stock shall have no voting rights; except that nothing will limit a holderâ€™s voting rights with respect to shares of any other class of the Companyâ€™s common stock held from time to time. Â IssuanceofCommon StockÂ Duringthe nine months ended September 30, 2024, the Company issued 1,764 shares of common stock to a director for stock-based compensationof $2,046. The shares were valued for accounting purposes using the closing share price of the Companyâ€™s common stock on the dateof grant of $1.16 per share and issued at $3.05 per share. During the nine months ended September 30, 2024, the Company issued 55,738shares of common stock to employees and a consultant for stock-based compensation of $0.1 million at $1.21 per share.Â OnSeptember 5, 2024, the Company entered into a Securities Purchase Agreement with a single institutional investor for the sale of 92,815shares of common stock for $1.00 per share, and the sale of pre-funded warrants for $0.9999 per warrant. The warrants permitted the purchaseof 349,227 shares of common stock for $0.0001 per share. The warrants were exercised on September 6, 2024. The Company used the net proceedsfor working capital and general corporate purposes.Â OnSeptember 29, 2023, pursuant to the DSA (see discussion above), the Company issued to the SPV 296,722 shares of common stock and 200,000shares of its Series C Preferred Stock. In exchange for that equity, the Companyâ€™s debts to the members of the SPV were reducedby a total of $6.5 million.Â Duringthe year ended December 31, 2023, the Company issued 162,849 shares of common stock to directors and employees for stock-based compensationof $0.7 million. The shares were valued for accounting purposes using the closing share price of the Companyâ€™s common stock onthe date of grant, within the range of $1.29 to $7.40 per share and issued within the range of $3.05 to $7.40 per shareÂ Duringthe year ended December 31, 2023, the Company sold 343,495 shares of common stock for net proceeds of $1.4 million in at-the-market publicplacements.Â 19 Â Â EastsideDistilling, Inc. and SubsidiariesNotes to Consolidated Financial StatementsSeptember 30, 2024(Unaudited)Â Issuanceof Series B Preferred StockÂ OnOctober 19, 2021, Company entered into a securities purchase agreement (â€œPurchase Agreementâ€) with an accredited investor(â€œSubscriberâ€) for its purchase of 2.5 million shares (â€œPreferred Sharesâ€) of Series B Convertible PreferredStock (â€œSeries B Preferred Stockâ€) at a purchase price of $1.00 per Preferred Share, which Preferred Shares are convertibleinto shares of the Companyâ€™s common stock pursuant to the terms and conditions set forth in a Certificate of Designation EstablishingSeries B Preferred Stock of the Company with an initial conversion price of $62.00 per share. 42,500 shares of common stock were reservedfor issuance in the event of conversion of the Preferred Shares.Â TheSeries B Preferred Stock accrues dividends at a rate of 6%per annum, payable annually on the last day of December of each year. Dividends shall accrue from day to day, whether or notdeclared, and shall be cumulative. Dividends are payable at the Companyâ€™s option either in cash or â€œin kindâ€ inshares of common stock; provided, however that dividends may only be paid in cash following the fiscal year in which the Company hasnet income (as shown in its audited financial statements contained in its Annual Report on Form 10-K for such year) of at least$0.5million. For â€œin-kindâ€ dividends, holders will receive that number of shares of common stock equal to (i) the amount ofthe dividend payment due such stockholder divided by (ii) the volume weighted average price of the common stock for the 90 tradingdays immediately preceding a dividend date (â€œVWAPâ€). For the year ended December 31, 2024, the Company issued dividendsof 177,725shares of common stock at $0.84per share to its Series B Preferred stockholders. For the year ended December 31, 2023, the Company issued dividends of 92,957shares of common stock at a VWAP of $1.61per share to its Series B Preferred stockholders. For both the nine months ended September 30, 2024 and 2023, the Company accrued$0.1million of preferred dividends.Â Issuanceof Series C Preferred StockÂ OnSeptember 29, 2023, the Company entered into the DSA, pursuant to which the Company issued to the SPV 200,000 shares of its Series CPreferred Stock. Each share of Series C Preferred Stock has a stated value of $28.025 and is convertible into shares of the Companyâ€™scommon stock pursuant to the terms and conditions set forth in a Certificate of Designation Establishing Series C Preferred Stock withan initial conversion price of $3.05 per share.Â OnSeptember 6, 2024, the SPV converted 82,415 shares of its Series C Preferred Stock into 757,395 shares of common stock.Â BridgetownSpirits Corp.Â Subsequentto execution of the Debt Agreement, Bridgetown issued 1.0 million shares of common stock to the Company, representing all of the issuedand outstanding capital stock of Bridgetown.Â Stock-BasedCompensationÂ OnSeptember 8, 2016, the Company adopted the 2016 Equity Incentive Plan (the â€œ2016 Planâ€). Pursuant to the terms of the plan,on January 1, 2023 the number of shares available for grant under the 2016 Plan reset to 437,993 shares, equal to 8% of the number ofoutstanding shares of the Companyâ€™s capital stock, calculated on an as-converted basis, on March 31 of the preceding calendar year,and then added to the prior year plan amount. As of September 30, 2024, there were 2,120 options and 196,619 restricted stock units (â€œRSUsâ€)outstanding under the 2016 Plan, with vesting schedules varying between immediate or three (3) years from the grant date.Â Asummary of all stock option activity as of and for the nine months ended September 30, 2024 is presented below:Summaryof Stock Options ActivityÂ Â Â # of OptionsÂ Â Weighted- Average Exercise PriceÂ Outstanding as of December 31, 2023Â Â 2,120Â Â $57.95Â Â Â Â Â Â Â Â Â Â Outstanding and Exercisable as of September 30, 2024Â Â 2,120Â Â $57.95Â Â Theaggregate intrinsic value of options outstanding as of September 30, 2024 was $0. As of September 30, 2024, all options had vested.Â TheCompany uses the Black-Scholes valuation model to measure the grant-date fair value of stock options. The grant-date fair value of stockoptions issued to employees is recognized on a straight-line basis over the requisite service period. Stock-based awards issued to nonemployeesare recorded at fair value on the measurement date and are subject to periodic market adjustments as the underlying stock-based awardsvest.Â 20 Â Â EastsideDistilling, Inc. and SubsidiariesNotes to Consolidated Financial StatementsSeptember 30, 2024(Unaudited)Â Todetermine the fair value of stock options using the Black-Scholes valuation model, the calculation takes into consideration the effectof the following:Â Â â— Exercise price of the option Â â— Fair value of the Companyâ€™s common stock on the date of grant Â â— Expected term of the option Â â— Expected volatility over the expected term of the option Â â— Risk-free interest rate for the expected term of the option Â Thecalculation includes several assumptions that require managementâ€™s judgment. The expected term of the options is calculated usingthe simplified method described in GAAP. The simplified method defines the expected term as the average of the contractual term and thevesting period. Estimated volatility is derived from volatility calculated using historical closing prices of common shares of similarentities whose share prices are publicly available for the expected term of the options. The risk-free interest rate is based on theU.S. Treasury constant maturities in effect at the time of grant for the expected term of the options.Â TheCompany did not issue any additional options during the three and nine months ended September 30, 2024.Â WarrantsÂ On May 16, 2024, the Company enteredinto a Loan Agreement with the SPV, Aegis, Bigger, District 2, and LDI. With each 2024 Secured Note, the Company issued a Warrant to purchasea share of the Companyâ€™s common stock for $5.00 exercisable for five years after December 2, 2024 if on November 29, 2024 the 2024Secured Note issued to the Warrant-holder remains unsatisfied. LDI received a Warrant to purchase 598,021 shares and each of Bigger andDistrict 2 received a Warrant to purchase 299,011 shares. The Company recorded debt issuance costs of $0.3 million as of September 30,2024.Â The estimated fair value of thenew warrants issued was based on a combination of closing market trading price on the date of issuance for the public offering warrants,and the Black-Scholes option-pricing model, using the assumptions below:Â Scheduleof Fair Value of Warrants VolatilityÂ Â 100% Risk-free interest rateÂ Â 4.4% Expected term (in years)Â Â 5.0Â Expected dividend yieldÂ Â -Â Â Fair value of common stockÂ $0.55Â Â OnMarch 21, 2022, the Company entered into a promissory note with TQLA LLC to accept a one year loan of $3.5 million. In addition, theCompany issued a common stock purchase warrant to TQLA covering the loan amount with an exercise price of $24.00 per share. The notepayable was fully repaid in October 2022. The common stock purchase warrant expires in March 2027. The warrants were amended pursuantto the Debt Satisfaction Agreement (See discussion above) to prevent any exercise that would result in the warrant-holder andaffiliates acquiring cumulative voting power in excess of 9.99%. This Beneficial Ownership Limitation may be increased to 19.99% upon61 days advance notice to the Company.Â FromApril 19, 2021 through May 12, 2021, the Company issued in a private placement Existing Warrants to purchase up to 45,000 shares of commonstock at an exercise price of $52.00 per Warrant Share. On July 30, 2021, the Company entered into Inducement Letters with the holdersof the Existing Warrants whereby such holders agreed to exercise for cash their

Existing Warrants to purchase the 45,000 Warrant Sharesin exchange for the Companyâ€™s agreement to issue new warrants (the â€œNew Warrantsâ€) to purchase up to 45,000 sharesof common stock (the â€œNew Warrant Sharesâ€). The New Warrants have substantially the same terms as the Existing Warrants,except that the New Warrants have an exercise price of $60.00 per share and are exercisable until August 19, 2026. On September 29, 2023,pursuant to the Debt Satisfaction Agreement (see above), the exercise price of the Existing Warrants was reduced to $33.08 pershare and the term during which the Existing Warrants may be exercised was extended to June 23, 2028.Â OnJanuary 15, 2020, the Company and its subsidiaries entered into a loan agreement (the â€œLoan Agreementâ€) between the Companyand Live Oak Banking Company (â€œLive Oakâ€), a North Carolina banking corporation (the â€œLenderâ€) to refinance existingdebt of the Company and to provide funding for general working capital purposes In connection with the Loan Agreement, the Company issuedto the Lender a warrant to purchase up to 5,000 shares of the Companyâ€™s common stock at an exercise price of $78.80 per share (theâ€œWarrantâ€). The Warrant expires on January 15, 2025. In connection with the issuance of the Warrant, the Company grantedthe Lender piggy-back registration rights with respect to the shares of common stock issuable upon exercise of the Warrant, subject tocertain exceptions.Â 21 Â
Â EastsideDistilling, Inc. and SubsidiariesNotes to Consolidated Financial StatementsSeptember 30, 2024(Unaudited)Â Asummary of all warrant activity as of and for the nine months ended September 30, 2024 is presented below:Summaryof Warrant ActivityÂ Â Â WarrantsÂ Â Weighted- Average Remaining Life (Years)Â Â Weighted- Average Exercise PriceÂ Â Aggregate Intrinsic ValueÂ Outstanding as of December 31, 2023Â Â 201,667Â Â Â 3.8Â Â $34.87Â Â $Â Â Â Â Â Â Â -Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â GrantedÂ Â 1,196,043Â Â Â 5.0Â Â Â 5.00Â Â Â -Â Outstanding as of September 30, 2024Â Â 1,397,710Â Â Â 4.8Â Â $9.31Â Â $-Â Â 17.Related Party TransactionsÂ Thefollowing is a description of transactions since January 1, 2023 as to which the amount involved exceeds the lesser of $0.1 million orone percent (1%) of the average of total assets at year-end for the last two completed fiscal years, which was $0.2 million, and in whichany related person has or will have a direct or indirect material interest, other than equity, compensation, termination and other arrangements.Â AegisSecurity Insurance CompanyÂ OnOctober 7, 2022, the Company entered into a Note Purchase Agreement with Aegis. Pursuant to the Note Purchase Agreement, Aegis purchasedfrom the Company a secured promissory note in the principal amount of $4.5 million (the â€œAegis Noteâ€). $3.3 million of thepurchase price was paid to TQLA, LLC to satisfy a Note purchased from TQLA earlier in 2022. See discussion of the Aegis transactionin Note 12. Patrick Kilkenny is the principal owner of Aegis. TQLA LLC is owned by Stephanie Kilkenny, a member of the Companyâ€™sBoard of Directors, and her husband, Patrick Kilkenny.Â LDInvestments LLC and Aegis Security Insurance CompanyÂ OnSeptember 29, 2023, the Company entered into a Secured Promissory Note with LDI in the principal amount of $1.4 million, representingadvances made by LDI to the Company between December 2022 and August 2023. Patrick Kilkenny is the principal owner of LDI. Patrick Kilkennyis the spouse of Stephanie Kilkenny, a member of the Companyâ€™s Board of Directors.Â OnSeptember 29, 2023, the Company entered into the DSA with LDI, Aegis Security Insurance Company (of which Patrick Kilkenny is the principalowned) and other creditors. See: Note 16, Stockholders Equity â€“ Debt Satisfaction Agreement. The entire principal and intereston the LDI Note were exchanged for equity issued to the SPV, in which LDI holds a 21% interest.Â 2024Secured NotesÂ DuringFebruary 2024, LDI advanced the Company $0.6 million. On May 16, 2024, the Company entered into a Loan Agreement with LDI, see: Note13, Secured Credit Facilities - 2024 Secured Notes.Â 18.Subsequent EventsÂ MergerAgreementÂ OnSeptember 4, 2024, the Company entered into the Merger Agreement with the Merger Sub and Beeline Financial Holdings, Inc. (â€œBeelineâ€).Beeline is a mortgage technology company that operates an end-to-end, all-digital, AI-enhanced platform for homeowners and property investors.On October 7, 2024, the parties executed Amendment No. 1 to the Merger Agreement.Â 22 Â Â EastsideDistilling, Inc. and SubsidiariesNotes to Consolidated Financial StatementsSeptember 30, 2024(Unaudited)Â OnOctober 7, 2024, immediately after the closing under the Debt Agreement, a closing was held pursuant to the Merger Agreement (the â€œMergerClosingâ€). Beeline merged into Merger Sub and became a wholly-owned subsidiary of the Company, with the name of the surviving subsidiarybeing changed to Beeline Financial Holdings, Inc. In the Merger, the shareholders of Beeline gained the right to receive a total of 69,482,229shares of Series F Preferred Stock and a total of 517,771 shares of Series F-1 Preferred Stock. In addition, each option to purchaseshares of Beeline common stock outstanding at the time of the Merger was converted into an option to purchase shares of the Companyâ€™scommon stock measured by the same ratio.Â Thesale of the Companyâ€™s common stock and Series F Preferred Stock to the shareholders of Beeline was carried out in a transactionexempt from registration pursuant to SEC Regulation 506(b).Â DebtAgreement Â OnOctober 7, 2024, a closing was held pursuant to the terms of the Debt Agreement. At that closing, the following transactions were completed:Â Â â— Aegis, Bigger, District 2 and LDI transferred to the Company a total of 31,234 shares of the Companyâ€™s Series C Preferred Stock and 119,873 shares of the Companyâ€™s common stock. The Investors also released the Company from liability for $4.1 million of senior secured debt and $2.5 million of unsecured debt. In consideration of their surrender of stock and release of debt, the Company caused Craft C+P to be merged into a limited liability company owned by the Investors. Â Â Â Â â— The Company issued a total of 255,474 shares of Series D Preferred Stock to Bigger and District 2, and Bigger and District 2 released the Company from liability for $2.6 million of unsecured debt. Â Â Â Â â— The Company issued a total of 200,000 shares of Series E Preferred Stock to Bigger and District 2, and Bigger and District 2 released the Company from liability for $2.0 million of unsecured debt. Â Â Â Â â— The Company transferred a total of 108,899 shares of Bridgetown Spirits Corp. to Bigger, District 2, Esping, WPE and Grammen, and those Investors released the Company from unsecured debt in the aggregate amount of $0.9 million. Â Â Â Â â— The Company issued a total of 190,000 shares of common stock to Esping, WPE and Grammen, and those Investors released the Company from liability for $0.2 million of unsecured debt.
Â PreferredStockÂ OnOctober 7, 2024 the Company filed with the Nevada Secretary of State a Certificate of Designation of 255,474 shares of Series D PreferredStock and a Certificate of Designation of 200,000 shares of Series E Preferred Stock and a Certificate of Designation of 70.0 millionshares of Series F Preferred Stock and a Certificate of Designation of 1.0 million shares of Series F-1 Preferred Stock. The materialterms of each class of Preferred Stock are:Â SeriesD Preferred Stock. Each share of Series D Preferred Stock has a stated value of $10.00. The holder of Series D Preferred Stock hasno voting rights by reason of those shares, except that the approval by holders of more than 50% of the outstanding Series D PreferredStock will be required for any corporate action that would adversely affect the preferences, privileges or rights of the Series D PreferredStock. In the event that the Company declares a dividend payable in cash or stock to holders of any class of the Companyâ€™s stock,the holder of a share of Series D Preferred Stock will be entitled to receive an equivalent dividend on an as-converted basis. In theevent of a liquidation of the Company, the holders of Series D Preferred Stock will share in the distribution of the Companyâ€™snet assets on

an as-converted basis, subordinate only to the senior position of the Series B Preferred Stock. Each share of Series DPreferred Stock will be convertible into common stock by a conversion ratio equal to the stated value of the Series D share divided bythe Series D Conversion Price. The initial Series D Conversion Price is $1.80 per common share, which is subject to equitable adjustment.The number of shares of common stock into which a holder may convert Series D Preferred Stock is limited by a Beneficial Ownership Limitation,which restricts the portion of the cumulative voting power in the Company that the holder and its affiliates may own after the conversionto 9.99%.Â 23 Â

Â EastsideDistilling, Inc. and SubsidiariesNotes to Consolidated Financial StatementsSeptember 30, 2024(Unaudited)Â SeriesE Preferred Stock. Each share of Series E Preferred Stock has a stated value of $10.00. The holder of Series E Preferred Stock hasno voting rights by reason of those shares, except that the approval by holders of more than 50% of the outstanding Series E PreferredStock will be required for any corporate action that would adversely affect the preferences, privileges or rights of the Series E PreferredStock. In the event that the Company declares a dividend payable in cash or stock to holders of any class of the Companyâ€™s stock,the holder of a share of Series E Preferred Stock will be entitled to receive an equivalent dividend on an as-converted basis. In theevent of a liquidation of the Company, the holders of Series E Preferred Stock will share in the distribution of the Companyâ€™snet assets on an as-converted basis, subordinate only to the senior position of the Series B Preferred Stock. Commencing 390 days afterthe closing under the Debt Agreement (the â€œMeasurement Dateâ€), each share of Series E Preferred Stock will be convertibleinto common stock by a conversion ratio equal to the stated value of the Series E share divided by the Series E Conversion Price. TheSeries E Conversion Price on and after the Measurement Date will equal the average of the VWAPs for the five trading days immediatelypreceding the Measurement Date, subject to a â€œFloor Priceâ€ of $0.25 per share. The Series E Conversion Price and the FloorPrice will be subject to equitable adjustment in the event of stock splits and the like. The number of shares of common stock into whicha holder may convert Series E Preferred Stock is limited by a Beneficial Ownership Limitation, which restricts the portion of the cumulativevoting power in the Company that the holder and its affiliates may own after the conversion to 9.99%.Â SeriesF Preferred Stock. Each share of Series F Preferred Stock has a stated value of $0.50. The holder of Series F Preferred Stock hasno voting rights by reason of those shares, except that the approval by holders of more than 50% of the outstanding Series F PreferredStock will be required for any corporate action that would adversely affect the preferences, privileges or rights of the Series F PreferredStock. In the event that the Company declares a dividend payable in cash or stock to holders of any class of the Companyâ€™s stock,the holder of a share of Series F Preferred Stock will be entitled to receive an equivalent dividend on an as-converted basis. In theevent of a liquidation of the Company, the holders of Series F Preferred Stock will share in the distribution of the Companyâ€™snet assets on an as-converted basis, subordinate only to the senior position of the Series B Preferred Stock.Â SeriesF-1 Preferred Stock. The material terms of the Series F-1 Preferred Stock are identical to the material terms of the Series F PreferredStock, except that holders of Series F-1 Preferred Stock are entitled to case one vote per share at any meeting of the Companyâ€™sshareholders.Â ShareholderApproval. If the shareholders of the Company approve the conversion of the Series F and the Series F-1 Preferred Stock at a meetingto be called for that purpose, each such share will be convertible into common stock by a conversion ratio equal to the stated valueof the Series F or F-1 share divided by the Series F Conversion Price. The initial Series F Conversion Price is $0.50 per common share,which is subject to a â€œFloor Priceâ€ equal to 20% of the â€œMinimum Priceâ€ as defined in the Nasdaq Rules. The SeriesF Conversion Price and the Floor Price are subject to equitable adjustment. In addition, if during the next two years the sum of thecommon shares outstanding on October 7, 2024 plus shares issuable on conversion of Preferred Stock plus shares issuable on conversionof securities issued in the initial financing of the post-merger company plus shares issued to settle pre-existing liabilities (collectively,the â€œMeasuring Sharesâ€) exceeds 14,848,485, then the Series F Conversion Price will be adjusted to retain the ratio of commonshare issuable on conversion to the Measuring Shares. Likewise, if the number of Measuring Shares on October 7, 2025 is less than 14,848,485,then the Series F Conversion Price will be adjusted to retain the ration of the Measuring Shares to the number of shares issuable onconversion. The number of shares of common stock into which a holder (other than a holder otherwise subject to Section 16(a) of the ExchangeAct) may convert Series F or Series F-1 Preferred Stock will be limited by a Beneficial Ownership Limitation, which restricts the portionof the cumulative voting power in the Company that the holder and its affiliates may own after the conversion to 4.99%.Â SeriesC Preferred StockÂ OnOctober 25, 2024, the SPV transferred its remaining Series C Preferred Stock, 117,586 shares, to members in proportion to the membershipinterest of each. These shares were then converted to 1.1 million shares of the Companyâ€™scommon stock.Â 24 Â Â EastsideDistilling, Inc. and SubsidiariesNotes to Consolidated Financial StatementsSeptember 30, 2024(Unaudited)Â SeniorSecured NotesÂ PurchaseAgreementÂ OnNovember 14, 2024, the Company sold $1.9 million in aggregate principal amount of Senior Secured Notes (the â€œNotesâ€) andPre-Funded Warrants to purchase a total of 363,602 shares of common stock (the â€œWarrantsâ€) for total gross proceeds of $1.6million in a private placement offering (the â€œOfferingâ€).The Notes and Warrants were sold pursuant to a SecuritiesPurchase Agreement (the â€œPurchase Agreementâ€) with accredited investors (each, an â€œInvestorâ€ and together theâ€œInvestorsâ€).Â TheNotes have a maturity date of 120 days from issuance, were issued with a 20% original issue discount and do not bear interest unlessand until one or more of the customary events of default set forth therein occurs, whereupon each Note will bear interest at a rate of18% per annum. If the Note remains outstanding for 180 days, the Note also requires a special one-time interest payment of 30% whichwill increase the principal of each Note accordingly. Upon the occurrence of an event of default, each Investor also has the right torequire the Company to pay all or any portion of the Note at a 25% premium. Further, the Company is required to prepay the Notes in connectionwith certain sales of securities or assets at each Investorâ€™s election in an amount equal to 35% of the gross proceeds from suchsales. The Company also has the right to prepay all, but not less than all, of the outstanding amounts under the Notes, at its election.The Notes contain certain restrictive covenants, including covenants precluding the Company and its subsidiaries from incurring indebtedness,transferring assets, changing the nature of its business, and engaging in certain other actions, subject to certain exceptions.Â TheWarrants have a term of five years from issuance and are exercisable at an exercise price of $0.50 per share (of which $0.499 per sharewas pre-funded by each Investor). The Warrants will be exercisable beginning upon shareholder approval of the issuance of the CommonStock issuable upon exercise of such Warrants in accordance with the rules of The Nasdaq Capital Market and an increase in the authorizedCommon Stock of the Company. If at any time after exercising the Warrants, there is no effective registration statement registering,or the prospectus contained therein is not available for use, then the Warrants may also be exercised, in whole or in part, by meansof a â€œcashless exercise.â€Â TheCompany also entered in three forms of side letters with the Investors which (i) permitted one Investor which with an affiliate invested$0.4 million to exchange that amount of stated value of shares of Series F Preferred Stock for a $0.4 million 120-day promissory noteto another affiliate, which note was issued immediately prior to the closing of the Offering and has substantially identical terms tothe Notes issued therein, except it is subordinated with respect to its security interest, (ii) permit two Investors to convert SeriesD Preferred Stock beginning on April 7, 2025, and (iii) permit two Investors to receive a number of shares of Series F equal to 50% oftheir investment amount, or $0.1 million each, using the stated value of the Series F Preferred Stock, which is $0.50 per share, to determinethe number of shares of Series F Preferred Stock.Â PromissoryNoteÂ OnOctober 30, 2024, the Company entered into a Promissory Note with LDI for $0.3million. A balloon payment of the entire outstandingprincipal balance of the indebtedness together with all accrued interest shall be due and payable in full on November 24, 2024, totaling$0.4million.Â EmploymentAgreement: Chief Executive OfficerÂ TheMerger Agreement provided that, as a condition to closing of the Merger, The Employment Agreement between the Company and Geoffrey Gwin,the Companyâ€™s Chief Executive Officer, would be amended in a manner satisfactory to the Company, Beeline and Mr. Gwin. Accordingly,at the time of the Merger, the Companyâ€™s Employment Agreement with Geoffrey Gwin was amended as follows:Â Â â— The performance bonuses in the Employment Agreement were replaced by a bonus of $90,000. On October 15, 2024, the Company issued 180,000 shares of common stock to Mr. Gwin at $0.50 per share in satisfaction of the Companyâ€™s bonus obligation. Â â— The Company issued 400,000 shares of common stock to Mr. Gwin, which will vest on the earlier of March 31, 2025 or the date on which Mr. Gwinâ€™s employment is terminated without cause. Â â— The Company covenanted that, in the event that the conversion price of the Series F Preferred Stock is reduced, the Company will issue to Mr. Gwin a number of common shares equal to one percent of the additional shares issued as a result of the adjustment. Â â— The Company agreed to issue 100,000 shares of common stock to Mr. Gwin if he is terminated by the Company without cause. Â 25 Â Â ITEM2. MANAGEMENTâ€™S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONSÂ Forward-LookingStatementsÂ Thissection of the Quarterly Report includes â€œforward-looking statementsâ€ as that term is defined in the Private Securities LitigationReform Act of 1995. Forward-looking statements give current expectations or forecasts of future events about the company or our outlookand involve uncertainties that could significantly impact results. You can identify forward-looking statements by the fact they do notrelate to historical or current facts and by the use of words indicating anticipation or speculation such as â€œbelieve,â€ â€œexpect,â€â€œestimate,â€ â€œanticipate,â€ â€œwill be,â€ â€œshould,â€ â€œplan,â€ â€œproject,â€â€œintend,â€ â€œcouldâ€ and similar words or expressions.Â Youshould not place undue certainty on these forward-looking statements, which speak only as of the date made. Except as required by law,we undertake no obligation to update any forward-looking statements, whether as a result of new information, future events, or otherwise.These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materiallyfrom these forward-looking statements. Factors that could cause our expectations to be unfulfilled include those discussed in Item 1Aof Part I of our annual report on Form 10-K for the year ended December 31, 2023 entitled â€œRisk Factorsâ€ as well as factorswe have not yet anticipated.Â OverviewÂ EastsideDistilling, Inc. (the â€œCompany,â€ â€œEastside Distilling,â€ â€œwe,â€ â€œus,â€ or â€œour,â€below) was incorporated under the laws of Nevada in 2004 under the name of Eurocan Holdings, Ltd. In December 2014, we changed our corporatename to Eastside Distilling, Inc. to reflect our acquisition of Eastside Distilling, LLC. On September 4, 2024, we entered into an Agreementand Plan of Merger and Reorganization (the â€œMerger Agreementâ€) with East Acquisition Sub Inc. (â€œMerger Subâ€)and Beeline Financial Holdings, Inc. (â€œBeelineâ€). The Merger closed on October 7, 2024, at which time Beeline became a wholly-ownedsubsidiary of the Company. Beeline is a mortgage technology company that operates an end-to-end, all-digital, AI-enhanced platform forhomeowners and property investors.Â OnSeptember 4, 2024, we and our subsidiary, Craft Canning + Printing (â€œCraft C+Pâ€), entered into a Debt Exchange Agreement(the â€œDebt Agreementâ€), which closed on October 7, 2024, resulting in 720 barrels of spirits being assigned by the Companyto Craft C+P, and Craft C+P being merged into a limited liability company owned by certain creditors of the Company. Given that the effectof the Debt Agreement meets all the initial criteria of ASC Topic 205-20, Presentation of Financial Statements â€“ DiscontinuedOperations for the classification of held for sale, the assets, liabilities, and operating results of Craft C+P have been classifiedas held for sale as of September 30, 2024 and December 31, 2023 and for the three and nine month periods ended September 30, 2024 and2023. The consolidated financial statements for the prior periods have been adjusted to reflect comparable information.Â 26 Â Â Subsequentto the execution of the Debt Agreement, we organized a subsidiary named â€œBridgetown Spirits Corp.â€ (â€œBridgetownâ€), which was incorporated on October 3, 2024,and assigned to Bridgetown the Companyâ€™s business of manufacturing and marketing spirits. Bridgetown manufactures, acquires, blends,bottles, imports, markets and sells a wide variety of alcoholic beverages under recognized brands. Bridgetownâ€™s brands span severalalcoholic beverage categories, including whiskey, vodka, rum, and tequila. Bridgetown sells products on a wholesale basis to distributorsin open states and through brokers in control states.Â Missionand StrategyÂ Ourmission is to offer great products and services in the craft beverage space. Our spirits brands span several alcoholic beverage categories,including whiskey, vodka, rum and tequila. We sell our products on a wholesale basis to distributors through open states, and brokersin control states.Â Ourstrategy is to expand Bridgetown in our regional market where our brand equity and concentration of investment will have the greatestreturn. Our spirits portfolio is to be positioned as a leading regional craft spirits provider that develops brands, expands geographicpresence growing revenue and cash flow.Â SegmentsÂ Asof September 30, 2024, our internal management financial reporting consisted of Bridgetown and corporate. The Bridgetown brands spanseveral alcoholic beverage categories, including whiskey, vodka, rum, and tequila and are sold on a wholesale basis to distributors inopen states, and to brokers in control states. Our principal area of operation is in the U.S. Pacific Northwest. Corporate consists ofkey executive and accounting personnel and corporate expenses such as public company and board costs, as well as interest on debt.Â BridgetownSpirits Corp.Â Since2014, we have developed or acquired award-winning spirits while evolving to meet the growing demand for quality products and servicesassociated within the burgeoning craft and premium beverage trade. Our portfolio includes originals like the Quercus garryanabarrel-finished Burnside Whiskey family, Portland Potato Vodka, Hue-Hue Coffee Rum, and AzuÃ±ia Tequilas.Â Â â— Burnside Whiskey Family â€“ Our Burnside Whiskey Family celebrates the unique attributes of the native Oregon Oak tree (Quercus garryana). The unique complexity of each distinct whiskey comes from blending Oregon Oak barrels of differing sizes, char levels, and ages. Â Â Â Â â— Portland Potato Vodka â€“ Our award-winning premium craft vodka is distilled four times to ensure a smooth finish. While most vodka is made from grain, we source award winning premium potato ethanol and blend it with pristine water sourced from Oregon. Â Â Â Â Â â— Hue-Hue (pronounced â€œway-wayâ€) Coffee Rum â€“ Premium silver rum is blended with concentrated cold-brewed coffee and a small amount of Demerara sugar. We source fair-trade, single-origin Arabica coffee beans from the Finca El Paternal Estate

in Huehuetenango, Guatemala that are lightly roasted for us by Portland Coffee Roasters. Â Â Â Â â— AzuÃ±ia Tequilas â€“ Smooth, clean, additive-free tequilas crafted by Rancho Miravalle, a second generation, family-owned-and-operated estate, bursting with authentic flavor from the local terroir of Tequila Valley, Mexico. 100% pure Weber Blue Agave is harvested by hand, roasted in traditional clay hornos, and finished with a natural, open-air fermentation process. It is bottled on-site in small batches using a consistent process to deliver consistent field-to-bottle quality and exclusively exported by Agaveros Unidos de AmatitÃ¡n. Â Â Â Â â— Eastside Brands â€“ Craft inspired high-quality limited-edition products, which focus on innovation, craftsmanship and curiosity, and creativity. Â 27 Â Â RecentDevelopmentsÂ Bridgetownreduced its sale of bulk barrels in the third quarter of 2024 and saw total volume decline by 12% in the quarter. The majority of thedecline was driven by the reduction in distribution of AzuÃ±ia tequila as we realigned the brand with new distribution partners.Spirits case shipments in the quarter were down 12% with Portland Potato Vodka down 6% and Burnside down 17%.Â ResultsÂ of OperationsÂ OverviewÂ Threeand Nine Months ended September 30, 2024 Compared to the Three and Nine Months ended September 30, 2023Â Â Â Three Months Ended September 30,Â Â Nine Months Ended September 30,Â (Dollars in thousands)Â 2024Â Â 2023Â Â VarianceÂ Â 2024Â Â 2023Â Â VarianceÂ SalesÂ $Â Â Â Â Â Â Â Â Â Â 783Â Â $849Â Â $(66)Â $2,106Â Â $3,080Â Â $(974) Less customer programs and excise taxesÂ Â 23Â Â Â 43Â Â Â (20)Â Â 129Â Â Â 141Â Â Â (12) Net salesÂ Â 760Â Â Â 806Â Â Â (46)Â Â 1,977Â Â Â 2,939Â Â Â (962) Cost of salesÂ Â 560Â Â Â 638Â Â Â (78)Â Â 1,476Â Â Â 1,940Â Â Â (464) Gross profitÂ Â 200Â Â Â 168Â Â Â 32Â Â Â 501Â Â Â 999Â Â Â (498) Sales and marketing expensesÂ Â 218Â Â Â 303Â Â Â (85)Â Â 699Â Â Â 1,180Â Â Â (481) General and administrative expensesÂ Â 435Â Â Â 172Â Â Â 263Â Â Â 1,149Â Â Â 1,287Â Â Â (138) (Gain) loss on disposal of property and equipmentÂ Â (1)Â Â -Â Â Â (1)Â Â (1)Â Â 3Â Â Â (4) Total operating expensesÂ Â 652Â Â Â 475Â Â Â 177Â Â Â 1,847Â Â Â 2,470Â Â Â (623) Loss from operationsÂ Â (452)Â Â (307)Â Â (145)Â Â (1,346)Â Â (1,471)Â Â 125Â Interest expenseÂ Â (409)Â Â (203)Â Â (206)Â Â (965)Â Â (850)Â Â (115) Other incomeÂ Â 33Â Â Â 25Â Â Â 8Â Â Â 37Â Â Â 57Â Â Â (20) Net loss from continuing operationsÂ Â (828)Â Â (1,806)Â Â 978Â Â Â (2,274)Â Â (3,585)Â Â 1,311Â Net loss from discontinued operationsÂ Â (531)Â Â (350)Â Â (181)Â Â (1,866)Â Â (1,812)Â Â (54) Net lossÂ Â (1,359)Â Â (2,156)Â Â 797Â Â Â (4,140)Â Â (5,397)Â Â 1,257Â Preferred stock dividendsÂ Â (38)Â Â (38)Â Â -Â Â Â (113)Â Â (113)Â Â -Â Net loss attributable to common shareholdersÂ $(1,397)Â $(2,194)Â $797Â Â $(4,253)Â $(5,510)Â $1,257Â Gross marginÂ Â 26%Â Â 21%Â Â 5%Â Â 25%Â Â 34%Â Â -9%
Â Â SegmentÂ information was as follows for the three and nine months ended September 30, 2024 and 2023:Â Â Â Three Months Ended September 30,Â Â Nine Months Ended September 30,Â (Dollars in thousands)Â 2024Â Â 2023Â Â VarianceÂ Â 2024Â Â 2023Â Â VarianceÂ BridgetownÂ Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â SalesÂ $783Â Â $849Â Â $(66)Â $2,106Â Â $3,080Â Â $(974) Net salesÂ Â 760Â Â Â 806Â Â Â (46)Â Â 1,977Â Â Â 2,939Â Â Â (962) Cost of salesÂ Â 560Â Â Â 638Â Â Â (78)Â Â 1,476Â Â Â 1,940Â Â Â (464) Gross profitÂ Â 200Â Â Â 168Â Â Â 32Â Â Â 501Â Â Â 999Â Â Â (498) Total operating expensesÂ Â 217Â Â Â 303Â Â Â (86)Â Â 698Â Â Â 1,183Â Â Â (485) Net income (loss)Â $18Â Â $(110)Â $128Â Â $(162)Â $(130)Â $(32) Gross marginÂ Â 26%Â Â 21%Â Â 5%Â Â 25%Â Â 34%Â Â -9% Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â CorporateÂ Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Total operating expensesÂ $435Â Â $172Â Â $263Â Â $1,149Â Â $1,287Â Â $(138) Net lossÂ $(846)Â $(1,696)Â $850Â Â $(2,112)Â $(3,455)Â $1,343Â Â 28 Â Â CorporateÂ consists of key executive and accounting personnel and corporate expenses such as public company and board costs, as well as intereston debt.Â SalesÂ Saleswere $2.1 million and $3.1 million for the nine months ended September 30, 2024 and 2023, respectively, and $0.8 million for both thethree months ended September 30, 2024 and 2023.Â Duringthe nine months ended September 30, 2024 and 2023, we sold 65 and 250 barrels, respectively, for gross proceeds of $0.1 million and $0.6million, respectively. Spirits sales decreased for the nine months ended September 30, 2024 due to lower sales of tequila and bourbon.For the nine months ended September 30, 2024, spirits sold 17,431 cases compared to 19,485 cases in the prior year.Â Duringthe three months ended September 30, 2024, we sold 5,868 cases compared to 6,849 cases in the prior year and 65 barrels for gross proceedsof $0.1 million. We rationalize our barrel inventory by repositioning our bulk spirits portfolio for anticipated future products andforecasted demand.Â Customerprograms and excise taxesÂ Customerprograms and excise taxes were $0.1 million for both the nine months ended September 30, 2024 and 2023, and minimal for both the threemonths ended September 30, 2024 and 2023.Â Costof SalesÂ Costof sales consists of all direct costs for raw materials, labor, overhead, packaging, and in-bound freight charges. Cost of sales were$1.5 million and $1.9 million for the nine months ended September 30, 2024 and 2023, respectively, and $0.6 million for both the threemonths ended September 30, 2024 and 2023. Cost of sales decreased for the nine months ended September 30, 2024 due to lower bulk spiritsand distributor sales, in addition to lower tequila pricing and raw material savings.Â GrossProfitÂ Grossprofit is calculated by subtracting the cost of products sold and services rendered from net sales. Gross profit was $0.5 million and$1.0 million for the nine months ended September 30, 2024 and 2023, respectively, and $0.2 million for both the three months ended September30, 2024 and 2023.Â Grossmargin is gross profit stated as a percentage of net sales. Our gross margin was 25% and 34% for the nine months ended September 30,2024 and 2023, respectively, 26% and 21% for the three months ended September 30, 2024 and 2023, respectively.Â Grossprofit and gross margin decreased for the nine months ended September 30, 2024 primarily due to bulk spirit sales during the nine monthsended September 30, 2023. Gross margin increased for the three months ended September 30, 2024 due to bulk spirits salesand continued cost savings initiatives that began in 2023 and continued into 2024.Â Salesand Marketing ExpensesÂ Salesand marketing expenses were $0.7 million and $1.2 million for the nine months ended September 30, 2024 and 2023, respectively, and $0.2million and $0.3 million for the three months ended September 30, 2024 and 2023, respectively, due to reduced headcount as part of spritsrestructuring.Â Generaland Administrative ExpensesÂ Generaland administrative expenses were $1.1 million and $1.3 million for the nine months ended September 30, 2024 and 2023, respectively, and$0.4 million and $0.2 million for the three months ended September 30, 2024, respectively, due to a reversal of $0.1 million relatedto compensation expense in the third quarter of 2023.Â 29 Â Â InterestExpenseÂ Interestexpense was $1.0 million and $0.9 million for the nine months ended September 30, 2024 and 2023, respectively, and $0.4 million and $0.2million for the three months ended September 30, 2024 and 2023, respectively, due to the Debt Satisfaction Agreement on September 29,2023.Â Losson Debt to Equity ConversionÂ OnSeptember 29, 2023, we issued to the SPV 296,722 shares of common stock and 200,000 shares of its Series C Preferred Stock. In exchangefor that equity, our debts to the members of the SPV were reduced by a total of $6.5 million and we recognized a loss on the debt toequity conversion was $1.3 million for both the nine and three months ended September 30, 2023.Â NetIncome (Loss)Â Netloss was $2.3 million and $3.6 million for the nine months ended September 30, 2024 and 2023, respectively, and $0.8 million and $1.8million for the three months ended September 30, 2024 and 2023, respectively, primarily due to the Debt Satisfaction

Agreement.Â PreferredStock DividendsÂ Preferredstock dividends were $0.1 million and $37,500 and for the nine and three months ended September 30, 2024 and 2023, respectively, representingthe Series B preferred stock dividend of 6% per annum.Â Liquidityand Capital ResourcesÂ ThroughSeptember 30, 2024, our primary capital requirements have been for cash used in operating activities and for the repayment of debt.Funds for our cash and liquidity needs have historically not been generated from operations but rather from short-term credit in theform of extended payment terms from suppliers as well as proceeds from loans and the sale of convertible debt and equity. We havebeen dependent on raising capital from debt and equity financing to meet our operating needs.Â As a result of these historical practices, wehad an accumulated deficit of $87.0 million as of September 30, 2024, having incurred a net loss of $4.1 million during the nine monthsended September 30, 2024. As of September 30, 2024, we had $0.3 million of cash on hand with negative working capital of $12.6 million.Â On October 7, 2024 we satisfiedall secured debt and $2.5 million of unsecured debt by assigning ownership of Craft C+P to the creditors of that debt, who additionallysurrendered to us 44,279 shares of Series C Preferred Stock. The transaction substantially reduced our debt obligations. On the same day,however, Beeline merged into our wholly-owned subsidiary. Beeline used $8.6 million of cash in operating activities during 2023 and $10.1million of cash in operating activities during the first six months of 2024, funds that it obtained from a variety of debt and equityfinancing transactions.Â Our ability,therefore, to meet our ongoing operating cash needs over the next 12 months will depend, in part, on the success of Beeline inexpanding sales and achieving cash-positive operations. In larger part, however, our ability to meet near-term operating cash needswill depend on our success in securing debt and/or equity financing as needed. On November 14, 2024, we closed on a sale of $1.9million in secured debt, from which we gained $1.6 million in net cash before payment of the transaction costs. These funds shouldbe adequate to fund our cash flow requirement into early 2025. The availability of additional financing will be largely dependent onthe operating success of Beeline, including improved gross margins as well as operational improvements, which will be necessary toattract investors.Â Ourcash flow results for the nine months ended September 30, 2024 and 2023 (which do not include any cash flows attributable toBeeline) were as follows:Â (Dollars in thousands)Â 2024Â Â 2023Â Net cash flows provided by (used in):Â Â Â Â Â Â Â Â Operating activitiesÂ $(1.6)Â $(1.7) Investing activitiesÂ $0.1Â Â $(0.1) Financing activitiesÂ $1.5Â Â $1.4Â Â 30 Â Â OperatingActivitiesÂ Totalcash used in operating activities was $1.6 million during the nine months ended September 30, 2024 compared to $1.7 million used duringthe nine months ended September 30, 2023. The use of cash was similar, even as we lost $1.3 million more duringthe 2023 period, primarily because the 2023 loss included a $1.3 million loss on the debt to equity conversion that occurred during thenine months ended September 30, 2023Â InvestingActivitiesÂ Totalcash provided by investing activities was $0.1 million during the nine months ended September 30, 2024, representing net proceedsfrom the sale by Craft C+P of fixed assets. During the nine months ended September 30, 2023, cash used in investing activities was$0.1 million representing net purchases of fixed assets.Â FinancingActivitiesÂ Totalcash provided by financing activities was $1.5 million during the nine months ended September 30, 2024, consisting of $1.1 million from the sale of secured notes in May 2024and $0.4 million from an at-the-market sale of common stock in September 2024. Total cash provided by financing activities was $1.4 million during the nine monthsended September 30, 2023 primarily consisted of proceeds from the issuance of stock.Â CriticalAccounting PoliciesÂ Thediscussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, whichhave been prepared in accordance with United States generally accepted accounting principles. The preparation of these financial statementsrequires us to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses,and related disclosure of contingent assets and liabilities. These items are monitored and analyzed by management for changes in factsand circumstances, and material changes in these estimates could occur in the future. Changes in estimates are recorded in the periodin which they become known. We base our estimates on historical experience and various other assumptions that we believe to be reasonableunder the circumstances. Actual results may differ from our estimates if past experience or other assumptions do not turn out to be substantiallyaccurate.Â Inconnection with the preparation of our financial statements for the nine months ended September 30, 2024, there was one accounting estimatewe made that was subject to a high degree of uncertainty and was critical to our results, as follows:Â IntangibleAssetsÂ OnSeptember 12, 2019, we purchased the AzuÃ±ia brand, the direct sales team, existing product inventory, supply chain relationshipsand contractual agreements from Intersect Beverage, LLC, an importer and distributor of tequila and related products. The AzuÃ±iabrand has been determined to have an indefinite life and will not be amortized. We do, however, on an annual basis, test the indefinitelife assets for impairment. If the carrying value of the indefinite life assets are found to be impaired, then we will record an impairmentloss and reduce the carrying value of the assetâ€™s estimate the useful life of the brand and amortize the asset over the remainderof its useful life.Â Weestimate the brandâ€™s fair value using market information to estimate future cash flows and will impair it when its carrying amountexceeds its estimated fair value, in which case we will write it down to its estimated fair value. We consider market values for similarassets when available. Considerable management judgment is necessary to estimate fair value, including making assumptions about futurecash flows, net sales and discount rates.Â Wehave the option, before quantifying the fair value, to evaluate qualitative factors to assess whether it is more likely than not thatour brand is impaired. If we determine that is not the case, then we are not required to quantify the fair value. That assessment alsotakes considerable management judgment.Â Asof December 31, 2023, as a result of the review described above, we found the AzuÃ±ia brand to be impaired and reduced its carryingcost by $0.4 million.Â 31 Â Â ITEM3 â€“ QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKÂ Asa â€œsmaller reporting companyâ€ as defined by Item 10 of Regulation S-K, we are not required to provide information requiredby this item.Â ITEM4 â€“ CONTROLS AND PROCEDURESÂ Wemaintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (â€œExchangeActâ€) that are designed to provide reasonable assurances that the information required to be disclosed in reports filed or submittedunder the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and formsand that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief FinancialOfficer, as appropriate, to allow timely decisions regarding required disclosures.Â Weconducted an evaluation (pursuant to Rule 13a-15(b) of the Exchange Act)), under the supervision and with the participation of management,including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Companyâ€™s disclosure controls andprocedures (as defined in Rule 13a-15(e)) as of the end of the period covered by this report. Based on the evaluation, the Chief ExecutiveOfficer and Chief Financial Officer has concluded that these disclosure controls and procedures were effective as of September 30, 2024.Â Therewere no changes in internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the quarter endedSeptember 30, 2024, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.Â PARTII: OTHER INFORMATIONÂ ITEM1 â€“ LEGAL PROCEEDINGSÂ OnMarch 1, 2023, Sandstrom Partners, Inc. filed a complaint in the Circuit Court of the State of Oregon for the County of Multnomah allegingthe Company failed to pay for its services pursuant to an agreement entered into on October 16, 2019. The complaint sought damages of$245,000, plus a judicial declaration, due to the Companyâ€™s failure to pay for the services. The Company believes that it paidfor services rendered. On October 28, 2024, the Company signed a term sheet to settle the case for an immaterial amount.Â OnDecember 15, 2020, Grover Wickersham filed a complaint in the United States District Court for the District Court of Oregon against theCompany. Mr. Wickersham, the former CEO and Chairman of the Board of the Company, has asserted causes of action for fraud in the inducement,breach of contract, breach of the implied covenant of good faith and fair dealing, defamation, interference with economic advantage,elder financial abuse, and dissemination of false and misleading proxy materials. During June 2024, this case was settled for an immaterialamount.Â Weare not currently subject to any other material legal proceedings; however, we could be subject to legal proceedings and claims fromtime to time in the ordinary course of our business, or legal proceedings we considered immaterial may in the future become material.Regardless of the outcome, litigation can, among other things, be time consuming and expensive to resolve, and divert management resources.Â ITEM1A â€“ RISK FACTORSÂ Therehave been no material changes in our risk factors from those previously disclosed in our annual report on Form 10-K for the year endedDecember 31, 2023, except for the following additions:Â Ifthe Company is unable to remedy its shareholder equity deficiency, its common stock may be removed from Nasdaq.Â OnApril 8, 2024, the Staff of the Listing Qualifications Department of the Nasdaq Stock Market notified the Company that it had fallenout of compliance with the requirements for continued listing of the Companyâ€™s common stock on Nasdaq. Specifically, Nasdaq ListingRule 5550(b)(1) requires that the stockholdersâ€™ equity of a listed company must exceed $2.5 million. On June 3, 2024 the Staffextended to October 7, 2024 the date by which the Company could regain compliance with the Equity Rule. Based upon the closing of Mergerand the Debt Agreement on October 7, 2024, the Company has regained compliance with the Equity Rule. Nasdaq has advised the Company,however, that it will continue to monitor the Companyâ€™s ongoing compliance with the Equity Rule and, if at the time when the Companyfiles its next periodic report with the SEC â€“ i.e. its Annual Report on Form 10-K for the year ending December 31, 2024 - the Companydoes not evidence compliance with the Equity Rule, the Companyâ€™s common stock may be subject to delisting from Nasdaq.Â 32 Â Â ITEM2 â€“ UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDSÂ Therewere no unregistered sales of equity securities during the third quarter of 2024 that have not been previously reported.Â TheCompany did not repurchase any of its equity securities that were registered under Section 12 of the Securities Exchange Act during thethird quarter of fiscal year 2024.Â ITEM3 â€“ DEFAULTS UPON SENIOR SECURITIESÂ None.Â ITEM4 â€“ MINE SAFETY DISCLOSURESÂ Notapplicable.Â ITEM5 â€“ OTHER INFORMATIONÂ During thequarter ended September 30, 2024, no director or officer adopted or terminated any Rule 10b5-1 trading arrangement or non-Rule 10b5-1trading arrangement, as each term is defined in Item 408(a) of Regulation S-K.Â ITEM6 â€“ EXHIBITSÂ Exhibit No. Â Description Â Â Â 3.1 Â Amended and Restated Articles of Incorporation of the Company, as presently in effect, filed as Exhibit 3.1 to the Registration Statement on Form S-1 filed on November 14, 2011 (File No. 333-177918) and incorporated by reference herein. 3.2 Â Articles of Merger, filed as Exhibit 3.1 to the Registrantâ€™s Current Report on Form 8-K dated November 19, 2014 and filed on November 25, 2019 and incorporated by reference herein. 3.3 Â Certificate of Change, filed as Exhibit 3.1 to the Companyâ€™s Current Report on Form 8-K dated October 6, 2016 and filed on October 11, 2016 and incorporated by reference herein. 3.4 Â Certificate of Change, filed as Exhibit 3.1 to the Companyâ€™s Current Report on Form 8-K dated June 14, 2017 and filed on June 15, 2017 and incorporated by reference herein. 3.5 Â Certificate of Amendment of Articles of Incorporation, filed as an Exhibit to the Companyâ€™s Current Report on Form 8-K dated August 13, 2021 and filed on August 31, 2021 and incorporated by reference herein. 3.6 Â Certificate of Amendment to Designation of Series B Preferred Stock, filed as an Exhibit to the Companyâ€™s Current Report on Form 8-K filed on October 25, 2021 and incorporated herein by reference. 3.7 Â Certificate of Change Pursuant to NRS 78.209 â€“ filed May 3, 2023, filed as an Exhibit to the Companyâ€™s Current Report on Form 8-K filed on May 9, 2023 and incorporated herein by reference. 3.8 Â Certificate of Designation of Series C Preferred Stock filed on September 28, 2023 - filed as an Exhibit to the Companyâ€™s Current Report on Form 8-K filed on September 29, 2023 and incorporated herein by reference 3.9 Â Certificate of Amendment of Articles of Incorporation - filed on January 2, 2024, filed as an Exhibit to the Companyâ€™s Current Report on Form 8-K filed on January 4, 2024 and incorporated herein by reference. 3.10 Â Certificate of Designation of Series D Preferred Stock, filed as Exhibit 3-a to the Current Report on Form 8-K filed on October 7, 2024 and incorporated herein by reference 3.11 Â Certificate of Designation of Series E Preferred Stock, filed as Exhibit 3-b to the Current Report on Form 8-K filed on October 7, 2024 and incorporated herein by reference 3.12 Â Certificate of Designation of Series F Preferred Stock, filed as Exhibit 3-c to the Current Report on Form 8-K filed on October 7, 2024 and incorporated herein by reference 3.13 Â Certificate of Designation of Series F-1 Preferred Stock, filed as Exhibit 3-d to the Current Report on Form 8-K filed on October 7, 2024 and incorporated herein by reference 3.10 Â Second Amended and Restated Bylaws of the Registrant, filed as Exhibit 10-a to the Registrantâ€™s Current Report on Form 8-K dated August 14, 2024 and filed on August 16, 2024 and incorporated by reference herein. 10.1 Â Eastside Distilling, Inc. 2016 Equity Incentive Plan, filed as Exhibit 99.1 to the Registrantâ€™s Registration Statement on Form S-8 filed on February 28, 2019 and incorporated by reference herein. 10.2 Â Agreement and Plan of Merger and Reorganization by and among Eastside Distilling, Inc., East Acquisition Sub, Inc. and Beeline Financial Holdings, Inc. dated September 4, 2024, filed as Exhibit 10-a to the Current Report on Form 8-K filed on September 5, 2024, and incorporated herein by reference. 10.3 Â First Amendment to Agreement and Plan of Merger and Reorganization by and among Eastside Distilling, Inc., East Acquisition Sub, Inc. and Beeline Financial Holdings, Inc. dated October 7, 2024, filed as Exhibit 10-b to the Current Report on Form 8-K filed on October 7, 2024, and incorporated herein by reference. 10.4 Â Executive Employment Agreement dated July 3, 2024 between Eastside Distilling, Inc. and Geoffrey Gwin, filed as Exhibit 10-a to the Companyâ€™s Current Report on Form 8-K filed on July 10, 2024 and incorporated herein by reference. 10.5 Â Amendment No. 1 dated October 7, 2024 to Executive Employment Agreement dated July 3, 2024 between Eastside Distilling, Inc. and Geoffrey Gwin, filed as Exhibit 10-d to the Companyâ€™s Current Report on Form 8-K filed on October 7, 2024 and incorporated herein by reference. 10.6 Â Form of Securities Purchase Agreement dated November 13, 2024 â€“ filed as Exhibit 10.1 to the Companyâ€™s Current Report on Form 8-K filed on November 15, 2024 and incorporated herein by reference. 10.7 Â Form of Senior Secured Note dated November 14, 2024 â€“ filed as Exhibit 10.2 to the Companyâ€™s Current Report on Form 8-K filed on November 15, 2024 and incorporated herein by reference. 10.8 Â Form of Shareholder Pledge Agreement dated November 14, 2024 â€“ filed as Exhibit 10.5 to the Companyâ€™s Current Report on Form 8-K filed on November 15, 2024 and incorporated herein by reference. 10.9 Â Form of Security and Pledge Agreement dated November 14, 2024 â€“ filed as Exhibit 10.6 to the Companyâ€™s Current Report on Form 8-K filed on November 15, 2024 and incorporated herein by reference. 31.1 * Â Certification of Chief Executive Officer pursuant to Rule 13a-14(a). 31.2 * Â Certification of Chief Financial Officer pursuant to Rule 13a-14(a). 32.1 * Â Certification of Chief Executive Office pursuant to 18 U.S.C. Section 1350. 32.2 * Â Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350. 101.INS Â Inline XBRL Instance Document 101.SCH Â Inline XBRL Taxonomy Schema Linkbase Document 101.CAL Â Inline XBRL Taxonomy Calculation Linkbase Document 101.DEF Â Inline XBRL Taxonomy Definition Linkbase Document 101.LAB Â Inline XBRL Taxonomy Labels Linkbase Document 101.PRE Â Inline XBRL Taxonomy Presentation Linkbase Document 104 Â Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) Â * Filed herewith. Â 33 Â Â SIGNATURESÂ Pursuantto the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf bythe undersigned thereunto duly authorized.Â Â EASTSIDE DISTILLING, INC. Â Â Â Date: November 15, 2024 By: /s/ Geoffrey Gwin Â Â Geoffrey Gwin Â Â Chief Executive Officer Â Â Â Date: November 15, 2024 By: /s/ Christopher R. Moe Â Â Christopher R. Moe Â Â Chief Financial Officer Â Â (Principal Financial and Accounting Officer) Â 34 Â Exhibit31.1Â CERTIFICATIONOF CHIEF EXECUTIVE OFFICER PURSUANTTO RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934Â I,Geoffrey Gwin, certify that:Â 1.I have reviewed this Quarterly Report on Form 10-Q of Eastside Distilling, Inc.;Â 2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessaryto make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to theperiod covered by this report;Â 3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all materialrespects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in thisreport;Â 4.The registrantâ€™s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures(as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange ActRules 13a-15(f) and 15d-15(f)) for the registrant and have:Â (a)Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision,to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by otherswithin those entities, particularly during the period in which this report is being prepared;Â (b)Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed underour supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statementsfor external purposes in accordance with generally accepted accounting principles;Â (c)Evaluated the effectiveness of the registrantâ€™s disclosure controls and procedures and presented in this report our conclusionsabout the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;andÂ (d)Disclosed in this report any change in the registrantâ€™s internal control over financial reporting that occurred during the registrantâ€™smost recent fiscal quarter (the registrantâ€™s fourth fiscal quarter in the case of an annual report) that has materially affected,or is reasonably likely to materially affect, the registrantâ€™s internal control over financial reporting; andÂ 5.The registrantâ€™s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financialreporting, to the registrantâ€™s auditors and the audit committee of the registrantâ€™s board of directors (or persons performingthe equivalent functions):Â (a)All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which arereasonably likely to adversely affect the registrantâ€™s ability to record, process, summarize and report financial information;andÂ (b)Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrantâ€™sinternal control over financial reporting.Â Date:November 15, 2024Â /s/ Geoffrey Gwin Â Geoffrey Gwin Â Chief Executive Officer Â Â Â Â Â Exhibit31.2Â CERTIFICATIONOF CHIEF FINANCIAL OFFICERPURSUANTTO RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934Â I,Christopher R. Moe, certify that:Â 1.I have reviewed this Quarterly Report on Form 10-Q of Eastside Distilling, Inc.;Â 2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessaryto make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to theperiod covered by this report;Â 3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all materialrespects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in thisreport;Â 4.The registrantâ€™s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures(as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange ActRules 13a-15(f) and 15d-15(f)) for the registrant and have:Â (a)Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision,to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by otherswithin those entities, particularly during the period in which this report is being prepared;Â (b)Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed underour supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statementsfor external purposes in accordance with generally accepted accounting principles;Â (c)Evaluated the effectiveness of the registrantâ€™s disclosure controls and procedures and presented in this report our conclusionsabout the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;andÂ (d)Disclosed in this report any change in the registrantâ€™s internal control over financial reporting that occurred during the registrantâ€™smost recent fiscal quarter (the registrantâ€™s fourth fiscal quarter in the case of an annual report) that has materially affected,or is reasonably likely to materially affect, the registrantâ€™s internal control over financial reporting; andÂ 5.The registrantâ€™s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financialreporting, to the registrantâ€™s auditors and the audit committee of the registrantâ€™s board of directors (or persons performingthe equivalent functions):Â (a)All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which arereasonably likely to adversely affect the registrantâ€™s ability to record, process, summarize and report financial information;andÂ (b)Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrantâ€™sinternal control over financial reporting.Â Date:November 15, 2024Â /s/ Christopher R. Moe Â Christopher R. Moe Â Chief Financial Officer Â Â Â Â Â Exhibit32.1Â CERTIFICATIONOF CHIEF EXECUTIVE OFFICERPURSUANTTO 18 U.S.C.

SECTION 1350Â I,Geoffrey Gwin, Chief Executive Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuantto Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Eastside Distilling, Inc. on Form 10-Q for the periodended September 30, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and thatinformation contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and resultsof operations of Eastside Distilling, Inc.Â Date:November 15, 2024Â Â By: /s/ Geoffrey Gwin Â Name: Geoffrey Gwin Â Title: Chief Executive Officer Â Â Â Â Â Â Exhibit32.2Â CERTIFICATIONOF CHIEF FINANCIAL OFFICERPURSUANTTO 18 U.S.C. SECTION 1350Â I,Christopher R. Moe, Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-OxleyAct of 2002, that the Quarterly Report of Eastside Distilling, Inc. on Form 10-Q for the period ended September 30, 2024 fully complieswith the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such QuarterlyReport on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Eastside Distilling,Inc.Â Date:November 15, 2024Â Â By: /s/ Christopher R. Moe Â Name: Christopher R. Moe Â Title: Chief Financial Officer Â Â Â Â