

REFINITIV

DELTA REPORT

10-Q

ATLASCLEAR HOLDINGS, INC.

10-Q - DECEMBER 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2024

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 CHANGES 221

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(MARK ONE)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **September 30, December 31, 2024**

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: **001-41956**

AtlasClear Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware	92-2303797
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4030 Henderson Blvd, Suite 712 2203 Lois Ave. N., Ste. 814 Tampa, FL	33629 33607
(Address of principal executive offices)	(Zip Code)

(727) 446-6660

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, \$0.0001 par value per share	ATCH	NYSE American LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 15, 2024 February 18, 2025, there were 23,275,171 1,200,711 shares of common stock, \$0.0001 par value, issued and outstanding.

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ATLASCLEAR HOLDINGS, INC.

FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, DECEMBER 31, 2024

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PART I - FINANCIAL INFORMATION

Item 1. Interim Consolidated Financial Statements.

ATLASCLEAR HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2024		June 30, 2024		December 31, 2024		June 30, 2024	
	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
ASSETS								
Cash and cash equivalents	\$ 6,817,398		\$ 6,558,176		\$ 6,879,552		\$ 6,558,176	
Cash segregated - customers		19,980,711		20,548,972		21,377,503		20,548,972
Cash segregated - PAB		768,767		200,738		200,618		200,738
Receivables - broker-dealers and clearing organizations		1,917,175		1,333,306		1,321,533		1,333,306
Receivables - customers, net		170,690		823,784		354,196		823,784
Other receivables		230,037		64,842		62,098		64,842
Prepays		44,275		67,967		64,392		67,967
Trading securities, market value, net		55		55		54		55
Total Current Assets		29,929,108		29,597,840		30,259,946		29,597,840
Operating lease right to use lease asset		288,191		326,336		249,515		326,336
Property and equipment, net		11,511		16,080		6,942		16,080
Customer list, net		13,843,665		14,150,856		13,536,472		14,150,856
Goodwill		6,142,525		7,706,725		6,142,525		7,706,725
Pacsquare asset purchase		1,928,800		1,726,500		1,880,725		1,726,500
Cash deposits - broker-dealers and clearing organizations		3,515,000		3,515,000		3,515,000		3,515,000
Bank acquisition deposit		—		91,200		87,500		91,200
Other assets		336,017		336,017		336,017		336,017
TOTAL ASSETS	\$ 55,994,817		\$ 57,466,554		\$ 56,014,642		\$ 57,466,554	
LIABILITIES AND STOCKHOLDERS' DEFICIT								
LIABILITIES								
Payables to customers	\$ 20,009,873		\$ 20,162,973		\$ 20,020,804		\$ 20,162,973	
Accounts and payables to officers/directors		728,936		686,579		840,243		686,579
Accounts payable and accrued expenses		4,615,650		5,393,912		4,866,025		5,393,912
Payables - broker-dealers and clearing organizations		20,238		4,915		15,427		4,915
Commissions, payroll and payroll taxes		221,769		273,386		311,796		273,386
Current portion of lease liability		138,218		149,499		126,746		149,499
Stock payable		63,742		259,893		125,983		259,893
Promissory notes		852,968		852,968		878,997		852,968
Short-term merger financing, net		4,790,907		5,092,083		4,941,710		5,092,083
Contingent guarantee		—		3,256,863		—		3,256,863
Tau agreement liability		972,508		—		783,947		—
Subscription agreement		2,460,488		2,425,647		2,473,529		2,425,647
Stock payable - related party		55,087		55,087		55,087		55,087
Excise tax payable		2,067,572		2,067,572		2,260,783		2,067,572
Total Current Liabilities	36,997,956		40,681,377		37,701,077		40,681,377	
Accrued contingent liability		100,000		100,000		100,000		100,000
Convertible notes, net		3,282,518		3,783,437		3,375,248		3,783,437
Secured convertible note, net		7,066,449		6,857,101		8,745,699		6,857,101
Long-term merger financing, net		7,708,615		7,606,561		8,067,569		7,606,561
Merger financing - convertible notes		2,985,237		—		3,104,866		—
Derivative liability - secured convertible note		89,535		—		—		—
Derivative liability - merger financing		176,239		—		150,490		—
Derivative liability - convertible notes		2,142,511		16,462,690		1,024,706		16,462,690
Derivative liability - Warrants		61,531		307,656		123,062		307,656

Earnout - liability	12,638,000	12,298,000	11,044,000	12,298,000
Deferred income tax liability	3,702,645	5,245,886	3,616,486	5,245,886
Subordinated borrowings	1,950,000	1,950,000	1,930,000	1,950,000
Trading account deposit	100,000	100,000	100,000	100,000
Long-term lease liability	155,616	182,729	128,164	182,729
TOTAL LIABILITIES	79,156,852	95,575,437	79,211,367	95,575,437
Commitments and Contingencies (Note 9)				
STOCKHOLDERS' DEFICIT				
Preferred stock, \$0.0001 par value; 1,000,000 shares authorized; none issued or outstanding	—	—	—	—
Common stock, \$0.0001 par value; 100,000,000 shares authorized; 22,245,698 and 12,455,157 shares issued and outstanding at September 30, 2024 and June 30, 2024, respectively (excluding 1,029,473 shares issued under the Tau Agreement included in liabilities as of September 30, 2024)	2,225	1,246	—	—
Preferred stock, \$0.0001 par value; 25,000,000 shares authorized; none issued or outstanding	—	—	—	—
Common stock, \$0.0001 par value; 500,000,000 shares authorized; 388,003 and 207,585 shares issued and outstanding at December 31, 2024 and June 30, 2024, respectively	39	21	—	—
Additional paid-in-capital	114,517,131	110,164,676	114,761,723	110,165,209
Stock subscription receivable	(154,619)	—	(12,717)	—
Accumulated Deficit	(137,526,772)	(148,274,805)	(137,945,770)	(148,274,113)
TOTAL STOCKHOLDERS' DEFICIT	(23,162,035)	(38,108,883)	(23,196,725)	(38,108,883)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 55,994,817	\$ 57,466,554	\$ 56,014,642	\$ 57,466,554

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

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ATLASCLEAR HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended	
	September 30,	
	2024	2023
REVENUES		
Commissions	\$ 1,383,828	\$ —
Vetting fees	365,383	—
Clearing fees	1,047,712	—
Net gain/(loss) on firm trading accounts	1,711	—
Other revenue	5,448	—
TOTAL REVENUES	2,804,082	—
EXPENSES		
Compensation, payroll taxes and benefits	1,279,304	—
Data processing and clearing costs	611,646	—

Regulatory, professional fees and related expenses	1,095,819	640,813
Communications	152,754	—
Occupancy and equipment	54,004	—
Transfer fees	51,590	—
Bank charges	55,901	—
Intangible assets amortization	307,191	—
Other	136,975	—
TOTAL EXPENSES	3,745,184	640,813
 LOSS FROM OPERATIONS	 (941,102)	 (640,813)
 OTHER INCOME/(EXPENSE)	 	
Interest income	606,758	722,390
Change in fair value of warrant liability derivative	246,125	(184,594)
Change in fair value of convertible note derivative	3,167,309	—
Change in fair value of long-term and short-term note derivative	11,152,870	—
Change in fair value of contingent guarantee	(839,775)	—
Change in fair value of non-redemption agreement	—	(11,759)
Change in fair value of secured convertible note	(89,535)	—
Change in fair value of merger financing	(63,195)	—
Change in fair value of earnout liability	(340,000)	—
Change in fair value of subscription agreement	(34,841)	—
Change in fair value of stock payable	196,151	—
Change in fair value of Tau agreement	(833,984)	—
Interest expense	(1,456,996)	—
TOTAL OTHER INCOME/(EXPENSE)	11,710,887	526,037
 NET INCOME/(LOSS) BEFORE INCOME TAXES	 10,769,785	 (114,776)
Income tax (expense) benefit	(21,752)	(141,202)
 NET INCOME/(LOSS)	 <u>\$ 10,748,033</u>	 <u>\$ (255,978)</u>
Basic and diluted weighted average shares outstanding, redeemable common stock	—	5,205,217
Basic and diluted net income (loss) per share, redeemable common stock	<u>\$ —</u>	<u>\$ (0.03)</u>
Basic weighted average shares outstanding, non-redeemable common stock	15,384,357	5,031,250
Basic net income (loss) per share, non-redeemable common stock	<u>\$ 0.70</u>	<u>\$ (0.03)</u>
Diluted weighted average shares outstanding, non-redeemable common stock	114,565,050	5,031,250
Diluted net income (loss) per share, non-redeemable common stock	<u>\$ (0.00)</u>	<u>\$ (0.03)</u>
 REVENUES	 Three Months Ended	 Six Months Ended
	 December 31,	 December 31,
	 2024	 2023
Commissions	\$ 1,598,153	\$ —
Vetting fees	357,601	—
Clearing fees	785,227	—
Net gain/(loss) on firm trading accounts	2,245	—
Other revenue	3,273	—
TOTAL REVENUES	2,746,499	—
	 2024	 2023

EXPENSES				
Compensation, payroll taxes and benefits	1,580,182	—	2,859,486	—
Data processing and clearing costs	629,733	—	1,241,379	—
Regulatory, professional fees and related expenses	1,107,762	611,934	2,203,581	1,252,747
Communications	126,089	—	278,843	—
Occupancy and equipment	54,428	—	108,432	—
Transfer fees	39,917	—	91,507	—
Bank charges	53,425	—	109,326	—
Intangible assets amortization	355,268	—	662,459	—
Other	(51,156)	—	85,819	—
TOTAL EXPENSES	3,895,648	611,934	7,640,832	1,252,747
LOSS FROM OPERATIONS	(1,149,149)	(611,934)	(2,090,251)	(1,252,747)
OTHER INCOME/(EXPENSE)				
Interest income	460,315	352,512	1,067,073	1,074,902
Change in fair value of warrant liability derivative	(61,531)	184,594	184,594	—
Change in fair value of convertible note derivative	823,076	—	3,990,385	—
Change in fair value of long-term and short-term note derivative	294,729	—	11,447,599	—
Change in fair value of contingent guarantee	—	—	(839,775)	—
Change in fair value of non-redemption agreement	—	451,546	—	439,787
Change in fair value of secured convertible note	89,535	—	—	—
Change in fair value of merger financing	25,749	—	(37,446)	—
Change in fair value of earnout liability	1,594,000	—	1,254,000	—
Change in fair value of subscription agreement	(13,041)	—	(47,882)	—
Change in fair value of stock payable	25,260	—	221,410	—
Change in fair value of Tau agreement	73,284	—	(760,699)	—
Interest expense	(2,667,285)	—	(4,124,281)	—
TOTAL OTHER INCOME/(EXPENSE)	644,091	988,652	12,354,978	1,514,689
NET INCOME/(LOSS) BEFORE INCOME TAXES	(505,058)	376,718	10,264,727	261,942
Income tax (expense) benefit	85,368	(3,718)	63,616	(144,920)
NET INCOME/(LOSS)	\$ (419,690)	\$ 373,000	\$ 10,328,343	\$ 117,022
Basic and diluted weighted average shares outstanding, redeemable common stock	—	84,173	—	85,463
Basic and diluted net income (loss) per share, redeemable common stock	\$ —	\$ 2.22	\$ —	\$ 0.69
Basic weighted average shares outstanding, non-redeemable common stock	377,287	83,854	316,846	83,854
Basic net income (loss) per share, non-redeemable common stock	\$ (1.11)	\$ 2.22	\$ 32.60	\$ 0.69
Diluted weighted average shares outstanding, non-redeemable common stock	377,287	83,854	3,413,343	83,854
Diluted net income (loss) per share, non-redeemable common stock	\$ (1.11)	\$ 2.22	\$ 0.12	\$ 0.69

The accompanying notes are an integral part of the unaudited condensed financial statements.

ATLASCLEAR HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
(UNAUDITED)
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, DECEMBER 31, 2024

	Additional						Total Stockholders' Deficit
	Common Stock		Paid-in	Subscription	Accumulated		
	Shares	Amount	Capital	Receivable	Deficit		
Balance — June 30, 2024	12,455,157	\$ 1,246	\$ 110,164,676	\$ —	\$ (148,274,805)	\$ (38,108,883)	
Common stock issued to for consulting services	12,000	1	2,577	—	—	—	2,578
Shares issued as purchase consideration for the assets of Pacsquare	500,000	50	122,250	—	—	—	122,300
Shares issued as conversion of \$325,000 in principle on convertible notes	1,769,122	177	324,823	—	—	—	325,000
Shares transferred by related parties as settlement for Company obligations under various financial instruments see Note 8	—	—	2,412,930	—	—	—	2,412,930
Shares issued as conversion of \$359,896 in principal and \$7,530 of interest on short-term merger financing notes	1,862,116	186	367,240	—	—	—	367,426
Shares issued to related party as settlement for \$803,860 in related party payable.	2,788,276	279	803,581	—	—	—	803,860
Shares issued to as additional consideration for delayed payment on merger financing notes	76,000	8	16,332	—	—	—	16,340
Shares issued under Tau agreement settled through September 30, 2024	1,445,527	144	302,856	(154,619)	—	—	148,381
Shares issued for shares transferred by related party as repayment of shares transferred to cover Company obligations as noted above net of contributed capital for debt assumed (see Note 8)	1,337,500	134	(134)	—	—	—	—
Net loss	—	—	—	—	—	10,748,033	10,748,033
Balance — September 30, 2024 (unaudited)	22,245,698	\$ 2,225	\$ 114,517,131	\$ (154,619)	\$ (137,526,772)	\$ (23,162,035)	
	Additional						Total Stockholders' Deficit
	Common Stock		Paid-in	Subscription	Accumulated		
	Shares	Amount	Capital	Receivable	Deficit		
Balance — June 30, 2024	207,585	\$ 21	\$ 110,165,209	\$ —	\$ (148,274,113)	\$ (38,108,883)	
Common stock issued to for consulting services	200	—	2,578	—	—	—	2,578
Shares issued as purchase consideration for the assets of Pacsquare	8,333	1	122,299	—	—	—	122,300
Shares issued as conversion of \$325,000 in principle on convertible notes	29,485	3	324,997	—	—	—	325,000
Shares transferred by related parties as settlement for Company obligations under various financial instruments see Note 8	—	—	2,412,930	—	—	—	2,412,930
Shares issued as conversion of \$359,896 in principal and \$7,530 of interest on short-term merger financing notes	31,035	3	367,423	—	—	—	367,426

Shares issued to related party as settlement for \$803,860 in related party payable.	46,471	5	803,855	—	—	803,860
Shares issued to as additional consideration for delayed payment on merger financing notes	1,267	—	16,340	—	—	16,340
Shares issued under Tau agreement settled through September 30, 2024	24,092	2	302,998	(154,619)	—	148,381
Shares issued for shares transferred by related party as repayment of shares transferred to cover Company obligations as noted above net of contributed capital for debt assumed (see Note 8)	22,292	2	(2)	—	—	—
Net loss	—	—	—	—	10,748,033	10,748,033
Balance — September 30, 2024 (unaudited)	370,760	\$ 37	\$ 114,518,627	\$ (154,619)	\$ (137,526,080)	\$ (23,162,035)
Shares issued under Tau agreement settled through December 31, 2024	17,157	2	243,096	141,902	—	385,000
Rounding up for fractional shares in 1:60 reverse stock split	86	—	—	—	—	—
Net loss	—	—	—	—	(419,690)	(419,690)
Balance — December 31, 2024 (unaudited)	388,003	\$ 39	\$ 114,761,723	\$ (12,717)	\$ (137,945,770)	\$ (23,196,725)

FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, DECEMBER 31, 2023

	Additional					Total Stockholders' Deficit
	Common Stock		Paid-in Capital	Accumulated Deficit		
	Shares	Amount	—	\$ (7,914,849)	\$ (7,914,346)	
Balance — June 30, 2023 (unaudited)	5,031,250	\$ 503	\$ —	\$ (7,914,849)	\$ (7,914,346)	
Accretion of Common Stock subject to Possible Redemption	—	—	—	(1,020,680)	(1,020,680)	
Fair value of non-redemption agreement liability at issuance	—	—	—	(1,881,440)	(1,881,440)	
Excise taxes related to redemptions	—	—	—	(42,865)	(42,865)	
Net loss	—	—	—	(255,978)	(255,978)	
Balance — September 30, 2023 (unaudited)	5,031,250	\$ 503	\$ —	\$ (11,115,812)	\$ (11,115,309)	
	Additional					Total Stockholders' Deficit
	Common Stock		Paid-in Capital	Accumulated Deficit		
	Shares	Amount	—	\$ (7,914,356)	\$ (7,914,348)	
Balance — June 30, 2023 (unaudited)	83,854	\$ 8	\$ —	\$ (7,914,356)	\$ (7,914,348)	
Accretion of Common Stock subject to Possible Redemption	—	—	—	(1,020,680)	(1,020,680)	
Fair value of non-redemption agreement liability at issuance	—	—	—	(1,881,440)	(1,881,440)	
Excise taxes related to redemptions	—	—	—	(42,865)	(42,865)	
Net loss	—	—	—	(255,978)	(255,978)	
Balance — September 30, 2023 (unaudited)	83,854	\$ 8	\$ —	\$ (11,115,319)	\$ (11,115,311)	

Accretion of Common Stock subject to Possible Redemption	—	—	—	(770,565)	(770,565)
Net income	—	—	—	373,000	373,000
Balance — December 31, 2023 (unaudited)	83,854	8	—	(11,512,884)	(11,512,876)

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

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ATLASCLEAR HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended	
	September 30,	
	2024	2023
Net income (loss)	\$ 10,748,033	\$ (255,978)
Adjustments to reconcile net income to net cash provided by operating activities:		
Income earned on marketable securities held in trust account	—	(716,882)
Change in fair value of warrant liability derivative	(246,125)	184,594
Change in fair value of convertible note derivative	(3,167,309)	—
Change in fair value of long-term and short-term note derivative	(11,152,870)	—
Change in fair value of contingent guarantee	839,775	—
Change in fair value of non-redemption agreement	—	11,759
Change in fair value of secured convertible note	89,535	—
Change in fair value of merger financing	63,195	—
Change in fair value of earnout liability	340,000	—
Change in fair value of subscription agreement	34,841	—
Change in fair value of stock payable	(196,151)	—
Change in fair value of Tau agreement	833,984	—
Late fee paid in shares to sellers	16,340	—
Non-cash interest in expense on financial instruments	1,403,503	—
Realized gain on Tau agreement	30,562	—
Stock based compensation	2,578	—
Bank acquisition deposit write off	91,200	—
Depreciation expense	4,569	—
Amortization of intangibles	307,191	—
Allowance for bad debt	639	—
Net lease payments	(249)	—
Changes in operating assets and liabilities:		
Receivables from brokers & dealers	(583,869)	—
Receivables from customers	652,455	—
Receivables from others	(57,235)	—
Advances & prepaid expenses	23,692	(18,750)
Other assets	—	(4,245)

Payables to customers	(153,100)	—
Payables to officers & directors	42,357	—
Payable to brokers & dealers	15,323	—
Accounts payable and accrued expenses	223,401	161,531
Commissions and payroll taxes payable	(51,617)	—
Deferred taxes	20,959	—
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	175,607	(637,971)
Six Months Ended		
December 31,		
	2024	2023
Net income	\$ 10,328,343	\$ 117,022
Adjustments to reconcile net income to net cash provided by operating activities:		
Income earned on marketable securities held in trust account	—	(1,061,167)
Change in fair value of warrant liability derivative	(184,594)	—
Change in fair value of convertible note derivative	(3,990,385)	—
Change in fair value of long-term and short-term note derivative	(11,447,599)	—
Change in fair value of contingent guarantee	839,775	—
Change in fair value of non-redemption agreement	—	(439,787)
Change in fair value of merger financing	37,446	—
Change in fair value of earnout liability	(1,254,000)	—
Change in fair value of subscription agreement	47,882	—
Change in fair value of stock payable	(221,410)	—
Change in fair value of Tau agreement	760,699	—
Late fee paid in shares to sellers	16,340	—
Non-cash interest in expense on financial instruments	3,830,899	—
Excise tax penalties and interest	193,211	—
Realized gain on Tau agreement	23,248	—
Stock based compensation	2,578	—
Bank acquisition deposit write off	91,200	—
Depreciation expense	9,138	—
Amortization of intangibles	662,459	—
Allowance for bad debt	6,346	—
Net lease payments	(497)	—
Changes in operating assets and liabilities:		
Receivables from brokers & dealers	11,773	—
Receivables from customers	463,242	—
Receivables from others	2,744	—
Advances & prepaid expenses	3,575	29,458
Other assets	—	(9,022)
Payables to customers	(142,169)	—
Payables to officers & directors	153,664	—
Payable to brokers & dealers	10,512	—
Accounts payable and accrued expenses	533,776	329,272
Commissions and payroll taxes payable	38,410	—
Deferred taxes	(65,200)	—
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	761,406	(1,034,224)

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ATLASCLEAR HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS CONTINUED
(UNAUDITED)

CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for purchase of Pacsquare	(65,000)	—
Investment of cash into Trust Account	—	(495,000)
Cash withdrawn from Trust Account to pay franchise and income taxes	—	359,897
Cash withdrawn from Trust Account in connection with redemption	—	4,286,537
CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(65,000)	4,151,434
 CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from related party	—	352,981
Proceeds from Tau agreement	148,383	—
Redemption of common stock	—	(4,286,537)
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	148,383	(3,933,556)
 NET INCREASE (DECREASE) IN CASH	258,990	(420,093)
 CASH AT BEGINNING OF YEAR	27,307,886	1,132,900
 CASH AT YEAR END	\$ 27,566,876	\$ 712,807
 Supplemental cash flow information:		
Cash paid for interest	—	—
Cash paid for taxes	—	—
 Non-cash investing and financing activities:		
Decrease in goodwill due to change in deferred tax liability	1,562,200	—
Initial shares issued under Tau agreement	441,524	—
Value of shares transferred by related parties to settle obligations	2,412,930	—
Shares issued to purchase Pacsquare and amounts included in accounts payable	137,300	—
Shares issued to related party for settlement of accounts payable	803,860	—
Receivable from shares advanced under Tau agreement	154,619	—
Shares issued for conversion on convertible notes	325,000	—
Shares issued for conversion of principal and interest on short-term note	367,426	—
Initial value of derivative included in merger financing	113,044	—
Accretion of common stock subject to possible redemption	—	1,020,680
Excise tax related to redemptions	—	42,865
Initial classification of non-redemption agreement liability	—	1,884,440
 CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for purchase of Pacsquare	(125,000)	—
Investment of cash into Trust Account	—	(975,000)
Cash withdrawn from Trust Account to pay franchise and income taxes	—	359,897
Cash withdrawn from Trust Account in connection with redemption	—	4,286,537
CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(125,000)	3,671,434
 CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from related party	—	1,135,981
Subordinated debt payments	(20,000)	—
Proceeds from Tau agreement	533,381	—
Redemption of common stock	—	(4,286,537)
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	513,381	(3,150,556)

NET INCREASE (DECREASE) IN CASH	1,149,787	(513,346)
CASH AT BEGINNING OF YEAR	27,307,886	1,132,900
CASH AT YEAR END	<u><u>\$ 28,457,673</u></u>	<u><u>\$ 619,554</u></u>
Supplemental cash flow information:		
Cash paid for interest	—	—
Cash paid for taxes	—	—
Non-cash investing and financing activities:		
Decrease in goodwill due to change in deferred tax liability	1,564,200	—
Initial shares issued under Tau agreement	546,098	—
Value of shares transferred by related parties to settle obligations	2,412,930	—
Shares issued to purchase Pacsquare and amounts included in accounts payable	77,300	—
Shares issued to related party for settlement of accounts payable	803,860	—
Shares payable for commercial bank acquisition extension	87,500	—
Shares issued for conversion on convertible notes	325,000	—
Shares issued for conversion of principal and interest on short-term note	367,426	—
Initial value of derivative included in merger financing	113,044	—
Accretion of common stock subject to possible redemption	—	1,020,680
Excise tax related to redemptions	—	42,865
Initial classification of non-redemption agreement liability	—	1,884,440

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

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ATLASCLEAR HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, DECEMBER 31, 2024
(Unaudited)

NOTE 1. DESCRIPTION OF ORGANIZATION AND BUSINESS OPERATIONS

AtlasClear Holdings, Inc. (formerly known as Calculator New Pubco, Inc.) (the "Company" or "AtlasClear Holdings") is a Delaware corporation and, prior to the Business Combination (defined below), was a direct, wholly-owned subsidiary of Quantum FinTech Acquisition Corporation ("Quantum"). Quantum was incorporated in Delaware on October 1, 2020. Quantum was a blank check company formed for the purpose of entering into a merger, share exchange, asset acquisition, stock purchase, recapitalization, reorganization or other similar business combination with one or more businesses or entities.

On February 9, 2024 (the "Closing Date"), the Company consummated the previously announced transactions pursuant to that certain Business Combination Agreement, dated November 16, 2022 (as amended, the "Business Combination Agreement"), by and among the Company, Quantum, Calculator Merger Sub 1, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant ("Merger Sub 1"), Calculator Merger Sub 2, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant ("Merger Sub 2"), AtlasClear, Inc., a Wyoming corporation ("AtlasClear"), Atlas FinTech Holdings Corp., a Delaware corporation ("Atlas FinTech") and Robert McBey. The transactions consummated as a result of the Business Combination Agreement are hereinafter referred to as the "Business Combination." In connection with the consummation of the Business Combination (the "Closing"), the Company changed its name from "Calculator New Pubco, Inc." to "AtlasClear Holdings, Inc." As a result, the operation history of Quantum survived the merger. Pursuant to the Business Combination Agreement, AtlasClear received certain assets from Atlas FinTech and Atlas Financial Technologies Corp., a Delaware corporation, and (ii)

Broker-Dealer Acquisition Agreement (as defined in the Business Combination Agreement), AtlasClear completed the acquisition of broker-dealer, Wilson-Davis & Co., Inc. ("Wilson-Davis").

On February 16, 2024, AtlasClear and Pacsquare Technologies, LLC ("Pacsquare") entered into a Source Code Purchase and Master Services Agreement (the "Pacsquare Purchase Agreement"), pursuant to which AtlasClear purchased a proprietary trading platform with clearing and settlement capabilities that will be developed by Pacsquare, including certain software and source code (the "AtlasClear Platform").

AtlasClear Holdings' goal is to build a cutting-edge technology enabled financial services firm that would create a more efficient platform for trading, clearing, settlement and banking, with evolving and innovative financial products that focus on financial services firms. AtlasClear Holdings is a fintech driven business-to-business platform that expects to power innovation in fintech, investing, and trading.

AtlasClear does not meet the definition of a business and therefore was treated as an asset acquisition by AtlasClear Holdings. As such the assets contributed from Atlas FinTech and the net assets of AtlasClear were recognized at historical cost. ASC 350 prohibits the recognition of goodwill in an asset **purchase.** **purchase with related parties.**

Quantum was deemed the accounting acquirer based on the following factors: i) Quantum issued cash and shares of its common stock; ii) Quantum controlled the voting rights under the no redemption and the maximum contractual redemption scenarios; iii) Quantum had the largest minority voting interest; iv) Quantum has control over the board of directors of the post-combination company and most of senior management of the post-combination company are former officers of Quantum.

Wilson-Davis is a securities broker and dealer, dealing in over-the-counter and listed securities. Wilson-Davis is registered with the Securities and Exchange Commission (the "SEC") and is a member of the Financial Industry Regulatory Authority.

Revenue is derived principally from Wilson-Davis' operations in three areas: commission revenue, fee revenue and interest revenue.

Wilson-Davis has operations in Utah, Arizona, California, Colorado, Florida, New York, Oklahoma and Texas. Transactions for customers are principally in the states where the Company operates, however, some customers are located in other states in which the Company is registered. Principal trading activities are conducted with other broker dealers throughout the United States.

Going Concern

As of September 30, 2024, the Company had \$6,817,398 in its operating bank accounts and working capital deficit of \$7,068,848.

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ATLASCLEAR HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(Unaudited)

Reverse Stock Split and Authorized Share Increase

On December 31, 2024, the Company effected a 1-for-60 reverse stock split of its common stock. As a result of the reverse stock split, every 60 shares of the Company's issued and outstanding common stock were automatically combined into one share of common stock, with any fractional shares rounded up to the nearest whole share. The reverse stock split did not change the par value of the common stock however the Company increased the number of authorized shares to 525,000,000 shares, consisting of 500,000,000 shares of Common Stock, \$0.0001 par value per share ("Common Stock"), and 25,000,000 shares of Preferred Stock, \$0.0001 par value per share ("Preferred Stock").

The reverse stock split has been applied retroactively in the accompanying consolidated financial statements and related disclosures for all periods presented. All share and per-share amounts, including earnings per share ("EPS"), have been adjusted accordingly to reflect the reverse stock split as if it had occurred at the beginning of the earliest period presented.

The impact of the reverse stock split is summarized as follows:

- The total number of issued and outstanding shares of common stock decreased from 23,275,171 to 388,003 as of December 31, 2024.

- Earnings per share and other per-share data were adjusted proportionally to reflect the reverse stock split.
- The reverse stock split had no impact on the Company's total stockholders' equity, net income, or overall financial condition.

Management believes that the reverse stock split was necessary to regain compliance with stock exchange listing requirements and improve marketability of the stock.

Going Concern

As of December 31, 2024, the Company had \$6,879,552 in its operating bank accounts and working capital deficit of \$7,441,131.

The Company has raised and intends to raise additional capital through loans or additional investments from its stockholders, officers, directors, or third parties. The Company's officers and directors may, but are not obligated to loan the Company funds, from time to time, in whatever amount they deem reasonable in their sole discretion, to meet the Company's working capital needs.

In connection with the Company's assessment of going concern considerations in accordance with Financial Accounting Standard Board's Accounting Standards Codification Subtopic 205-40, "Presentation of Financial Statements – Going Concern," the liquidity of the Company raises substantial doubt about the Company's ability to continue as a going concern through the twelve months following the issuance of the financial statements. If the Company is unable to raise additional capital, it may be required to take additional measures to conserve liquidity, which could include, but not necessarily be limited to, curtailing operations and reducing overhead expenses. The Company cannot provide any assurance that new financing will be available to it on commercially acceptable terms, if at all. No adjustments have been made to the carrying amounts of assets or liabilities as a result of this uncertainty.

Inflation Reduction Act of 2022

Any redemption or other repurchase that occurs after December 31, 2022, in connection with a Business Combination, extension vote or otherwise, may be subject to the excise tax. As such the Company has accrued for the estimated excise tax as a result of the redemptions that occurred after December 31, 2022. As of **September 30, 2024** **December 31, 2024**, and June 30, 2024, the excise tax payable is **\$2,067,572**, **\$2,260,783** and **\$2,067,572**, respectively. The **December 31, 2024** balance includes **\$193,211** in penalties due to late filing and non payment of taxes as of December 31, 2024. As of the date of filing the Company has not paid the excise tax and as such the Company may be subject to interest and penalties as a result, which have been estimated and accrued.

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ATLASCLEAR HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024
(Unaudited)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and in accordance with the instructions to Form 10-Q and Article 8 of Regulation S-X of the SEC. Certain information or footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted, pursuant to the rules and regulations of the SEC for interim financial reporting. Accordingly, they do not include all the information and footnotes necessary for a complete presentation of financial position, results of operations, or cash flows. In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting of a normal recurring nature, which are necessary for a fair presentation of the financial position, operating results and cash flows for the periods presented.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the Company's Transition Report on Form 10-KT, as filed with the SEC on October 16, 2024. The accompanying condensed balance sheet as of June 30, 2024 has been derived from the audited financial statements included in the Form 10-KT. The interim results for the three and six months ended **September 30, 2024** **December 31, 2024** are not necessarily indicative of the results to be expected for the year ending June 30, 2025 or for any future periods.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Goodwill

We perform our goodwill impairment assessment whenever events or changes in facts or circumstances indicate that impairment may exist and during the fourth quarter each year. The cash flow estimates, and discount rates incorporate management's best estimates, using appropriate and customary assumptions and projections at the date of evaluation. As a result of the Deferred tax the Goodwill balance was reduced by the benefit received. As of **September 30, 2024** **December 31, 2024**, the fair value of goodwill was \$6,142,525, as described in Note 10.

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ATLASCLEAR HOLDINGS, INC.
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SEPTEMBER 30, 2024
(Unaudited)

Intangible Assets

Developed technology and customer relationships are amortized using the straight-line method over the ten-year and twelve-year estimated useful lives of the assets, respectively. As of **September 30, 2024** **December 31, 2024**, the carrying value of developed technology and customer list was **\$1,928,800** **\$1,880,725** and **\$13,843,665**, **\$13,536,472**, respectively, as described in Note 10 and Note 11.

Impairment of Long-lived and Intangible Assets

The Company had no impairment charges during the three-month **and six-month** periods ended **September 30, 2024** **December 31, 2024** and 2023.

Warrant Liabilities

The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrants.

For issued or modified warrants that meet all of the criteria for equity classification, the warrants are required to be recorded as a component of additional paid-in capital at the time of issuance. For issued or modified warrants that do not meet all the criteria for equity classification, the warrants are required to be recorded at their initial fair value on the date of issuance, and each balance sheet date thereafter. Changes in the estimated fair value of the warrants that do not meet all the criteria for equity classification are recognized as a non-cash gain or loss on the condensed consolidated statements of operations. The fair value of the private warrants was estimated using a Black-Scholes model approach (see Note 14).

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ATLASCLEAR HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024
(Unaudited)

Net (Loss) Income per Common Stock

The Company complies with accounting and disclosure requirements of FASB ASC Topic 260, "Earnings Per Share". Net (loss) income per share of common stock is computed by dividing net (loss) income by the weighted average number of shares of common stock outstanding for the period. (Loss) Income is

allocated between redeemable and non-redeemable shares based on relative amounts of weighted average shares outstanding. Accretion associated with the redeemable shares of common stock is excluded from (loss) income per share as the redemption value approximates fair value.

The calculation of diluted net (loss) income per share does not consider the effect of the warrants issued and outstanding. For the three and six months ended **September 30, 2024** **December 31, 2024**, the calculation excludes the dilutive impact of warrants because none would be issued under treasury method. The For the three months ended December 31, 2024, the dilutive shares were excluded as including them would be antidilutive. For the six months ended December 31, 2024, the convertible financial instrument and other share obligations were included in the dilutive calculation under the as converted method, as such the number of shares were included as if the shares were issued on July 1, 2024 and the interest expense and the change in fair value associated with the financial instruments was adjusted from net income to determine the numerator and denominator.

For the three and six months ended **September 30, 2023** **December 31, 2023**, the calculation excludes the dilutive impact of these instruments because the exercise of the warrants were contingent upon the occurrence of future events and inclusion would be antidilutive.

The following table reflects the calculation of basic net income (loss) per share of common stock (in dollars, except share amounts):

	Three Months Ended			Three Months Ended		
	September 30, 2024		September 30, 2023	December 31, 2024		December 31, 2023
	Non-redeemable	Redeemable	Non-redeemable	Non-redeemable	Redeemable	Non-redeemable
Basic net income (loss) per common stock						
Numerator:						
Allocation of net income, as adjusted	\$ 10,748,033	\$ (130,164)	\$ (125,814)	\$ (419,690)	\$ 186,854	\$ 186,146
Denominator:						
Basic weighted average common stock outstanding	15,384,357	5,205,217	5,031,250	377,287	84,173	83,854
Basic net income per common stock	\$ 0.70	\$ (0.03)	\$ (0.03)	\$ (1.11)	\$ 2.22	\$ 2.22

For the three months ended December 31, 2024 and 2023 the diluted net income (loss) per share of common stock was excluded as including them would result in anti dilution.

The following table reflects the calculation of basic net income (loss) per share of common stock (in dollars, except share amounts):

	Six Months Ended		
	December 31, 2024		December 31, 2023
	Non-redeemable	Redeemable	Non-redeemable
Basic net income (loss) per common stock			
Numerator:			
Allocation of net income, as adjusted	\$ 10,328,343	\$ 59,067	\$ 57,955
Denominator:			
Basic weighted average common stock outstanding	316,846	85,463	83,854
Basic net income per common stock	\$ 32.60	\$ 0.69	\$ 0.69

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ATLASCLEAR HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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 (Unaudited)

The following table reflects the calculation of diluted net income (loss) per share of common stock (in dollars, except share amounts):

	Three Months Ended			Six Months Ended		
	September 30, 2024		September 30, 2023	December 31, 2024		December 31, 2023
	Non-redeemable	Redeemable	Non-redeemable	Non-redeemable	Redeemable	Non-redeemable
Diluted net income (loss) per common stock						
Numerator:						
Allocation of net income,	\$ 10,748,033	\$ (130,164)	\$ (125,814)	\$ 10,328,343	\$ 59,067	\$ 57,955
Change in fair value of financial instruments	(12,655,000)	—	—	(13,973,592)	—	—
Interest on dilutive instruments	1,419,843	—	—	4,040,450	—	—
Allocation of net income, as adjusted	\$ (487,124)	\$ (130,164)	\$ (125,814)	\$ 395,201	\$ 59,067	\$ 57,955
Denominator:						
Dilutive weighted average common stock outstanding	15,384,357	5,205,217	5,031,250	316,846	83,463	83,854
If converted shares	99,180,693	—	—	3,096,497	—	—
	114,565,050	5,205,217	5,031,250	3,413,343	83,463	83,854
Diluted net income (loss) per common stock	\$ (0.00)	\$ (0.03)	\$ (0.03)	\$ 0.12	\$ 0.69	\$ 0.69

Below is a summary of the dilutive instruments as of September 30, 2024 December 31, 2024 and 2023:

Description	September 30, 2024	September 30, 2023	December 31, 2024	December 31, 2023
Short Term Notes	49,050,804	—	—	—
Sellers Notes			1,690,638	—
Convertible notes	19,263,975		544,044	—
Secured convertible note	26,202,298	—	756,248	—
Subscription agreement	2,818,665	—	81,352	—
Tau agreement	1,253,514		6,025	—
Stock payable	250,000		12,500	—
Promissory note	341,437	—	5,690	—
Total Shares issuable under Convertible Note obligations – if converted total dilutive	99,180,693	—	3,096,497	—
Public Warrants	10,062,500	10,062,500	10,062,500	10,062,500
Private Warrants	5,553,125	6,153,125	5,553,125	6,153,125
Secured convertible note warrants	600,000	—	600,000	—
Total excluded under treasury method – out of the money	16,215,625	16,215,625	16,215,625	16,215,625

Recent Accounting Standards

In November 2023, the FASB issued ASU No. 2023-07, Improvements to Reportable Segment Disclosures (Topic 280). This ASU updates reportable segment disclosure requirements by requiring disclosures of significant reportable segment expenses that are regularly provided to the Chief Operating Decision Maker ("CODM") and included within each reported measure of a segment's profit or loss. This ASU also requires disclosure of the title and position of the individual identified as the CODM and an explanation of how the CODM uses the reported measures of a segment's profit or loss in assessing segment performance and deciding how to allocate resources. The ASU is effective for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Adoption of the ASU should be applied retrospectively to all prior periods presented in the financial statements. Early adoption is also permitted. The adoption of ASU 2023-07 had no impact on the Company's consolidated financial position, results of operations, or cash flows. However, the Company has expanded its segment disclosures to provide additional transparency regarding significant segment expenses and how segment performance is evaluated by the chief operating decision maker (CODM). The Company's chief operating decision maker ("CODM") has been identified as the Executive Chair and Principal Executive and Financial Officer who reviews the assets, operating results, and financial metrics for the Company as a whole to make decisions about allocating resources and assessing financial performance. Accordingly, management has determined that there is only one reportable segment.

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures" ("ASU 2023-09"), which will require the Company to disclose specified additional information in its income tax rate reconciliation and provide

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ATLASCLEAR HOLDINGS, INC.
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additional information for reconciling items that meet a quantitative threshold. ASU 2023-09 will also require the Company to disaggregate its income taxes paid disclosure by federal, state and foreign taxes, with further disaggregation required for significant individual jurisdictions. ASU 2023-09 will become effective for annual periods beginning after December 15, 2024. The Company is still reviewing the impact of ASU 2023-09. We are currently evaluating the provisions of this ASU and expect to adopt them for the year ending December 31, 2025.

Management does not believe that any other recently issued, but not yet effective, accounting standards, if currently adopted, would have a material effect on the Company's condensed consolidated financial statements.

NOTE 3. CASH SEGREGATED IN ACCORDANCE WITH FEDERAL REGULATIONS

Wilson-Davis is required by Rule 15c3-3 of the SEC to maintain a cash reserve with respect to customers' transactions and credit balances, on a settlement date basis. Such a reserve is computed weekly using a formula provided by the rule, and the reserve account must be separate from all other bank accounts of Wilson-Davis. The required reserve as of **September 30, 2024** **December 31, 2024**, was calculated to be **\$18,830,537** **\$19,801,604**. Wilson-Davis had **\$19,667,586** **\$20,488,117** cash **on deposit in the reserve account**, which was **\$837,049** **more than \$86,513** **over** the amount required. On **October 1, 2024** **January 2, 2025**, Wilson-Davis withdrew **\$337,049** **\$185,000** from the reserve account in accordance with the rule, which resulted in an excess of **\$500,000** **\$501,513**.

Wilson-Davis is required by Rule 15c3-3 of the SEC to maintain a cash reserve with respect to broker-dealer transactions and credit balances. Such a reserve is computed weekly using a formula provided by the rule, and the reserve account must be separate from all other bank accounts of Wilson-Davis. The required reserve as of **September 30, 2024** **December 31, 2024**, was calculated to be \$100,000. Wilson-Davis had **\$200,000** **\$200,618** cash on deposit in the reserve account, which was **\$100,000** **\$100,618** more than the amount required. On **January 2, 2025**, Wilson - Davis withdrew \$618 from the reserve account.

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ATLASCLEAR HOLDINGS, INC.
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SEPTEMBER 30, 2024
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NOTE 4. NET CAPITAL REQUIREMENTS

As a broker-dealer, Wilson-Davis is subject to the uniform net capital rule adopted and administered by the SEC. The rule requires maintenance of minimum net capital and prohibits a broker-dealer from engaging in securities transactions at a time when its net capital falls below minimum requirements, as those terms are defined by the rule. Under the alternative method permitted by this rule, net capital shall not be less than the greater of \$250,000 or 2% of aggregate debit items arising from customer transactions, as defined. Also, Wilson-Davis has a minimum requirement based upon the number of securities markets that it maintains. On **September 30, 2024** **December 31, 2024**, Wilson-Davis's net capital was **\$10,449,178** **\$10,568,557**, which was **\$10,199,178** **\$10,318,557** in excess of the minimum required.

NOTE 5 – CASH AND RESTRICTED CASH

Reconciliation of cash and restricted cash as shown in the condensed statements of cash flows is presented in the table below:

	For the Three Months Ended	For the Six Months Ended

	September 30, 2024	December 31, 2024
Cash and cash equivalents	\$ 6,817,398	\$ 6,879,552
Cash segregated - customers	19,980,711	21,377,503
Cash segregated - PAB	768,767	200,618
Total cash and restricted cash shown in the statement of cash flows.	<u>\$ 27,566,876</u>	<u>\$ 28,457,673</u>

NOTE 6 – CUSTOMER RECEIVABLE AND PAYABLES

Accounts receivable from and payable to customers at **September 30, 2024** **December 31, 2024**, include cash and margin accounts. Securities owned by customers are held as collateral for any unpaid amounts. Such collateral is not reflected in the financial statements. The Company provides an allowance for doubtful accounts, as needed, for accounts in which collection is uncertain. Management periodically evaluates each account on a case-by-case basis to determine impairment. Accounts that are deemed uncollectible are written off to bad debt expense. Bad debt expense net of bad debt recoveries and trading error adjustments for the **three-month** **three- and six-month** period ended **September 30, 2024** **December 31, 2024** was **\$639** **\$5,707** and **\$15,000** **\$6,346**, respectively and **\$0** for the **transition** **three and six months** period ended **June 30, 2024** **December 31, 2023**.

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ATLASCLEAR HOLDINGS, INC.
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NOTE 7 – PROPERTY AND EQUIPMENT

Depreciation expense for the three-month and six months period ended **September 30, 2024** **December 31, 2024**, was **\$4,569** **\$4,569** and **\$9,138**, respectively. The Company acquired the below on February 9, 2024, in connection with the acquisition of Wilson-Davis, see Note 10 for further detail. Property and equipment are summarized by major classifications as follows:

	September 30, 2024	December 31, 2024
Equipment	\$ 150,202	\$ 150,202
Leasehold improvements	89,087	89,087
Software	85,042	85,042
Furniture and fixtures	51,717	51,717
	376,048	376,048
Less: Accumulated depreciation and Amortization	(364,537)	(369,106)
	<u>\$ 11,511</u>	<u>\$ 6,942</u>

NOTE 8. RELATED PARTY TRANSACTIONS

Related Party Share Issuance/Transfers

Quantum Ventures LLC ("Quantum Ventures" or the "Sponsor") and AtlasFinTech transferred 1,558,923 and 991,665 pre reverse split shares, respectively for total contributed shares of 2,550,588 or 42,510 post reverse split shares recorded as contributed capital for \$2,412,930. The Company recorded contributed capital for the value of the liabilities settled with their personal shareholding. The contributed capital recognized was \$21,299 in interest paid in shares for Promissory Notes, \$217,397 in interest paid in shares for Secured Convertible Note, \$400,000 of Principal converted under the Chardan convertible note along with \$212,803 in interest paid in shares for the Chardan convertible note, \$351,141 in interest paid in shares for Short and long term Notes and \$1,210,290 for payment in shares under the contingent obligation to sellers.

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On August 9, 2024, the Company entered into a Satisfaction of Discharge of indebtedness agreement with Atlas FinTech. Pursuant to the agreement the Company issued 2,788,276 pre reverse split or 46,471 post reverse split shares in satisfaction of \$803,860 included in accounts payable. In addition, the Company issued 1,337,500 pre reverse split or 22,292 post reverse split shares as reimbursement for 991,665 pre reverse split or 16,528 post reverse split shares that were transferred by AtlasFinTech, as stated above, to satisfy the Company requirements to pay interest on various loans with unrestricted shares. As such a total of 4,125,776 pre reverse split or 68,763 post reverse split shares of common stock of the Company, par value \$0.0001 per share (the "Common Stock") were transferred to Atlas FinTech in satisfaction.

Advances from Related Parties

Atlas FinTech, a related party and shareholder, incurred expenditures of \$803,860 in connection with the business combination. The amount is included in account payable and accrued liabilities as of June 30, 2024. On August 9, 2024 the Company issued 2,788,276 pre reverse split or 46,471 post reverse split shares to Atlas FinTech as full settlement of this payable as described above.

On **May 9, 2024** December 27, 2024, Quantum Ventures, a related party transferred 56,073 shares director of the Company advanced \$9,000 to pay for cover the \$47,750 of interest Company registration statement filings fees, the amount remains unpaid and is included in connection with the short term sellers notes. The shares are to be reissued at a 13% interest rate, as such a payable of \$55,087 was accrued. account payable.

NOTE 9. NOTES PAYABLE AND COMMITMENTS AND CONTINGENCIES

Registration Rights

The Company filed a registration statement on Form S-1 to register the resale of up to 77,577,099 shares of Common Stock by the selling stockholders named in the registration statement, which became effective on August 14, 2024. The Company will not receive any of the proceeds from these sales.

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Earnout liability

In connection with the Closing, and pursuant to the terms of the Business Combination Agreement, stockholders of AtlasClear (the "AtlasClear Stockholders") received merger consideration (the "Merger Consideration Shares") consisting of 4,440,000 shares pre reverse split or 74,000 post reverse split of common stock of the Company, par value \$0.0001 per share (the "Common Stock"). In addition, the AtlasClear Stockholders will receive up to 5,944,444 shares pre reverse split or 99,074 post reverse split of Common Stock (the "Earn Out Shares") upon certain milestones (based on the achievement of certain price targets of Common Stock following the Closing). In the event such milestones are not met within the first 18 months following the Closing, the Earn Out Shares will not be issued. Atlas FinTech will also receive up to \$20 million of shares of Common Stock ("Software Products Earn Out Shares"), which will be issued to Atlas FinTech upon certain milestones based on the achievement of certain revenue targets of software products contributed to AtlasClear by Atlas FinTech and Atlas Financial Technologies Corp. following the Closing. The revenue targets will be measured yearly for five years following Closing, with no catch-up between the years. The Earn Out provision was analyzed under ASC 480 and ASC 815. the Software Products Earn Out Shares Payments in this transaction

are within the scope of ASC 480 and therefore will be accounted for as a liability and included in the purchase price consideration. The revenue earnout was estimated using a Monte Carlo simulation to determine if and when the revenue hurdles would be achieved. The revenue volatility and revenue to equity correlation was based upon the same guideline public companies. The Monte Carlo simulation was performed simultaneously on both the share price and revenue to account for the correlation between revenue and equity. See Note 14 Fair Value Measurements for additional information.

Business Combination Marketing Agreement

In connection with the Closing on February 9, 2024, the Company and Chardan agreed that the fee, in the amount of \$7,043,750, payable by the Company to Chardan upon the Closing pursuant to the terms of the business combination marketing agreement entered into in connection with Quantum's initial public offering, would be waived in exchange for the issuance by the Company to Chardan of a convertible promissory note in the aggregate principal amount of \$4,150,000. Such note (the "Original Chardan Note") was issued by the Company at the Closing. Under ASC 815 the conversion feature was bifurcated resulting in a conversion liability of \$404,483 at issuance.

During the three-month six-month period ended **September 30, 2024** December 31, 2024, the Company received conversion notices for an aggregate principal amount of \$725,000, and received a total of 2,263,031 pre reverse split or 37,717 post reverse split shares of Common Stock, of which 366,750 pre reverse split or 6,113 post reverse split were registered shares transferred from Quantum Ventures and 127,159 pre reverse split or 2,119 post reverse split were registered shares transferred from Atlas FinTech, (see Note 8 above), and 1,769,122 pre reverse split or 29,485 post reverse split were newly issued registered shares. During the three-month six month period ended **September 30, 2024**, the Company recognized \$137,872 in interest expense on the principal and \$86,209 of interest related to the amortization of the debt discount created with the derivative liability. During the three-month period ended **September 30, 2024** December 31, 2024, Quantum Ventures transferred 145,606 pre reverse split or 2,427 post reverse split and Atlas fintech transferred 52,590 pre reverse split or 877 post reverse split registered shares to pay for accrued interest of \$212,803. As of September 30, 2024, the principal balance on the note is \$3,425,000 and \$137,872 in accrued interest net of \$280,355 of unamortized debt discount for total carrying balance of \$3,282,518. See Note 14 for additional information on the fair value and change in fair value related to the derivative.

The Original Chardan Note had a stated maturity date of February 9, 2028. Interest accrued at a rate per annum equal to 13%, and was payable quarterly on the first day of each calendar quarter. On each interest payment date, the accrued and unpaid interest was to be, at the election of the Company, either paid in cash or, subject to the satisfaction of certain conditions, in shares of Common Stock, at a rate equal to 85% of the VWAP for the trading day immediately prior to the applicable interest payment date. The Chardan Note was convertible, in whole or in part, into shares of Common Stock at the election of the holder at any time at a conversion price equal to 85% of the VWAP of the Common Stock for the trading day immediately preceding the applicable conversion date. In addition, on each conversion date the Company was required to pay to Chardan in cash (or, at the Company's option and subject to certain conditions, a combination of cash and Common Stock) all accrued interest on the Original Chardan Note and all interest that would have otherwise been accrued on the amount of the Original Chardan Note being converted if such converted amount would be held to three years after the applicable conversion date. Conversion of the Original Chardan Note, including the issuance of shares to pay interest thereon, was limited to the extent that such conversion would result in Chardan (together with its affiliates and any other persons acting as a group

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together with Chardan or its affiliates) beneficially owning in excess of 9.99% of the outstanding shares of Common Stock outstanding immediately prior to such conversion. The conversion price applicable to the Original Chardan Note was subject to customary adjustments for stock dividends, stock splits, reclassifications and the like, and was subject to price-based adjustment, on a "full ratchet" basis, in the event of any issuances of Common Stock, or securities convertible, exercisable or exchangeable for, Common Stock at a price below the then-applicable conversion price (subject to certain exceptions). The Original Chardan Note was subject to a demand for immediate repayment in cash upon the occurrence of certain events of default specified therein.

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Also on February 9, 2024, the Company entered into a registration rights agreement with Chardan (the "Chardan Registration Rights Agreement"), pursuant to which the Company agreed, among other things, to file with the SEC within 45 days after the Closing Date a registration statement registering the resale of the shares of Common Stock issuable upon exercise of the Original Chardan Note and to use its reasonable best efforts to have such registration statement declared effective as soon as possible after filing. If the registration statement was not filed within 45 days after the Closing or was not effective within a specified period after the Closing (or if effectiveness is subsequently suspended or terminated for at least 15 days, subject to certain exceptions), then the interest rate of the Original Chardan Note increased by 2% for each week that such event continued. The Chardan Registration Rights Agreement also provided that the Company was obligated to file additional registration statements under certain circumstances, and provided Chardan with customary "piggyback" registration rights.

On May 7, 2024, Chardan Capital Markets LLC ("Chardan") filed a complaint in the Court of Chancery of the State of Delaware in an action entitled *Chardan Capital Markets LLC v. AtlasClear Holdings, Inc.*, C.A. No. 2024-0480-LWW, for alleged breach of contract, breach of the implied covenant of good faith and fair dealing, and specific performance, alleging that the Company breached the Chardan Registration Rights Agreement, by failing to file a registration statement with the SEC to permit the public resale of certain registerable securities in an amount sufficient to cover the Original Chardan Note. Chardan alleged that the Company's failure to file the registration statement left Chardan without the ability to convert and sell shares of the Company's Common Stock as allowed for under the Original Chardan Note.

On October 23, 2024, the Company, Quantum Ventures, Chardan and Chardan Quantum LLC entered into an agreement pursuant to which they settled the claim referenced above, and any and all related claims (the "Settlement Agreement"). In connection with the Settlement Agreement, Chardan exchanged the Original Chardan Note for an amended non-interest bearing, convertible note in the aggregate principal amount of \$5,209,764 (as amended the "Chardan Note"). While the Chardan Note does not bear interest, it can be converted from time to time by Chardan into shares of Common Stock, on terms substantially similar to the conversion provisions in the Original Chardan Note, and any remaining outstanding principal is to be repaid in full on the same maturity date as the Original Chardan Note. (see

In connection with the Settlement Agreement, on October 23, 2024, the Company and Chardan entered into an amendment (the "Chardan Amended RRA") to the registration rights agreement, dated February 9, 2024, pursuant to which the Company agreed, among other things, to file, by December 31, 2024, a registration statement with the SEC, registering the resale of shares of Common Stock issuable upon conversion of the Amended Chardan Note. If the resale registration statement (i) was not filed by December 31, 2024, then the interest rate of the Amended Chardan Note **15 Subsequent Events** will increase by 2% per annum until the date of the filing, and shall be prorated for such period until the date of such filing and (ii) is not effective by March 31, 2025, then the interest rate on the Amended Chardan Note will increase to 19.99% per annum from March 31, 2025 until the date of effectiveness.

The Amended Note is a Troubled Debt Restructuring ("TDR") in scope of ASC 470-60, as the Company is both experiencing financial difficulty and Chardan has granted a concession. Since the debt restructuring involves a modification of terms of the note, it is accounted for prospectively from the time of restructuring (i.e., a new effective interest rate is established based on the carrying value of the Original Note and the revised cash flows). In addition, the maximum total undiscounted future cash payments \$5,209,764 exceed the carrying amount of the Original Note \$3,282,518; therefore, no adjustment to the carrying amount of the restructured debt is required and no restructuring gain is recognized. Any new fees to Chardan should be capitalized and amortized, while fees paid to third parties should be expensed. Any changes to the terms of the bifurcated derivative will go through income as a change in fair value.

During each of the three and six-month periods ended December 31, 2024, the Company recognized \$137,872 in interest expense on the principal and \$86,209 and \$178,940, respectively, of interest related to the amortization of the debt discount created with the derivative liability.

As of December 31, 2024, the principal balance on the note was \$5,209,764 and \$1,834,516 of unamortized remaining discount for total carrying balance of \$3,375,248. See Note 14 for additional **information** information on the fair value and change in fair value related to the derivative.

Commercial Bancorp

On November 14, 2024, the Company and Commercial Bancorp agreed to amend the agreement and plan of merger, dated November 16, 2022 (as amended, the "Bank Acquisition Agreement"), to extend the termination date of the Bank Acquisition Agreement from

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November 16, 2024, to May 14, 2025. Pursuant to the amendment, the parties expect to enter into a new and mutually agreed agreement for the Company to acquire the shares held by such shareholders of Commercial Bancorp. No Commercial Bancorp shareholder is required to agree to such amended or new agreement. Failure to enter into a new agreement or amendment to the Bank Acquisition Agreement shall constitute termination of the Bank Acquisition Agreement without liability. The Company shall issue to the shareholders of Commercial Bancorp, without additional compensation, 500,000 pre reverse split or 8,333 post reverse split shares of common stock and the previously issued 40,000 pre reverse split or 667 post reverse split shares to the Commercial Bancorp shareholders shall be cancelled. The shares have not yet been issued as of the date of filing as such the obligation to issue shares was recorded at \$87,500 recorded as a deposit. The stock payable was revalued as of December 31, 2024 based on the level 1 trading prices of Common Stock of \$10.08 resulting in a stock payable of \$83,997.

Expense Settlements

- Carriage House Capital, Inc. – up to 350,000 pre reverse split or 5,833 post reverse split shares of Common Stock that were issued, or may become issuable, to Carriage House Capital, Inc. ("Carriage"), pursuant to the Consulting Agreement, dated as of February 19, 2024, between Carriage and the Company (the "Carriage Agreement"), as partial consideration for consulting services rendered to the Company, at the price per share of \$4.98 pre reverse split or \$298.80 post reverse split on the day of issuance. The total consideration due under the Consulting Agreement is 350,000 shares of Common Stock, 100,007 shares of which were due upon signing of the contract and 27,777 shares of which are due in months four through twelve from the date of signing. On February 9, 2024, 100,000 pre reverse split or 1,667 post reverse split shares were issued, and were valued at \$4.98 pre reverse split or \$298.80 post reverse split per share as agreed upon consideration. The Stock payable for the remaining 250,000 pre reverse split or 4,167 post reverse split shares was valued at \$1,244,965 and recorded as a stock payable payable at date the agreement. As of **September 30, 2024** December 31, 2024 and June 30, 2024 the fair value of the 250,000 4,167 post reverse split stock payable was **\$63,742** \$41,986 and \$259,893, respectively. The shares were valued at the closing price of the ATCH trading shares on **September 30, 2024** December 31, 2024 and June 30, 2024 using a level 1 measurements. As a result, the company recognized **\$196,150** \$21,757 and \$217,907, respectively in the change in fair value related to the Stock Payable during the **three-months** three and six months period ended **September 30, 2024** December 31, 2024.
- Interest Solutions, LLC – 144,454 pre reverse split or 2,408 post reverse split shares of Common Stock that may become issuable to Interest Solutions, LLC ("Interest Solutions"), pursuant to a convertible promissory note, dated as of February 9, 2024, in the aggregate principal amount of \$275,000 (the "Interest Solutions Note") at a price per share of **\$2.00** \$2.00 pre reverse split or \$120 post reverse split. Accrued interest on the Interest Solutions Note is payable monthly, beginning on June 30, 2024, at a rate of 13% per annum. Until all payments have been made to the Wilson-Davis Sellers, interest on the Interest Solutions Note may be paid in cash or shares of Common Stock valued at the then-current conversion price. Thereafter, all accrued interest must be paid in cash. During the **three-month** three and six month period ended **September 30, 2024** December 31, 2024.

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2024 December 31, 2024 the company recognized **\$9,011** \$8,815 and \$17,826 in interest expenses and the expenses. Quantum Ventures transferred 4,457 pre reverse split or 74 post reverse split registered shares to pay for \$9,011 in accrued interest. As of **September 30, 2024** December 31, 2024 and June 30, 2024, there is **\$288,908** \$297,723 and \$288,908 included in Promissory note payable.

- JonesTrading Institutional Services LLC – up to 196,983 pre reverse split or 3,283 post reverse split shares of Common Stock that may become issuable to JonesTrading Institutional Services LLC ("JonesTrading"), pursuant to a convertible promissory note, dated as of February 9, 2024, in the aggregate principal amount of \$375,000 (the "JonesTrading Note") at a price per share of **\$2.00** \$2.00 pre reverse split or \$120 post reverse split. Accrued interest on the JonesTrading Note is payable monthly, beginning on June 30, 2024, at a rate of 13% per annum. Until all payments have been made to the Wilson-Davis Sellers, interest on the Interest Solutions Note may be paid in cash or shares of Common Stock valued at the then-current conversion price. Thereafter, all accrued interest must be paid in cash. During the **three-month** period three and six month periods ended **September 30, 2024** December 31, 2024 the Company recognized **\$12,288** \$12,021 and \$24,309 in interest expenses and the Quantum Ventures transferred 6,077 pre reverse split or 101 post reverse split registered shares to pay for \$12,288 in accrued interest. As of **September 30, 2024** December 31, 2024 and June 30, 2024, there is **\$393,966** \$405,987 and \$393,966 included in Promissory note payable.

- Toppan Merrill LLC – the Company issued to Toppan Merrill LLC ("Toppan") a promissory note, dated as of February 9, 2024, in the aggregate principal amount of \$160,025 (the "Toppan Note"). The maturity date of the Toppan Note is February 8, 2026 and the note accrues interest at a rate of 13% per annum. The principal and interest payments due under the note is not payable in shares of Common Stock. As of **September 30, 2024** December 31, 2024 and June 30, 2024, there was **\$170,094** \$175,286 and \$170,094, respectively, included in Promissory note payable.

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- Winston & Strawn LLP – up to \$2,500,000 in shares of Common Stock that may become issuable to Winston & Strawn LLP ("Winston & Strawn"), pursuant to a subscription agreement, dated as of February 9, 2024, between Winston & Strawn and the Company (the "Winston & Strawn Agreement"). Pursuant to the Winston Agreement, the Company may issue \$2,500,000 worth of shares of Common Stock as payment for legal services, in three equal installments of \$833,333 beginning on August 9, 2024. As of **September 30, 2024** December 31, 2024 and June 30, 2024, the amount is included in Subscription agreement as an liability of **\$2,460,488** \$2,473,529 and \$2,425,647, respectively. Due to the nature of the settlement terms, the subscription agreement was deemed to be a derivative liability to the Company as of June 30, 2024 under ASC 480. Change in fair value of the subscription agreement are measured at each reporting period with change reported in earnings. See valuation approach and further disclosure on Note 15.
- Lead Nectar – up to 12,000 shares of Common Stock that may become issuable to Lead Nectar in lieu of payment for internet marketing services the fair value of the shares at grant date was \$2,578.

Secured Convertible Note Financing

On February 9, 2024, Wilson-Davis and Quantum entered into a securities purchase agreement (the "Purchase Agreement") with Funicular Funds, LP, a Delaware limited partnership ("Funicular"), pursuant to which the Company sold and issued to Funicular, on that date, a secured convertible promissory note in the principal amount of \$6,000,000 (the "Funicular Note") for a purchase price of \$6,000,000, in a private placement (the "Secured Note Financing"). The proceeds raised in the Note Financing were used to pay a portion of the purchase price paid at Closing to the Wilson-Davis Sellers.

The Funicular Note has a stated maturity date of November 9, 2025. Interest accrues at a rate per annum equal to 12.5%, and is payable semi-annually on each June 30 and December 31. On each interest payment date, the accrued and unpaid interest shall, at the election of the Company in its sole discretion, be either paid in cash or paid in-kind by increasing the principal amount of the Funicular Note. In the event of an Event of Default (as defined in the Funicular Note), in addition to Funicular's other rights and remedies, the interest rate would increase to 20% per annum. The Funicular Note is convertible, in whole or in part, into shares of Common Stock at the election of the holder at any time at an initial conversion price of \$10.00 per share **pre reverse split** or \$600 **post reverse split** (the "Conversion Price"). The Conversion Price is subject to adjustment monthly to a price equal to the trailing five-day VWAP, subject to a floor of \$2.00 per share **pre reverse split** or \$120 **post reverse split** (provided that if the Company sells stock at an effective price below \$2.00 per share **pre reverse split** or \$120 **post reverse split**, such floor would be reduced to such effective price), and is subject to customary adjustments for stock dividends, stock splits, reclassifications and the like. The Company has the right to redeem the Funicular Note upon 30 days' notice after the earlier of August 7, 2024 and the effectiveness of the Registration Statement (as defined in the Funicular Note), and Funicular would have the right to require the Company to redeem the Note in connection with a Change of Control (as defined in the Note), in each case for a price equal to 101% of the outstanding principal amount of the Note plus accrued and unpaid

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interest. The Funicular Note contains covenants which, among other things, limit the ability of the Company and its subsidiaries to incur additional indebtedness, incur additional liens and sell its assets or properties.

As a result of the delay in filing the registration statement the Company incurred \$1,500,000 in fees through June 30, 2024 which has been added to the principal of the note. During the quarter ended December 31, 2024, the Company incurred an additional \$600,000 in fees due to delays in the registration statement and the unpaid interest of \$407,507 was applied to the principal balance for a total principal balance of \$8,507,507 as of December 31, 2024. In addition, due to the delayed registration statement the company will be required to pay 20% interest on principal balance due.

As of **June 30, 2024** December 31, 2024, the Company recognized \$328,767 in interest expense on the principal and \$279,032 of interest related to the amortization of the debt discount described above. As of June 30, 2024 the carrying value of the notes is \$6,857,101 net of discount of \$971,666.

As of **September 30, 2024**, the company recognized \$246,660 \$899,165 in interest expense on the principal and \$180,085 of interest related to the amortization of the debt discount described above. As of **September 30, 2024** December 31, 2024, the carrying value of the notes is \$7,066,449, was \$8,745,699 net of discount of \$791,581. \$611,496. During the **three six** month period the Quantum Ventures transferred 368,004 pre reverse split or 6,133 post reverse split registered shares to pay for accrued interest of \$217,373.

As a result of the Company's lack of authorized shares to satisfy its share obligations, the note now falls under ASC 815 and is required to be accounted for at fair value with change in fair value recorded in the statement of operations. See valuation approach and further disclosure on Note 14.

Sellers Note

As a result of the acquisition of Wilson-Davis the company issued (i) \$5,000,000 in aggregate principal amount of notes due 90 days after the Closing Date (the "Short-Term Notes") and (ii) \$7,971,000 in aggregate principal amount of notes due 24 months after the

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Closing Date (the "Long-Term Notes" and, together with the Short-Term Notes, the "Seller Notes"). The Short-Term Notes accrue interest at a rate of 9% per annum, payable quarterly in arrears, in shares of Common Stock at a rate equal to 90% of the trailing seven-trading day VWAP prior to payment (or, at the Company's option, cash), and are convertible at the option of the holder at any time during the continuance of an event of default, at a rate equal to 90% of the trailing seven-trading day VWAP prior to conversion. The Long-Term Notes accrue interest at a rate of 13% per annum, payable quarterly in arrears, in shares of Common Stock at a rate equal to 90% of the trailing seven-trading day VWAP prior to payment (or, at the Company's option, in cash), and are convertible at the option of the holder at any time commencing six months after the Closing Date, at a rate equal to 90% of the trailing seven-trading day VWAP prior to conversion (or 85% if an event of default occurs and is continuing).

During the **three-month six month** ended **September 30, 2024** December 31, 2024, the Company received conversion notice for a total \$359,896 in short term loan principal and \$7,530 of short term loan interest, receiving a total of 1,862,116 pre reverse split or 31,035 post reverse split shares of common stock newly issued registered shares. During the **three-months three and six months** ended **September 30, 2024** December 31, 2024, the company recognized \$158,333 \$150,803 and \$309,136 in interest expense on the short-term principal, \$259,063 and \$518,128 in interest expense on the long-term principal and \$99,890 and \$199,780 of interest related to the amortization of the debt discount on long-term loan created with the derivative liability. During the **three six** month period the Quantum Ventures transferred 368,004 pre reverse split or 6,133 post reverse split registered shares to pay for accrued interest of \$92,083 on short-term loan and \$259,058 on long-term loan. As of **September 30, 2024** December 31, 2024 the Principal balance on the short-term loan is \$4,640,104 and \$150,803 \$301,606 in accrued interest net of \$0 of unamortized debt discount for total carrying balance of \$4,790,907 \$4,941,710 in short-term loans. As of **September 30, 2024** December 31, 2024 the Principal balance on the long-term loan is \$7,971,197 and \$259,064 \$518,134 in accrued interest net of \$521,646 \$421,756 of unamortized debt discount for total carrying balance of \$7,708,615 \$8,067,569 in long-term loans.

Contingent Guarantee

In connection with the acquisition of Wilson-Davis, Founder shares were transferred to cover a cash deficit of \$6,000,000. \$4,000,000. The share have a make-whole provision that require to be accounted for under ASC 480. The Company has valued the obligation as of June 30, 2024 of \$3,256,863 based on the cash

value that would need to be renumerated by the Company. The value of the cash that would be paid was deemed to be the fair value of the contingent guarantee. The Company analyzed the public sales of the shares transferred to determine the amount of cash recovered less the \$4,000,000 contingent guarantee resulting in a liability due of \$3,256,863. As of February 9, 2024 the 885,010 shares transferred by the Founder were valued at \$8,850,100 which was greater than the \$4,000,000 guaranteed value as such the value of the guarantee was deemed to be zero on February 9, 2024. As a result of the decrease in stock prices through June 30, 2024 the Sellers have recovered \$743,137 in cash through sales of the shares transferred resulting in the value of the liability as of June 30, 2024 to be \$3,256,863.

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During the **three-month** **six-month** period ended **September 30, 2024** **December 31, 2024**, the Atlas FinTech agreed to transfer 1,234,990 in registered shares to the sellers under the contingent guarantee, resulting in a reduction in the contingent guarantee of \$1,210,290 based on the fair value of the shares transferred on the transfer date.

On August 9, 2024, the Company entered into an agreement to modify the terms of the contingent guarantee where the Company agreed to enter into a convertible note on the amount that has not yet been recovered through share issuances of \$2,886,347 plus a 5% convenience fee applied resulting in the Company issuing a convertible note of **\$3,030,665**. **\$3,030,665 due February 9, 2026**. This Convertible Promissory Note (this "Merger Financing") is being issued pursuant to that certain Post-Closing Agreement dated effective August 9, 2024 (the "Agreement"), by and between the Company and the former stockholders of Wilson-Davis, to address the remaining Gross Proceeds Shortfall that cannot be remedied by the transfer of Additional Shares. Capitalized terms used but not defined herein shall have the meanings given to them in the Stock Purchase Agreement, as defined in the Agreement. The note was analyzed under ASC 480 and ASC 815, as a result of the Company not having sufficient shares authorized to settle the convertible note, the Merger Financing note falls under ASC 815.

Under ASC 815 the conversion feature was bifurcated resulting in a conversion liability of \$113,044 for the Merger Financing and at issuance. **As of September 30, 2024** **For the three and six months ended December 31, 2024**, the Company recognized **\$56,909** **\$100,685** and **\$157,594** in interest expense on the principal and **\$10,707** **\$18,944** and **\$29,651** of interest related to the amortization of the debt discount created with the derivative **liability**. **liability** the carrying balance as of December 31, 2024 is \$3,104,866, net of 83,393 in **unamortized debt discount**. See Note 14 for additional information on the fair value of the derivative.

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Tau Agreement - ELOC

On July 31, 2024, the Company and Tau Investment Partners LLC ("Tau") entered into an at-the-market agreement (the "ELOC"). Pursuant to the ELOC, upon the terms of and subject to the satisfaction of certain conditions, the Company has the right from time to time at its option to direct Tau to purchase up to a specified maximum amount of shares of the Common Stock, up to a maximum aggregate purchase price of \$10 million (the "Aggregate Limit"), over a 24-month term commencing on the date of the ELOC. The Company may request, on dates determined by it, individual advances up to the greater of 100,000 shares or such amount as is equal to 50% of the average daily volume traded of the Common Stock during the 30 trading days immediately prior to the date the Company requests each advance, subject to the Aggregate Limit. Any such advance will reduce amounts that the Company can request for future

advances and draw downs. The purchase price payable for the shares sold pursuant to any advance will be equal to 97% of the lowest volume weighted average price of the Common Stock during a pricing period of three consecutive trading days following Tau's receipt of the applicable advance notice. Tau's obligation to purchase the shares the Company requests to sell pursuant to any advance is conditioned upon, in addition to certain other customary closing conditions, the continued effectiveness of a registration statement pursuant to which Tau may freely sell the shares to be received.

The issuance and sale of the shares of Common Stock pursuant to the ELOC will be exempt from the registration requirements of the Securities Act of 1933, as amended, in accordance with Section 4(a)(2) thereof. The Company ~~has agreed to file~~ filed a registration statement with the Securities and Exchange Commission for the resale by Tau of at least 10,000,000 ~~pre reverse split or 166,667 post reverse split~~ shares of Common Stock (the "Commitment Amount").

The Company ~~will sell sold to the Investor~~ ~~Tau~~ the Common Stock at a Purchase Price equal to 97% of the lowest VWAP of the Common Stock during a pricing period of 3 consecutive trading days commencing on the trading day the Advance Notice is received by the Investor. If the VWAP on any trading day during a pricing period under ~~is was~~ below a minimum price set by the Company in connection with each Advance Notice (the "MAP") then for each such trading day (i) the requested Advance amount ~~shall was~~ automatically ~~be~~ reduced by an amount equal to 33% of the original requested Advance amount and (ii) such day ~~shall was~~ not be factored into the determination of the Market Price.

The Company analyzed both the Commitment Amount and the Commitment fee under ASC 480 and ASC 815. The Commitment Amount is classified as a liability and is initially measured at fair value. The Commitment Amount is subsequently measured at fair value at each reporting period with subsequent changes in fair value recorded in earnings. ASC 815-40-35-8 through 35-9 require an issuer to reassess the classification of both freestanding equity contracts and embedded equity features at each balance sheet date. If the classification changes because of events occurring during the reporting period, the instrument is reclassified as of the date of the event that caused the reclassification.

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As consideration the Company ~~will was to~~ issue to the Investor a fee equal to 1.25% of the Commitment Amount (the "Commitment Fee") due in shares upon closing based on the closing price on the day prior to approval of the S-1. As the Commitment Fee is a variable share obligation within the scope of ASC 480, it must be initially and subsequently measured at fair value through earnings at each reporting period.

When estimating the fair value, the Company has followed the guidance in ASC 820 Fair Value Measurement.

As both the Commitment Amount and Commitment Fee were issued in a single transaction and are both remeasured to fair value through earnings in each subsequent reporting period, the proceeds received should be allocated to each freestanding financial instrument on a relative fair value basis. As such, as of ~~September 30, 2024~~ ~~December 31, 2024~~ the Company requested advance notices for a total of ~~\$441,524~~ ~~\$569,345~~ which resulted in approximately ~~2,310,000~~ ~~2,475,000~~ shares ~~pre reverse split or 41,250 post reverse split~~ to be issued. ~~The Company recorded the initial fair value of the Commitment Amount at \$391,017 and the Commitment Fee at \$50,506 for total receivable under the ELOC of \$441,524. The receivable under the Commitment Amount for the advances is \$169,084 as of September 30, 2024.~~

~~The Company then recognized a day one charge to earning to record the Commitment Amount and the Commitment Fee at fair value at issuance of \$575,136 and \$74,289 reflecting an initial fair value of \$966,153 for the Commitment Amount and \$124,796 for the Commitment Fee liability.~~

Tau sold and settled ~~1,445,527~~ ~~2,475,000~~ shares ~~pre reverse split or 41,250 post reverse split~~ of the shares which were issued under the ELOC resulting in realized sale of ~~\$303,001~~ ~~\$546,099~~, Tau purchased the shares for ~~\$272,440~~ ~~\$569,345~~ resulting in a realized ~~gain loss~~ to the Company of ~~\$30,562~~ ~~\$23,245~~. As a result, the Company has a subscription receivable of ~~\$154,619~~ ~~\$12,717~~ and received ~~\$148,382~~ ~~\$533,382~~ in cash proceeds under the ELOC.

~~There are 864,473 shares which have not yet been settled which were fair valued as of September 30, 2024 resulting in a change in the fair value of the Commitment amount of \$229,407 and a change in the fair value of the Commitment fee of \$44,848. See Note 14 for additional information regarding the fair value method applied to the ELOC agreement and related disclosures. See foot~~

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Hanire Purchase Agreement

On December 31, 2024, AtlasClear Holdings, Inc. (the "Company") and Hanire, LLC ("Hanire") entered into a securities purchase agreement (the "Hanire Purchase Agreement") for the purchase and sale, in a private placement, of (i) up to 333,333 shares (the "Shares") of the Company's common stock, par value \$0.0001 per share ("Common Stock"), at a purchase price of \$15.00 per share (after giving effect to the 1-for-60 reverse stock split effected by the Company on December 31, 2024), and (ii) a convertible promissory note (the "Hanire Note") in the principal amount of up to \$40 million (plus any amount by which the aggregate purchase price paid by the Investor for the Shares is less than \$5 million as a result of the Share Limit, as defined below). To the extent the number of Shares to be purchased by Hanire at the Closing would cause Hanire to own more than 19.9% of the Company's outstanding voting stock, the number of Shares will be reduced such that the number of Shares is equal to 19.9% of the total outstanding voting stock (the "Share Limit"). The consummation of the issuance and sale of the Shares and the Note 14 (the "Hanire Closing") is to occur at such time as agreed to by the Company and Hanire on or before January 31, 2025 (subject to extension by up to 15 days by Hanire), subject to customary closing conditions. As of December 31, 2024, no funding under the agreement has closed.

The Hanire Note will provide for additional disclosures. Hanire to loan funds, up to the aggregate maximum principal amount of the Hanire Note, in tranches, as follows: (i) \$5 million (plus any amount by which the aggregate purchase price paid by Hanire for the Shares is less than \$5 million as a result of the Share Limit) at the Hanire Closing, (ii) \$12.5 million upon the Company securing a settlement of amounts outstanding to the principal owners of Wilson-Davis, (iii) \$7.5 million at such time as the Company files a quarterly report on Form 10-Q or annual report on Form 10-K that shows that the Company has achieved positive net income on a consolidated basis in the most recent reporting period, and (iv) \$15.0 million at such time as the Company receives approval from all regulatory authorities to acquire Commercial Bancorp of Wyoming. Unpaid principal amounts under the Note will accrue simple interest at a rate of 12.0% per annum, payable commencing three months after the initial draw and thereafter quarterly until the maturity date of January 31, 2028. The unpaid principal amount and all accrued interest under the Note is convertible at any time after certain conditions are met (including receipt of stockholder approval for the issuance of shares upon conversion), at the option of Hanire, into shares of Common Stock (the "Conversion Shares") at a conversion rate equal to 60% of the volume-weighted average price of the Common Stock for the 20-consecutive trading day period immediately prior to the conversion date.

In connection with the execution of the Purchase Agreement the Company and Hanire entered into a registration rights agreement (the "Registration Rights Agreement"), pursuant to which the Company agreed to file, promptly (and in any event within 30 days) after the Closing, a registration statement covering the resale of all of the Shares and the Conversion Shares. The Company also agreed to use reasonable best efforts to have such registration statement declared effective within a specified period of time after filing (the "Effectiveness Deadline"). Under certain circumstances, including the Company's failure to file the registration statement within such 30-day deadline or the failure of the registration statement to have been declared effective by the Effectiveness Deadline, the Company will have the obligation to pay liquidated damages in an amount equal to 0.5% of the aggregate amount paid for the applicable registrable securities for each 30-day period that the applicable default continues, subject to a cap of 5% of the aggregate purchase price paid for the applicable securities.

Indemnification Agreements

On the Closing Date, in connection with the Closing, the Company entered into indemnification agreements with each of its directors and executive officers, which provide for indemnification and advancements by the Company of certain expenses and costs under certain circumstances. The indemnification agreements provide that AtlasClear Holdings will indemnify each of its directors and executive officers against any and all expenses incurred by that director or executive officer because of his or her status as a director or officer of AtlasClear Holdings, to the fullest extent permitted by Delaware law, the Amended and Restated Certificate of Incorporation and the Amended and Restated Bylaws.

Wilson-Davis

On February 27, 2018, an extended hearing panel of the Department of Enforcement of the Financial Industry Regulatory Authority, Inc. ("FINRA"), Office of Hearing Officers, issued its decision ordering fines aggregating \$1.47 million for violations of the applicable short sales and anti-money laundering rules. Wilson-Davis appealed the decision to the National Adjudicatory Council ("NAC"). On December 19, 2019, NAC issued its decision ordering that the fines be reduced by \$205,000 to an aggregate \$1.265 million. Wilson-Davis made a timely appeal to the SEC to hear the case. Pursuant to FINRA rules, Wilson-Davis's timely appeal of the decision to the

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SEC deferred the effectiveness of the findings and sanctions. Due to the disparity in the range of fines of similar cases, Wilson-Davis believes that the final amount is not reasonably estimable. Wilson-Davis has booked a contingent liability totaling \$100,000, which represents the estimated low end of the possible range of fines. On December 28, 2023, the SEC issued an Opinion sustaining FINRA's findings of violations against Wilson-Davis. The Opinion set aside the fines FINRA imposed on Wilson-Davis for the Reg SHO violations and the supervisory and AML violations. The SEC remanded the case to FINRA to reconsider the appropriate sanctions.

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NOTE 10. ACQUISITION OF WILSON-DAVIS

Prior to the Closing, AtlasClear and the Company entered into two amendments to the Broker-Dealer Acquisition Agreement with Wilson-Davis and the then-owners of Wilson-Davis.

As a result of the closing of the business combination the Company allocated the purchase price with the acquisition of Wilson-Davis under the acquisition method of accounting. The final allocation of the purchase consideration for the Mergers will be determined after the completion of a thorough analysis to determine the fair value of all assets acquired and liabilities assumed, but in no event later than one year following the completion of the Mergers. During the quarter ended the Company revised the deferred tax liabilities that resulted from the business combination, thus reducing the goodwill value.

As such the allocation of the purchase price is revised as follows:

Cash paid to Wilson-Davis shareholders	\$ 8,092,569
Short-term notes	5,000,000
Long-term notes	7,971,197
Value of shares transferred from sponsor	6,000,000
Total consideration paid	27,063,766
 Allocated to:	
Cash	\$ 11,333,271
Cash segregated	22,000,605
Receivables	4,065,148
Trading Securities, market value	6,875
Prepaid Income Tax	201,125
Accounts payable, accrued expenses and other current liabilities	(28,045,034)
Current portion of lease liability	(161,212)
Property and equipment	23,645
Cash deposit BDs and Clearing Organizations	3,536,664
Operating Lease Right-to-Use Lease Assets	395,063

Other Assets	385,058
Stock loan	(1,431,068)
Long-term Lease liability	(239,629)
Subordinated Borrowing	(1,950,000)
Deferred tax liability	(3,724,270)
Trading Account deposit	(100,000)
Net assets acquired	6,296,241
Excess of purchase price over net liabilities assumed before allocation to identifiable intangible assets and goodwill	\$ 20,767,525

The fair value of property and equipment was determined using the indirect cost approach which utilizes fixed asset record information including historical costs, acquisition dates, and asset descriptions and applying asset category specific nationally recognized indices to the historical cost of each asset to derive replacement cost new less depreciation. Management has also made the initial determination that all other assets and liabilities to be acquired are primarily estimated to be stated at their fair values, which approximates their recorded cost. While a final determination of the value of the identifiable intangibles has not been completed, management has made an

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initial determination that approximately \$20.77 million of the excess of the purchase price over the net assets acquired should be allocated to identifiable intangible assets.

	Estimated	
	Useful Life	
	Amount	(Years)
Customer Lists (a)	\$ 14,625,000	12
Excess of purchase price	20,767,525	—
Goodwill	<u>\$ 6,142,525</u>	<u>—</u>

(a) The Wilson-Davis customer relationships were valued using the Multi-Period Excess Earnings Method ("MPEEM"). The MPEEM reflects the present value of the operating cash flows generated by existing customer relationships after taking into account the cost to realize the revenue and an appropriate discount rate to reflect the time value and risk associated with the cash flows.

Pro Forma Financial Information

The unaudited pro forma financial information in the table below summarizes the combined results of Wilson-Davis operations and AtlasClear Holdings' operations, as though the acquisition of Wilson-Davis had been completed as of the beginning of fiscal 2023. The pro forma financial information for the three and six months ended **September 30, 2023** **December 31, 2023** combines our results for these periods with that of AtlasClear Holdings' results for the three and six months ended **September 30, 2023** **December 31, 2023**.

The following table summarizes the unaudited pro forma financial information:

	September 30, 2023	Three Months Ended		Six Months Ended	
		December 31, 2023	December 31, 2023	December 31, 2023	December 31, 2023
Total revenue	\$ 1,834,164	\$ 1,616,686	\$ 3,450,850		
Net loss	\$ (1,575,799)	\$ (272,973)	\$ (1,848,772)		
Weighted average shares					

Basic	11,801,759	196,696	196,696
Net loss per shares:			
Basic	\$ (0.13)	\$ (1.39)	\$ (9.40)
Weighted average shares			
Diluted	11,801,759	196,696	196,696
Net loss per shares:			
Diluted	\$ (0.13)	\$ (1.39)	\$ (9.40)

The unaudited pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition and the cost of financing the acquisition had taken place at the beginning of fiscal 2023. The financial information for the periods presented above includes pro forma adjustments as follows:

	September 30, 2023	
Transaction cost	\$ —	
Amortization of intangibles	\$ (307,192)	
Interest earned on investments held in trust	\$ (722,390)	
	Three Months Ended	Six Months Ended
	December 31, 2023	December 31, 2023
Transaction cost	\$ —	\$ —
Amortization of intangibles	\$ (307,192)	\$ (614,384)
Interest earned on investments held in trust	\$ (352,512)	\$ (1,074,902)

NOTE 11. INTANGIBLE ASSETS

Pacsquare Purchase Agreement

Pursuant to the transactions contemplated by a letter of intent, on February 16, 2024, AtlasClear and Pacsquare entered into a Source Code Purchase Agreement and Master Services Agreement (the "Pacsquare Purchase Agreement"), pursuant to which AtlasClear acquired the AtlasClear Platform. Pursuant to the Pacsquare Purchase Agreement, Pacsquare will develop, implement and launch the **AtlasClear Platform and provide maintenance and support services as described in the agreement. The Pacsquare Purchase Agreement**

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AtlasClear Platform and provide maintenance and support services as described in the agreement. The Pacsquare Purchase Agreement provides that Pacsquare will develop and deliver to AtlasClear the Level 1 equities trading platform and that it will develop and deliver all modules of the clearing platform within 12 months of signing the Pacsquare Purchase Agreement. AtlasClear owns all the intellectual property relating to the AtlasClear Platform, including the software and source code. The Pacsquare Purchase Agreement also granted AtlasClear a right of first refusal to any products or services that relate to trading, settlement, clearance or any other business of AtlasClear that Pacsquare proposes to offer to other persons. The purchase price for the assets was \$4.8 million as follows: (i) \$1.9 million, consisting of (A) \$100,000 payable in a cash upon delivery of the source code and execution of the Pacsquare Purchase Agreement; (B) \$850,000 payable in shares of Common Stock at a price of \$6.00 per share; and (C) \$950,000 to be paid in four monthly installments of \$237,500, payable in shares of Common Stock at the price per share on the day of issuance and (ii) \$2.7 million to be paid ratably on a module-by-module basis upon delivery and acceptance of each of the AtlasClear Platform modules. AtlasClear has sole discretion to determine whether any of the foregoing payments will be made in cash or shares of Common Stock. As of June 30, 2024, the Company has issued 336,000 pre reverse split or 5,600 post reverse split shares of Common Stock 141,667 pre reverse split or 2,361 post reverse split of which were valued at \$6 pre reverse split or \$360 post reverse split per share as per agreed upon terms

and 194,333 pre reverse split or 3,239 post reverse split valued at \$1.50 pre reverse split or 5,600 post reverse split \$90 per share based on the fair value of common stock on March 12, 2024 the date the share shares were issued to Pacsquare pursuant to the terms of the Pacsquare Purchase Agreement and paid \$500,000 in cash and accrued \$85,000 in accounts payable for total carrying value of \$1,726,500. During the **three** six months ended **September 30, 2024** December 31, 2024 the Company issued 500,000 pre reverse split or 8,333 post reverse split shares valued at \$122,300 on issuance date to Pacsquare as additional consideration towards the AtlasClear platform and accrued and additional \$15,000 in accrued invoices received bringing the balance to \$1,928,800 as of December 31, 2024. Of the \$100,000 accrued as of September 30, 2024, the Company paid \$60,000 in cash leaving \$40,000 payable included in accounts payable. The AtlasClear platform is not yet in use has commenced utilization as of the quarter ended December 31, 2024 as such amortization has not yet commenced. commenced resulting in \$48,075 in amortization expense. The Company anticipates commencing amortization during the quarter ended December 31, 2024. a useful life of 10 years.

Intangible Assets of the company at **September 30, 2024** December 31, 2024, are summarized as follows:

	September 30, 2024					December 31, 2024				
	Est useful		Accumulated Amortization		Impairment	Est useful		Accumulated Amortization		Impairment
	life	Cost	of Asset	Net		life	Cost	of Asset	Net	
Goodwill	Indefinite	\$ 6,142,525	\$ —	\$ 6,142,525		Indefinite	\$ 6,142,525	\$ —	\$ 6,142,525	
Pacsquare assets	—									
Proprietary Software	10 years	1,928,800	—	1,928,800	10 years	1,928,800	(48,075)	—	1,880,725	
Customer Lists	12 years	14,625,000	(781,335)	13,843,665	12 years	14,625,000	(1,088,528)	—	13,536,472	
Intangible Assets		\$ 22,696,325	\$ (781,335)	\$ (17,845,813)	\$ 21,914,990		\$ 22,696,325	\$ (1,136,603)	\$ —	\$ 21,559,722

Below is a summary of the amortization of intangible assets for the next five years:

Fiscal Year	Amount		Amount
	\$		
June 30, 2025	\$ 911,558		\$ 699,988
June 30, 2026	1,411,630		1,411,577
June 30, 2027	1,411,630		1,411,577
June 30, 2028	1,414,970		1,414,916
June 30, 2029	1,411,630		1,411,577
Thereafter	9,211,047		9,067,563

NOTE 12. STOCKHOLDERS' DEFICIT

Preferred Stock — The Company is authorized to issue **1,000,000** 25,000,000 shares of preferred stock with a par value of \$0.0001 per share with such designations, voting and other rights and preferences as may be determined from time to time by the Company's board of directors. At **September 30, 2024** December 31, 2024 and June 30, 2024, there were no shares of preferred stock issued or outstanding.

Common stock — The Company is authorized to issue **100,000,000** 500,000,000 shares of common stock with a par value of \$0.0001 per share. Holders of the Company's common stock are entitled to one vote for each share. At **September 30, 2024** December 31, 2024 and June 30, 2024, there were **22,245,698** 388,003 and **12,277,759** 207,585, respectively. As of September 30, 2024 1,029,473 shares of common stock, which are considered liability under ASC 815, were issued under the Tau agreement as such they are issued but not outstanding. Refer to Note 9 Tau Agreement for further information. In additional the Company does not currently have sufficient shares authorized to issue shares under various convertible note agreements, see Note 2 Net (loss) income for common stock disclosure for additional detail.

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The Common Stock commenced trading on the NYSE American LLC ("NYSE") under the symbol "ATCH" on February 12, 2024. AtlasClear Holdings' warrants commenced trading on the over-the-counter market (the "OTC") under the symbol "ATCH WS" on February 12, 2024.

NOTE 13. WARRANTS

As of **September 30, 2024** **December 31, 2024** and June 30, 2024, there are 20,125,000 Public Warrants outstanding, each Public Warrant entitles the holder to purchase one-half of one share of common stock at an exercise price of \$11.50 **prior to reverse split or \$690 post reverse split per whole share**, that are classified and accounted for as equity instruments. The Public Warrants are now exercisable.

As of **September 30, 2024** **December 31, 2024** and June 30, 2024, there are 6,153,125 Private Warrants to purchase an equal number of common shares **at an exercise price of \$11.50 prior to reverse split or \$690 post reverse split per share** that are outstanding that are classified and accounted for as derivative liabilities. Under this accounting treatment, the Company is required to measure the fair value of the Private Warrants at the end of each reporting period as well as re-evaluate the treatment of the Private Warrants and recognize changes in the fair value from the prior period in the Company's operating results for the current period.

NOTE 14. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received for sale of an asset or paid for transfer of a liability, in an orderly transaction between market participants at the measurement date. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). These tiers include:

- Level 1, defined as observable inputs such as quoted prices (unadjusted) for identical instruments in active markets;
- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

In some circumstances, the inputs used to measure fair value might be categorized within different levels of the fair value hierarchy. In those instances, the fair value measurement is categorized in its entirety in the fair value hierarchy based on the lowest level input that is significant to the fair value measurement.

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The following table presents information about the Company's assets and liabilities that are measured at fair value on a recurring basis at **September 30, 2024** **December 31, 2024** and June 30, 2024, and indicates the fair value hierarchy of the valuation inputs the Company utilized to determine such fair value:

Description	September 30, 2024		June 30, 2024		December 31, 2024		June 30, 2024	
	Level		Level		Level		Level	

Liabilities:	3	\$ 2,460,488	\$ 2,425,647	3	\$ 2,473,529	\$ 2,425,647
Subscription agreement	3	\$ —	\$ 3,256,863	3	\$ —	\$ 3,256,863
Contingent Guarantee	3	\$ 61,531	\$ 307,656	3	\$ 123,063	\$ 307,656
Warrant liability – Private Warrants	3	\$ 12,638,000	\$ 12,298,000	3	\$ 11,044,000	\$ 12,298,000
Earnout liability	3	\$ 2,142,511	\$ 16,462,690	3	\$ 1,024,706	\$ 16,462,690
Convertible notes derivative	3	\$ 176,239	\$ —	3	\$ 150,490	\$ —
Merger financing derivative	3	\$ 89,535	\$ —			
Secured convertible derivative	3	\$ 972,508	\$ —	3	\$ 783,947	\$ —
Tau agreement						

Subscription Agreement

On February 9, 2024, the Registrant entered into a Subscription Agreement and Discharge Agreement with Winston & Strawn LLP ("Winston") Calculator New Pubco, Inc. and Quantum, as described in Note 9.

The Subscription Agreement is considered a variable-share obligation under ASC Topic 480 ("Distinguishing Liabilities from Equity"). The Subscription Agreement meets the requirements for classification under ASC 480 and as a result is required to be accounted for as a liability under ASC 480 and is presented as such on the Condensed Consolidated Balance Sheets. The Company will record a change in fair value on each reporting period until settlement in its Condensed Consolidated Statement of Operations. See Note 9 for further discussion.

The key inputs into the Monte Carlo model for the Subscription Agreement were as follows:

Input	June 30,		December 31,		June 30,	
	2024	2024	2024	2024	2024	2024
Market price of public shares	\$ 0.21	\$ 1.04	\$ 9.60	\$ 62.40		
Equity volatility	34.4 %	26.2 %	64.9 %	26.2 %		
Risk-free rate	4.01 %	5.05 %	4.14 %	5.05 %		

Contingent Guarantee

In connection with the acquisition of Wilson-Davis, Founder shares were transferred to cover a cash deficit of \$6,000,000. The share have a make-whole provision that require to be accounted for under ASC 480. The Company has valued the obligation as of June 30, 2024 of \$3,256,863 based on the cash value that would need to be renumerated by the Company. The value of the cash that would be paid was deemed to be the fair value of the contingent guarantee. The Company issued shares valued at \$1,210,290 during the three six months ended September 30, 2024 December 31, 2024 and based on the value of shares sold as of August 8, 2024 the Company was obligated to repay \$2,886,347 under the contingent guarantee, resulting in a change in fair value of \$839,775. On August 9, 2024 the Company issued convertible note to modify the repayment conditions, resulting in the extinguishment of the contingent liability and recognizing the fair value of the convertible note agreement referred to as Merger financing, see Note 9 for further discussion and below.

Warrant Liability

The Private Warrants were accounted for as liabilities in accordance with ASC 815-40 and are presented within warrant liabilities on the consolidated balance sheets. The warrant liabilities are measured at fair value at inception and on a recurring basis, with changes in fair value presented within change in fair value of warrant liability in the consolidated statements of operations. See Note 13 for further discussion.

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The Private Placement Warrants were, initially and as of the end of each subsequent reporting period, valued using a lattice model, specifically a Black-Scholes model, which is considered to be a Level 3 fair value measurement. The primary unobservable input utilized in determining the fair value of the Private Placement Warrants is the expected volatility of the Company's common stock. The expected volatility of the Company's common stock was determined based on the implied volatility of the publicly traded Public Warrants.

The key inputs into the Black-Scholes model for the Private Warrants were as follows:

Input	June 30,		June 30,		December 31,		June 30,	
	2024	2024	2024	2024	2024	2024	2024	2024
Market price of public shares	\$ 0.21	\$ 1.04	\$ 9.60	\$ 62.40				
Risk-free rate	3.52 %	4.27 %	4.25 %	4.27 %				
Dividend yield	0.00 %	0.00 %	0.00 %	0.00 %				
Volatility	87.4 %	58.7 %	64.9 %	58.7 %				
Exercise price	\$ 11.50	\$ 11.50	\$ 689.86	\$ 689.86				
Effective expiration date	February 2029	February 2029	February 2029	February 2029				

Earnout Liability

The Earnout liability was, initially as of February 9, 2024, valued using a Monte Carlo simulation to determine if and when the revenue hurdles would be achieved. The revenue volatility and revenue to equity correlation was based upon the same guideline public companies. The Monte Carlo simulation was performed simultaneously on both the share price and revenue to account for the correlation between revenue and equity.

The key inputs into the Monte Carlo model for the Earnout liability were as follows:

Input	September 30,		June 30,		December 31,		June 30,	
	2024	2024	2024	2024	2024	2024	2024	2024
Market price of public shares	\$ 0.21	\$ 1.04	\$ 9.60	\$ 62.40				
Revenue volatility	15.00 %	15.00 %	15.00 %	15.00 %				
Discount factor for revenue	9.61 %	9.69 %	9.69 %	10.16 %	9.69 %			

Convertible Note Derivatives

The Conversion derivative, associated with Short-term notes, Long-Term notes, and the Original Chardan Note was accounted for as a liability in accordance with ASC 815-40. The Conversion derivative liability was measured at fair value at inception and on a recurring basis, with changes in fair value presented within change in fair value of Conversion derivative liability in the consolidated statements of operations. The Convertible note derivative is made up of the fair value of the embedded conversion option included in the Short-term notes, Long-Term notes, and the Original Chardan Note with a fair value as of **September 30, 2024** **December 31, 2024** of \$335,906, \$983,529, \$247,203, \$777,503 and \$823,076, \$0, respectively totaling, \$2,142,511 **\$1,024,706** and as of June 30, 2024 of \$4,807,692, \$7,664,613 and \$3,990,385, respectively totaling, \$16,462,690.

Short-Term Note

On February 9, 2024, the Company issued short-term notes to the former officers and directors of Wilson-Davis. The short-term notes have a conversion feature that qualifies for derivative treatment in accordance with ASC 815-40. On February 9, 2024, and June 30, 2024, the Company valued the derivatives using a Black-Scholes model which is considered to be a Level 3 fair value measurement. The conversion feature is deemed to include an embedded derivative that requires bifurcation and separate account. As such, the Company ascertained the value of the conversion option as if separate from the convertible issuance and appropriately recorded that value as a derivative liability with the offset being a discount to the note. The discount will be amortized as interest expense over the term of the short-term note(s). The derivative liability will be revalued at each reporting period with the change being charged to the income statement. The original derivative liability – for the short term note notes was valued at \$487,329. On June 30, 2024, a Black-Scholes calculation was performed (see below chart) and the value of the fair value of the derivative liability – convertible notes increased \$4,320,363 to \$4,807,692. The original \$487,929 discount was amortized over the 90-day maturity. As of June 30, 2024, the Company did not repay the short-term notes, as such has incurred penalty interest from 9% to 13% until the note is repaid. The note is due on demand but will mature on February 9, 2026. No notice of default has been received.

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Company did not repay the short-term notes as such has incurred penalty interest from 9% to 13% until the note is repaid. The note is due on demand but will default on the long term note date of February 2026. No notice of default has been received.

As a result of the changes in stock price, the limitation on authorized shares to comply with the conversion option, the Company determined that as of **September 30, 2024** **December 31, 2024** valuation of the convertible note conversion feature under Black-Scholes was no longer appropriate as it does not take into account the probability of multiple components. As such as of **September 30, 2024** **December 31, 2024** the conversion feature was valued using Mote Carlo model resulting in the fair value of the conversion option included in the short term loan at **\$335,906**, **\$247,203**. See Note 9 for additional information.

The key inputs into the Monte-Carlo model for the Conversion derivative as of **September 30, 2024** **December 31, 2024** were as follows:

Input	September 30, 2024		December 31, 2024	
	\$	%	\$	%
Market price of public shares	\$ 0.21	4.84 %	\$ 9.60	4.09 %
Risk-free rate		11.72 %		8.95 %
Discount rate		22.9 %		20.3 %
Probability of default		28.9 %		28.9 %
Recovery rate		36.7 %		64.9 %
Volatility				
Effective expiration date	February 2026		February 2026	

The key inputs into the Black-Scholes model for the Conversion derivative as of June 30, 2024 were as follows:

Input	June 30, 2024		June 30, 2024	
	\$	%	\$	%
Market price of public shares	\$ 1.04	5.49 %	\$ 62.40	5.49 %
Risk-free rate		0.00 %		0.00 %
Dividend yield		14,643.0 %		14,643.0 %
Volatility				
Exercise price	\$ 0.99		\$ 0.99	
Effective expiration date		May 2024		May 2024

Long-Term Note

On February 9, 2024, the Company issued long-term notes to the former officers and directors of Wilson-Davis. The long-term notes have a conversion feature that qualifies for derivative treatment in accordance with ASC 815-40. On February 9, 2024 and June 30, 2024, the Company valued the derivatives using a Black-Scholes model which is considered to be a Level 3 fair value measurement.

The conversion feature is deemed to include an embedded derivative that required bifurcation and separate accounting. As such, the Company ascertained the value of the conversion option as if separate from the convertible issuance and appropriately recorded that value as a derivative liability with the offset being a discount to the notes. The discount will be amortized as interest expense over the term of the notes. The derivative liability will be revalued at each reporting period with the change being charged to Derivative liability – convertible notes. The original derivative liability – for the long term note notes was valued at \$776,919. On June 30, 2024, a Black-Scholes calculation was performed (see below chart) and the value of the fair value of the derivative liability – convertible notes increased \$6,887,694 to \$7,664,613. The original \$776,919 discount will be amortized over the maturity.

As a result of the changes in stock price, the limitation on authorized shares to comply with the conversion option, the Company determined that as of **September 30, 2024** **December 31, 2024** valuation of the convertible note conversion feature under Black-Scholes was no longer appropriate as it does not take into account the probability of multiple components. As such as of **September 30, 2024** **December 31, 2024** the conversion feature was valued using Mote Carlo model resulting in the fair value of the conversion option included in the long term loan at **\$983,529**, **\$777,503**. See Note 9 for additional information.

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The key inputs into the Monte-Carlo model for the Conversion derivative as of **September 30, 2024** **December 31, 2024** were as follows:

Input	September 30, 2024		December 31, 2024	
	\$		\$	%
Market price of public shares	\$	0.21	\$	9.60
Risk-free rate		4.84 %		4.09 %
Discount rate		11.72 %		8.95 %
Probability of default		22.9 %		20.3 %
Recovery rate		28.9 %		28.9 %
Volatility		36.7 %		64.9 %
Effective expiration date		February 2026		February 2026

The key inputs into the Black-Scholes model for the Conversion derivative were as follows:

Input	June 30, 2024		June 30, 2024	
	\$	%	\$	%
Market price of public shares	\$	1.04	\$	62.40
Risk-free rate		4.90 %		4.90 %
Dividend yield		0.00 %		0.00 %
Volatility		14,461 %		14,461 %
Exercise price	\$	0.99	\$	0.99
Effective expiration date		February 2026		February 2026

Chardan Note

In connection with the Closing, AtlasClear Holdings and Chardan agreed that the fee, in the amount of \$7,043,750, payable by Quantum to Chardan upon the Closing pursuant to the terms of the business combination marketing agreement entered into in connection with Quantum's initial public offering, would be waived in exchange for the issuance by AtlasClear Holdings to Chardan of the Original Chardan Note in the aggregate principal amount of \$4,150,000. The Original Chardan Note was issued by AtlasClear Holdings at the Closing. The Original Chardan Note had a stated maturity date of February 9, 2028. Interest accrued at a rate per annum equal to 13%, and was payable quarterly on the first day of each calendar quarter. On each interest payment date, the accrued and unpaid interest would have been, at the election of AtlasClear Holdings, either paid in cash or, subject to the satisfaction of certain conditions, in shares of Common Stock, at a rate equal to 85% of the VWAP for the trading day immediately prior to the applicable interest payment date. On October 23, 2024, the Company, Quantum Ventures, Chardan and Chardan Quantum LLC entered into the Settlement Agreement. In connection with the Settlement Agreement, Chardan exchanged the Chardan Note for an amended non-interest bearing, convertible note in the aggregate principal amount of \$5,209,764 (as amended, the "Chardan Note"). While the Chardan Note does not bear interest, it can be converted from time to time by Chardan into shares of Common Stock, on terms substantially similar to the conversion provisions in the Original Chardan Note, and any remaining outstanding principal is to be repaid in full on the same maturity date as the Original Chardan Note.

The Chardan Note qualifies for derivative treatment in accordance with ASC 815-40. On February 9, 2024, the Company valued the derivatives using a Black-Scholes model which is considered to be a Level 3 fair value measurement. The original derivative liability – for the Chardan Note was valued at \$404,483. On June 30, 2024, a Black-Scholes calculation was performed (see below chart) and the value of the fair value of the derivative liability – convertible notes increased \$3,585,901 to \$3,990,385. The original \$404,483 discount will be amortized over the maturity. See Note 9 for additional information.

In addition, on each conversion date AtlasClear Holdings was required to pay to Chardan in cash (or, at AtlasClear Holdings's option and subject to certain conditions, a combination of cash and Common Stock) all accrued interest on the Chardan Note and all interest that would otherwise accrue on the amount of

the Note being converted if such converted amount would be held to three years after the applicable conversion date. The first quarterly interest payment due on the Chardan Note has not been paid as of the date of this filing.

As a result of the changes in stock price, the limitation on authorized shares to comply with the conversion option, the Company determined that as of **September 30, 2024** **December 31, 2024**, valuation of the convertible note conversion feature under Black-Scholes was no longer appropriate as it does not take into account the probability of multiple components. As such, as of **September 30, 2024** **December 31, 2024**, the conversion

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feature was valued using Monte Carlo model resulting in the fair value of the conversion option included in the Chardan Note at **\$823,076**. **\$zero**. See Note 9 for additional information.

The key inputs into the Monte-Carlo model for the Conversion derivative as of **September 30, 2024** **December 31, 2024** were as follows:

Input	September 30, 2024		December 31, 2024	
Market price of public shares	\$	0.21	\$	9.60
Risk-free rate		4.36 %		4.28 %
Discount rate		7.72 %		7.18 %
Probability of default		41.2 %		4.5 %
Recovery rate		47.6 %		47.6 %
Volatility		43.9 %		
Effective expiration date		February 2028		February 2028

The key inputs into the Black-Scholes model for the conversion derivative are as follows:

Input	June 30, 2024		June 30, 2024	
Market price of public shares	\$	1.04	\$	62.40
Risk-free rate		4.52 %		4.52 %
Dividend yield		0.00 %		0.00 %
Volatility		166,681.0 %		166,681.0 %
Exercise price	\$	0.84	\$	0.84
Effective expiration date		February 2028		February 2028

Secured Convertible Note

As a result of the changes in stock price, the limitation on authorized shares to comply with the conversion option, the Company determined that as of **September 30, 2024** **December 31, 2024** valuation of the secured convertible note conversion feature now was required to be bifurcated under ASC 815 as such the Company fair valued the embedded derivative. As such as of **September 30, 2024** **December 31, 2024** the conversion feature was valued using Monte Carlo model resulting in the fair value of the conversion option included in the Secured Convertible Note at **\$89,535**. **\$zero**. See Note 9 for additional information.

The key inputs into the Monte-Carlo model for the Conversion derivative as of **September 30, 2024** **December 31, 2024** were as follows:

Input	September 30, 2024		December 31, 2024	

Market price of public shares	\$ 0.21	\$ 9.60
Risk-free rate	3.87 %	4.10 %
Discount rate	7.84 %	7.35 %
Probability of default	19.8 %	16.3 %
Recovery rate	47.6 %	47.6 %
Volatility	36.8 %	64.9 %
Effective expiration date	November 2025	November 2025

Merger Financing

As discussed above under Contingent Guarantee, on August 9, 2024 the Company issued convertible note to modify the repayment conditions, resulting in the extinguishment of the contingent liability and recognizing the fair value of the convertible note agreement. As a result of the changes in stock price, the limitation on authorized shares to comply with the conversion option, the Company determined that the merger financing notes conversion feature was required to be bifurcated under ASC 815 as such the Company fair valued the embedded derivative. As such as of August 9, 2024 the issuance date and as of **September 30, 2024** December 31, 2024 the conversion feature was valued using Mote Carlo model resulting in the fair value of the conversion option included in the Merger financing notes at \$113,044 and \$150,490, respectively. See Note 9 for additional information.

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was valued using Mote Carlo model resulting in the fair value of the conversion option included in the Merger financing notes at \$113,044 and \$176,239, respectively. See Note 9 for additional information.

The key inputs into the Monte-Carlo model for the Conversion derivative as of **September 30, 2024** December 31, 2024 were as follows:

Input	September 30,		August 9,		December 31,		August 9,	
	2024	2024	2024	2024	2024	2024	2024	2024
Market price of public shares	\$ 0.21	\$ 0.27	\$ 9.60	\$ 16.20				
Risk-free rate	4.84 %	4.78 %	4.09 %	4.78 %				
Discount rate	11.72 %	16.98 %	8.95 %	16.98 %				
Probability of default	23.5 %	25.4 %	20.3 %	25.4 %				
Recovery rate	28.9 %	28.9 %	28.9 %	28.9 %				
Volatility	36.7 %	37.2 %	64.9 %	37.2 %				
Effective expiration date	February 2026	February 2026	February 2026	February 2026				

Tau Agreement

As discussed in Note 9 the Tau Agreement has both a Commitment Amount and a Commitment fee that requires to be fair valued under ASC 815 and ASC 480, respectively. As such as of July 31, 2024 the issuance date and as of **September 30, 2024** December 31, 2024 both the Commitment Amount and the Commitment Fee were valued using Mote Carlo model resulting in the fair value of the Commitment Amount at \$966,153 and \$892,558, \$779,496, respectively and the Commitment Fee at \$124,796 and \$79,948, \$4,449, respectively.

The key inputs into the Monte-Carlo model for the Commitment Amount as of issuance date of July 31, 2024, and **September 30, 2024** December 31, 2024 were as follows:

Input	September 30,		July 31		December 31,		July 31	
	2024	2024	2024	2024	2024	2024	2024	2024

Anticipated Monthly Advance Amounts	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000
Risk-free rate	3.59 %	4.20 %	4.16 %	4.20 %
Volatility	37.4 %	40.3 %	64.9 %	40.3 %
Effective expiration date	July 2026	July 2026	July 2026	July 2026

The key inputs into the Monte-Carlo model for the Commitment Fee as of issuance date of July 31, 2024, and **September 30, 2024** December 31, 2024 were as follows:

Input	September 30, 2024		July 31, 2024		December 31, 2024		July 31, 2024	
	\$ 0.21	\$ 0.27	\$ 0.21	\$ 16.20	\$ 0.21	\$ 16.20	\$ 0.21	\$ 16.20
Market price of public shares	\$ 0.21	\$ 0.27	\$ 0.21	\$ 16.20	\$ 0.21	\$ 16.20	\$ 0.21	\$ 16.20
Risk-free rate	3.59 %	4.20 %	4.16 %	4.20 %	3.59 %	4.20 %	4.16 %	4.20 %
Volatility	37.4 %	40.3 %	64.9 %	40.3 %	37.4 %	40.3 %	64.9 %	40.3 %
Effective expiration date	July 2026	July 2026	July 2026	July 2026	July 2026	July 2026	July 2026	July 2026

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The following table presents the changes in the fair value of the following:

	Private		Tau		Private		Tau	
	Placement		Agreement		Placement		Agreement	
	Warrants	Liability	Warrants	Liability	Warrants	Liability	Warrants	Liability
Fair value as of June 30, 2024	\$ 307,656	\$ —	\$ 307,656	\$ —	\$ 307,656	\$ —	\$ 307,656	\$ —
Initial measurement	—	1,090,949	—	1,090,949	—	—	—	1,090,949
Transferred to equity	—	(303,000)	—	(303,000)	—	—	—	(303,000)
Change in valuation inputs or other assumptions	(246,125)	184,559	(246,125)	184,559	(246,125)	184,559	(246,125)	184,559
Fair value as of September 30, 2024	\$ 61,531	\$ 972,508	\$ 61,531	\$ 972,508	\$ 61,531	\$ 972,508	\$ 61,531	\$ 972,508
Transferred to equity	—	—	—	—	—	—	—	115,277
Change in valuation inputs or other assumptions	—	—	—	—	—	—	61,531	73,284
Fair value as of December 31, 2024	—	—	—	—	—	—	\$ 123,063	\$ 783,945

	Conversion		Earnout		Conversion		Earnout	
	Derivative		Liability		Derivative		Liability	
	Warrants	Liability	Warrants	Liability	Warrants	Liability	Warrants	Liability
Fair value as of June 30, 2024	\$ 16,462,690	\$ 12,298,000	\$ 16,462,690	\$ 12,298,000	\$ 16,462,690	\$ 12,298,000	\$ 16,462,690	\$ 12,298,000
Change in valuation inputs or other assumptions	(14,320,179)	340,000	(14,320,179)	340,000	(14,320,179)	340,000	(14,320,179)	340,000
Fair value as of September 30, 2024	\$ 2,142,511	\$ 12,638,000	\$ 2,142,511	\$ 12,638,000	\$ 2,142,511	\$ 12,638,000	\$ 2,142,511	\$ 12,638,000
Change in valuation inputs or other assumptions	—	—	—	—	—	—	(1,117,805)	(1,594,000)
Fair value as of December 31, 2024	—	—	—	—	—	—	\$ 1,024,706	\$ 11,044,000

	Subscription		Contingent		Subscription		Contingent	
	Agreement		Guarantee		Agreement		Guarantee	
Fair value as of June 30, 2024	\$ 2,425,647	\$ 3,256,863	\$ 2,425,647	\$ 3,256,863	\$ 2,425,647	\$ 3,256,863	\$ 2,425,647	\$ 3,256,863

Shares issued as partial payment	—	(1,210,290)	—	(1,210,290)
Change in valuation inputs or other assumptions	34,841	839,774	34,841	839,774
Exchanged to Merger financing note	—	(2,886,347)	—	(2,886,347)
Fair value liability as of September 30, 2024	\$ 2,460,488	\$ —	\$ 2,460,488	\$ —
Change in valuation inputs or other assumptions			13,041	
Fair value as of December 31, 2024			\$ 2,473,529	

	Merger	Secured	Merger	Secured
	Financing	Convertible	Financing	Convertible
	Derivative	Derivative	Derivative	Derivative
Fair value as of June 30, 2024	\$ —	\$ —	\$ —	\$ —
Initial measurement	113,044	—	113,044	—
Change in valuation inputs or other assumptions	63,195	89,535	63,195	89,535
Fair value as of September 30, 2024	\$ 176,239	\$ 89,535	\$ 176,239	\$ 89,535
Change in valuation inputs or other assumptions		(25,749)	(89,535)	
Fair value as of December 31, 2024		\$ 150,490	\$ —	

There were no transfers between levels during the three months ended **September 30, 2024** **December 31, 2024** and 2023.

NOTE 15. SUBSEQUENT EVENTS

The Company evaluated subsequent events and transactions that occurred after the balance sheet date up to the date that the condensed consolidated financial statements were issued. Based upon this review the Company did not identify any subsequent events that would have required adjustment or disclosure in the condensed consolidated financial statements, other than as described below.

Prior to the maturity date of October 13, 2024, FINRA approved a one-year extension for \$1,280,000 in Subordinated notes. The interest rate on the subordinated notes increased from 5% to 8% and the notes mature on October 13, 2025. One of the notes, \$20,000, was not renewed and will not be included in the Net Capital calculations. The note will be treated as debt. **Second ELOC Agreement**

On **October 21, 2024** **February 5, 2025**, the Company held a special meeting and Tau entered into an at-the-market agreement ("Second ELOC Agreement"). Pursuant to the Second ELOC Agreement, upon the terms thereof and subject to the satisfaction of stockholders (the "Special Meeting") in connection with certain conditions, we have the 1-for-30 Reverse Stock Split Proposal, 1-for-40 Reverse Stock Split Proposal, 1-for-50 Reverse Stock Split Proposal, 1-for-60 Reverse Stock Split Proposal, and Authorized Share Increase Proposal as defined and described in the definitive proxy statement filed by the Company with the SEC on October 8, 2024 (the "Proxy Statement").

The proposal right from time to amend the Company's amended and restated certificate of incorporation to increase the number of authorized shares of Common Stock from 100,000,000 shares to 500,000,000 shares and the number of authorized shares of preferred stock, par value \$0.0001 per share, from 1,000,000 shares to 25,000,000 shares. As of the date of this filing the Company's board has not yet filed amended articles to increase the authorized share or approve any split ratio.

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time at our option to direct Tau to purchase up to a specified maximum amount of shares of our Common Stock, up to a maximum aggregate purchase price of \$12.25 million (the "Aggregate Limit"), over the 24-month term of the Second ELOC Agreement. We may request, on dates determined by us, individual advances up to the greater of 2,000 shares or such amount as is equal to 50% of the average daily volume traded of the Common Stock during the 30 trading days immediately prior to the date we request each advance, subject to the Aggregate Limit. Any such advance will reduce amounts that we can request for future advances and draw downs. The purchase price payable for the shares sold pursuant to any advance will be equal to 97% of the lowest VWAP of the

Common Stock during a pricing period of three consecutive trading days following Tau's receipt of the applicable advance notice. Tau's obligation to purchase the shares we request to sell pursuant to any advance is conditioned upon, in addition to certain other customary closing conditions, the continued effectiveness of a registration statement pursuant to which Tau may freely sell the shares to be received.

Subsequent to December 31, 2024, the company received \$740,500 in proceeds under the original ELOC agreement.

Funicular Amendment

On **October 23, 2024** **January 7, 2025**, **AtlasClear Holdings, Quantum Ventures, Chardan** the Company and **Chardan Quantum LLC** **Funicular Funds, LP** ("Funicular") entered into an Amendment, Waiver and Consent (the "Amendment"). Pursuant to the Settlement Agreement discussed above, Amendment, the Company and Funicular agreed to certain amendments to the secured promissory note, in the original principal amount of \$6 million (the "Secured Note"), and the registration rights agreement (the "Funicular RRA"), in each case entered into between them on February 9, 2024, including an extension of the maturity date of the Secured Note from November 9, 2025 to January 31, 2028. In connection with the Settlement Agreement, Chardan exchanged the convertible, interest-bearing Original Chardan Note originally issued addition, Funicular agreed to waive certain defaults by the Company on February 9, 2024 under the Secured Note and the Funicular RRA and consented to the transactions contemplated by the Purchase Agreement.

Issuances of Common Stock

On January 2, 2025, in the aggregate principal amount of \$4,150,000 for an amended non-interest bearing, convertible note in the aggregate principal amount of \$5,209,764. While the amended Chardan Note does not bear interest, it can be converted from time to time by Chardan into Company issued 125,000 shares of Common Stock to Tau under the ELOC agreement. The ELOC allowed for at least 10,000,000 pre reverse split or 166,667 post reverse split shares of Common Stock.

On January 3, 2025, the Company issued 7,247 shares of Common Stock to one of the Wilson-Davis sellers as payment of interest on terms substantially similar the Short-Term Note.

On January 15, 2025, the Company issued 4,166 shares of Common Stock to Carriage House Capital, Inc. pursuant to the conversion provisions in Consulting Agreement, dated as of February 19, 2024, between Carriage and the Original Chardan Company.

On January 21, 2025, the Company issued 130,219 shares of Common Stock to the Wilson-Davis sellers under the Short-Term Note, the Long-Term Note and any remaining outstanding principal is the Merger Financing Note for total interest accrued as of December 31, 2024, of \$971,420. Conversion rate of 90% of the trailing seven-trading day VWAP prior to be repaid in full on the same maturity date as the Original Note. payment of \$7.46.

In connection with the Settlement Agreement, on **October 23, 2024**, Chardan Note, the Company received conversion notices on February 4, 2025, February 5, 2025, February 7, 2025, February 10, 2025, February 12, 2025, and Chardan entered into an amendment (the "Chardan Amended RRA") February 13, 2025 to the registration rights agreement, dated February 9, 2024, pursuant to which the Company agreed, among other things, to file, by December 31, 2024, convert a registration statement with the SEC, registering the resale total of \$375,000 of principal for a total of 107,494 shares of Common Stock, issuable upon the conversion price was based on 90% of the Amended Chardan Note. If the resale registration statement (i) is not filed by December 31, 2024, then the interest rate of the Amended Chardan Note will increase by 2% VWAP ranging from \$3.198 to \$3.890 per annum until the date of the filing, and shall be prorated for such period until the date of such filing and (ii) is not effective by March 31, 2025, then the interest rate on the Amended Chardan Note will increase to 19.99% per annum from March 31, 2025 until the date of effectiveness. share.

On **November 14, 2024** **February 6, 2025**, the Company and Commercial Bancorp agreed issued 6,919 shares of Common Stock to amend the agreement and plan of merger, dated November 16, 2022 (as amended, the "Bank Acquisition Agreement" Outside The Box Capital Inc. ("OTB"), pursuant to extend a Marketing Services Agreement, dated as of September 25, 2024, between the termination date Company and OTB (the "Marketing Agreement") valued at \$3.59 per share based on the closing price of the Bank Acquisition Agreement stock on issuance for total compensation of \$24,839.

On February 6, 2025, the Company issued 27,282 shares of Common Stock to AtlasFinTech Holdings, Corp. as repayment of \$177,334 of advances made for working capital needs. The shares were valued at \$97,942 with corresponding contribution to capital from November 16, 2024, to May 14, 2025. Pursuant to the amendment, the parties expect to enter into a new and mutually agreed agreement related party for the difference.

On February 11, 2025, the Company received a conversion notice from a Wilson-Davis Seller to acquire the shares held by such shareholders convert a total of Commercial Bancorp. No Commercial Bancorp shareholder is required to agree to such amended or new agreement. Failure to enter into \$1,400,000 in principal and \$21,053 of accrued interest at a new agreement or amendment to the Bank Acquisition Agreement shall constitute termination conversion rate of 90% of the Bank Acquisition Agreement without liability. The Company shall issue trailing seven-trading day VWAP prior to payment of \$3.51, resulting in the shareholders issuance of Commercial Bancorp, without additional compensation, 500,000 404,381 shares of common stock and the previously issued 40,000 shares to the Commercial Bancorp shareholders shall be cancelled. The shares have not yet been issued as of the date of filing. Common Stock.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

References in this quarterly report on Form 10-Q (the "Quarterly Report") to "we," "us," "AtlasClear Holdings," or the "Company" refer to *AtlasClear Holdings, Inc.* References to our "management" or our "management team" refer to our officers and directors. The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the financial statements and the notes thereto contained elsewhere in this Quarterly Report. Certain information contained in the discussion and analysis set forth below includes forward-looking statements that involve risks and uncertainties. Certain defined terms used herein have the meaning ascribed to them in the notes to the financial statements.

Special Note Regarding Forward-Looking Statements

This Quarterly Report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") that are not historical facts and involve risks and uncertainties that could cause actual results to differ materially from those expected and projected. All statements, other than statements of historical fact included in this Quarterly Report including, without limitation, statements in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" regarding the Company's financial position, business strategy, plans and objectives of management for future operations, including the expectation to enter into a new or amended agreement for the acquisition of Commercial Bancorp, are forward-looking statements. Words such as "expect," "believe," "anticipate," "intend," "estimate," "seek" and variations and similar words and expressions are intended to identify such forward-looking statements. Such forward-looking statements relate to future events or future performance, but reflect management's current beliefs, based on information currently available. A number of factors could cause actual events, performance or results to differ materially from the events, performance and results discussed in the forward-looking statements.

Forward-looking statements are not guarantees of performance, and the absence of these words does not mean that a statement is not forward looking. You should understand that the following important factors could affect our future results, and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements herein:

- our ability to realize the benefits expected from the Business Combination (as defined herein);
- our ability to successfully negotiate a new amendment or agreement on acceptable terms to the Company and to complete the acquisition of Commercial Bancorp of Wyoming ("Commercial Bancorp");
- our ability to successfully integrate our recent and proposed acquisitions, including the acquisition of Commercial Bancorp, and to realize the synergies and benefits of such acquisitions;
- our ability to successfully implement the AtlasClear Platform (as defined herein);
- our significant indebtedness and our ability to service such indebtedness;
- the volatility of the price of our common stock, par value \$0.0001 per share (the "Common Stock") and the possibility that stockholders could incur substantial losses;
- potential dilution of our stockholder interests resulting from our issuance of equity securities;
- the ability to maintain the listing of our Common Stock on the NYSE American LLC ("NYSE"), and the potential liquidity and trading of such securities;
- our ability to grow and manage growth profitably;
- our ability to raise financing in the future, if and when needed;
- our success in retaining or recruiting, or adapting to changes in, our officers, key employees, or directors following the Business Combination;
- our ability to attract and retain our senior management and other highly qualified personnel;
- our ability to achieve or maintain profitability;
- the period over which we anticipate our existing cash and cash equivalents will be sufficient to fund our operating expenses and capital expenditure requirements;
- our ability to successfully protect against cybersecurity attacks or breaches, ransomware attacks, and other disruptions to our information technology structure;
- our ability to successfully compete against other companies;
- our estimates regarding expenses, future revenue, and needs for additional financing; and
- the effect of economic downturns and political and market conditions beyond our control.

For information identifying important factors that could cause actual results to differ materially from those anticipated in the forward-looking statements, please refer to the Risk Factors section of the Company's Transition Report on Form 10-KT for the transition period

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ended June 30, 2024 (the "Transition Report") filed with the U.S. Securities and Exchange Commission (the "SEC") on October 16, 2024. Except as expressly required by applicable securities law, the Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

Overview

Our goal is to build a cutting-edge technology enabled financial services firm that would create a more efficient platform for trading, clearing, settlement and banking, with evolving and innovative financial products that focus on financial services firms. We are a fintech driven business-to-business platform that expects to power innovation in fintech, investing, underwriting and trading. We believe we are positioned to provide a modern, mission-critical suite of solutions to our clients, enabling them to reduce their transaction costs and compete more effectively in their businesses.

Our target client base for our prime banking and prime brokerage services includes financial services firms, generally with annual revenues up to \$1 billion, including brokerage firms, hedge funds, pension plans, and family offices that are not adequately served by today's larger correspondent clearing firms and banks.

Through the acquisition of Wilson-Davis & Co., Inc. ("Wilson-Davis"), a correspondent clearing company, and the anticipated merger with Commercial Bancorp, we expect to acquire the capabilities to provide specialized clearing and banking services to financial services firms, with an emphasis on global markets currently underserved by larger vendors. Once properly integrated, anticipated synergies between Commercial Bancorp, if acquired, and Wilson-Davis are expected to allow for lower cost of capital, higher net interest margins, expanded product development and greater credit extension.

In addition, we believe the acquisition of a proprietary trading platform with clearing and settlement capabilities that will be developed by Pacsquare, including the AtlasClear Platform, along with the software products and intellectual property assets acquired from Atlas FinTech and Atlas Financial Technologies Corp., are cutting-edge, flexible and scalable.

Recent Developments

Reverse Stock Split and Increase in Authorized Shares

On December 31, 2024, we effected a 1-for-60 reverse stock split of our Common Stock. As a result of the reverse stock split, every 60 shares of our issued and outstanding Common Stock were automatically combined into one share of Common stock, with any fractional shares rounded up to the nearest whole share. The reverse stock split did not change the par value of the Common Stock, however, on December 30, 2024, we increased the number of authorized shares to 525,000,000 shares, consisting of 500,000,000 shares of Common Stock and 25,000,000 shares of preferred stock, \$0.0001 par value per share. The reverse stock split has been applied retroactively in the accompanying consolidated financial statements and related disclosures for all periods presented. All share and per-share amounts, including earnings per share ("EPS"), have been adjusted accordingly to reflect the reverse stock split as if it had occurred at the beginning of the earliest period presented.

The impact of the reverse stock split is summarized as follows:

- The total number of issued and outstanding shares of Common Stock decreased from 23,275,171 to 388,003 as of December 31, 2024.
- Earnings per share and other per-share data were adjusted proportionally to reflect the reverse stock split.
- The reverse stock split had no impact on the Company's total stockholders' equity, net income, or overall financial condition.

We believe that the reverse stock split was necessary to regain compliance with stock exchange listing requirements and improve marketability of the stock.

Wilson-Davis

Wilson-Davis is a self-clearing correspondent securities broker-dealer registered with the SEC, licensed in 50 states, District of Columbia, and Puerto Rico, and is a member in good standing of FINRA. Wilson-Davis derives revenue principally from commissions charged on the liquidation of restricted and control microcap securities, vetting, and clearing service fees charged to introducing brokers for which Wilson-Davis clears transactions on a fully disclosed basis, and other financial service fees. Commissions are earned by executing transactions for customers. Vetting fee revenues are earned when Wilson-Davis vests stock the customers want to bring into

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their accounts. Clearing fees are earned by clearing transactions for Glendale Securities, as introducing broker on a fully disclosed basis, pursuant to a clearing agreement with Glendale Securities.

Key Factors Impacting Wilson-Davis' Business

Wilson-Davis' business and results of operations have been, and will continue to be, affected by numerous factors and trends, which Wilson-Davis believes include those discussed in the section titled "Risk Factors" of the Transition Report. Some key factors impacting Wilson-Davis' business include:

- *Liquidity.* As a clearing broker-dealer in the U.S., Wilson-Davis is subject to cash deposit requirements with clearing organizations, brokers, and banks that may be large in relation to its total liquid assets.
- *Growth of Customer Base.* Wilson-Davis' growth requires continued use of its services by new customers.
- *Expanding Wilson-Davis' Relationship with Existing Customers.* Wilson-Davis' ability to expand its relationship with its existing customers will be an important contributor to its long-term growth.
- *Market Trends.* As financial markets grow and contract, Wilson-Davis' customers' behaviors are affected. Wilson-Davis' revenue and profitability can be affected by general downturns in the securities markets, resulting from factors such as increased inflation, increased interest rates and other factors.

Business Combination

On February 9, 2024 (the "Closing Date"), the Company consummated the previously announced transactions pursuant to that certain business combination agreement, dated November 16, 2022 (as amended, the "Business Combination Agreement"), by and among the Company, Quantum FinTech Acquisition Corporation ("Quantum"), Calculator Merger Sub 1, Inc., Calculator Merger Sub 2, Inc., AtlasClear, Inc. ("AtlasClear"), Atlas FinTech Holdings Corp., ("Atlas FinTech") and Robert McBey. The transactions consummated

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as a result of the Business Combination Agreement are hereinafter referred to as the "Business Combination." For more information about the Business Combination, see Note 1.

Amendments to Broker-Dealer Acquisition Agreement

Prior to the Closing, AtlasClear and AltasClear Holdings entered into two amendments to the Broker-Dealer Acquisition Agreement (as defined in the with Wilson-Davis and the then-owners of Wilson-Davis (the "Wilson-Davis Sellers"), Amendment No. 8 dated January 9, 2024 ("Amendment No. 8") and Amendment No. 9 dated February 7, 2024 ("Amendment No. 9" and, together with Amendment No. 8, the "Amendments"). Among other things, the Amendments reduced the total purchase price payable under the Broker- Dealer Acquisition Agreement by \$5 million and reduced the cash payable at the Wilson-Davis Closing as part of the purchase price to \$8 million, with the balance of the purchase price paid in the form of convertible promissory notes issued by AtlasClear to the Wilson-Davis Sellers, as follows: (i) \$5,000,000 in aggregate principal amount of notes due 90 days after the Closing Date (the "Short-Term Notes") and (ii) \$7,971,000 in aggregate principal amount of notes due 24 months after the Closing Date (the "Long-Term Notes" and, together with the Short-Term Notes, the "Seller Notes"). The Short-Term Notes accrue interest at a rate of 9% per annum, payable quarterly in arrears, in shares of Common Stock at a rate equal to 90% of the trailing seven-trading day VWAP prior to payment (or, at the Company's option, cash), and are convertible at the option of the holder at any time during the continuance of an event of default, at a rate equal to 90% of the trailing seven-trading day VWAP prior to conversion. The Long-Term Notes accrue interest at a rate of 13% per annum, payable quarterly in arrears, in shares of Common Stock at a rate equal to 90% of the trailing seven-trading day VWAP prior to payment (or, at the Company's option, in cash), and are convertible at the option of the holder at any time commencing six months after the Closing Date, at a rate equal to 90% of the trailing seven-trading day VWAP prior to conversion (or 85% if an event of default occurs and is continuing).

For more information about the Amendments to Broker-Dealer Acquisition Agreement, see Note 9 under Sellers Note and Contingent Guarantee.

Funicular Convertible Note Financing

On February 9, 2024, AtlasClear Holdings and Quantum entered into a securities purchase agreement (the "Funicular Purchase Agreement") with Funicular, pursuant to which AtlasClear Holdings sold and issued to Funicular, on that date, a secured convertible promissory note (the "Funicular Note") in the principal amount of \$6,000,000 for a purchase price of \$6,000,000, in a private placement (the "Note Financing"). The proceeds raised in the Note Financing were used to pay a portion of the purchase price paid at Closing to the Wilson-Davis sellers. The Funicular Note has a stated maturity date of November 9, 2025. Interest accrues at a rate per annum equal to 12.5%, and is payable semi-annually on each June 30 and December 31. On each interest payment date, the accrued and unpaid

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interest shall, at the election of the Company in its sole discretion, be either paid in cash or paid in-kind by increasing the principal amount of the Funicular Note. In the event of an Event of Default (as defined in the Funicular Note), in addition to Funicular's other rights and remedies, the interest rate would increase to 20% per annum. The Funicular Note is convertible, in whole or in part, into shares of Common Stock at the election of the holder at any time at an initial conversion price of \$10.00 per share (the "Conversion Price"). The Conversion Price is subject to adjustment monthly to a price equal to the trailing five-day VWAP, subject to a floor of \$2.00 per share (provided that if the Company sells stock at an effective price below \$2.00 per share, such floor would be reduced to such effective price), and is subject to customary adjustments for stock dividends, stock splits, reclassifications and the like. The Company had the right to redeem the Funicular Note upon 30 days' notice after the earlier of August 7, 2024 and the effectiveness of the Registration Statement (as defined in the Funicular Note), and Funicular would have the right to require the Company to redeem the Note in connection with a Change of Control (as defined in the Note), in each case for a price equal to 101% of the outstanding principal amount of the Note plus accrued and unpaid interest.

As a result of the delay in filing the registration statement the Company incurred \$1,500,000 in fees through June 30, 2024 which has been added to the principal of the note. As of June 30, 2024, During the quarter ended December 31, 2024 the Company recognized \$328,767 incurred an additional \$600,000 in fees due to delays in the registration statement and the unpaid interest expense on of \$407,507 was applied to the principal and \$279,032 balance for a total principal balance of interest related \$8,507,507 as of December 31, 2024. In addition, due to the amortization of delayed registration statement the debt discount described above. As of June 30, 2024 the carrying value of the notes is \$6,857,101 net of discount of \$971,666. company will be required to pay 20% interest on principal balance due.

As of September 30, 2024 December 3, 2024, the company Company recognized \$246,660 \$899,165 in interest expense on the principal and \$180,085 of interest related to the amortization of the debt discount described above. issued with the note. As of September 30, 2024 December 31, 2024, the carrying value of the notes is \$7,066,449, \$8,745,699 net of discount of \$791,581, \$611,496. During the three month six-month period the Quantum Ventures transferred 368,004 pre reverse split or 6,133 post reverse split registered shares to pay for accrued interest of \$217,373. For information regarding the Note

On January 7, 2025, the Company and Funicular entered into an Amendment, Waiver and Consent (the "Funicular Amendment"). Pursuant to the Funicular Amendment, the Company and Funicular agreed to certain amendments to the Funicular Note, and the registration rights agreement (the "Funicular RRA"), including an extension of the maturity date of the Funicular Note from November 9, 2025 to January 31, 2028. In addition, Funicular agreed to waive certain defaults by the Company under the Secured Note and the Funicular RRA and consented to the transactions contemplated by the Funicular Purchase Agreement.

For more information about the Note Financing, see Notes 9 and 14 under Secured Convertible Note.

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Pacsquare Purchase Agreement

Pursuant to the transactions contemplated by a letter of intent, on February 16, 2024, AtlasClear and Pacsquare entered into a Source Code Purchase Agreement and Master Services Agreement (the "Pacsquare Purchase Agreement"), pursuant to which AtlasClear acquired the AtlasClear Platform. Pursuant to the Pacsquare Purchase Agreement, Pacsquare will develop, implement and launch the AtlasClear Platform and provide maintenance and support services as described in the agreement. The Pacsquare Purchase Agreement provides that Pacsquare will develop and deliver to AtlasClear the Level 1 equities trading platform and that it will develop and deliver all modules of the clearing platform within 12 months of signing the Pacsquare Purchase Agreement. AtlasClear owns all the intellectual property relating to the AtlasClear Platform, including the software and source code. The Pacsquare Purchase Agreement also granted AtlasClear a right of first refusal to any products or services that relate to trading, settlement, clearance or any other business of AtlasClear that Pacsquare proposes to offer to other persons. The purchase price for the assets was \$4.8 million as follows: (i) \$1.9 million, consisting of (A) \$100,000 payable in a cash upon delivery of the source code and execution of the Pacsquare Purchase Agreement; (B) \$850,000 payable in shares of Common Stock at a price of \$6.00 per share; and (C) \$950,000 to be paid in four monthly installments of \$237,500, payable in shares of Common Stock at the price per share on the day of issuance and (ii) \$2.7 million to be paid ratably on a module-by-module basis upon delivery and acceptance of each of the AtlasClear Platform modules. AtlasClear has sole discretion to determine whether any of the foregoing payments will be made in cash or shares of Common Stock. The Company has issued 336,000 shares of Common Stock to Pacsquare pursuant to the terms of the Pacsquare Purchase Agreement at a price of \$3.32 per share in satisfaction of a total cash amount of \$1,150,000. Of the remaining purchase price, \$950,000 is payable in four monthly installments of \$237,500 in cash or shares of Common Stock at the price per share on the day of issuance, as source code is provided; and \$2.7 million is payable on a module-by-module basis at the price per share on the day of issuance.

For more information about the Pacsquare Purchase Agreement, see Note 11 - Intangible Assets.

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Amendment to Bank Acquisition Agreement

On February 26, 2024, AtlasClear and Commercial Bancorp entered into an amendment (the "First Amendment") to the Amended and Restated Agreement and Plan of Merger, dated as of November 16, 2022, by and between AtlasClear and Commercial Bancorp (the "Bank Acquisition Agreement"), pursuant to which, among other things, Commercial Bancorp is expected to merge with and into a subsidiary of AtlasClear. Pursuant to the Amendment, Commercial Bancorp received 40,000 shares of Common Stock in lieu of a nonrefundable escrow deposit. On November 14, 2024, the Company and Commercial Bancorp agreed to amend the Bank Acquisition Agreement (as amended, the "Second Amendment"), to extend the termination date of the Bank Acquisition Agreement from November 16, 2024, to May 14, 2025. Pursuant to the Second Amendment, the parties expect to enter into a new agreement for the Company to acquire the shares held by such shareholders of Commercial Bancorp. No Commercial Bancorp shareholder is required to agree to such amended or new agreement. Failure to enter into a new agreement or amendment to the Bank Acquisition Agreement will constitute termination of the Bank Acquisition Agreement without liability. Pursuant to the Second Amendment, the Company will issue to the shareholders of Commercial Bancorp, without additional compensation, 500,000 shares of ~~common stock~~ Common Stock and the previously issued 40,000 shares to the Commercial Bancorp shareholders will be cancelled. The shares have not yet been issued as of the date of this filing.

Chardan Settlements

In connection with the Closing, AtlasClear Holdings and Chardan agreed that the fee, in the amount of \$7,043,750, payable by Quantum to Chardan upon the Closing pursuant to the terms of the business combination marketing agreement entered into in connection with Quantum's initial public offering, would be waived in exchange for the issuance by AtlasClear Holdings to Chardan of a convertible promissory note in the aggregate principal amount of \$4,150,000 (the "Original Chardan Note"). The Original Chardan Note was issued by AtlasClear Holdings at the Closing. The Original Chardan Note had a stated maturity date of February 9, 2028. Interest under the Original Chardan Note accrued at a rate per annum equal to 13%, and was payable quarterly on the first day of each calendar quarter. On each interest payment date, the accrued and unpaid interest could have been, at the election of AtlasClear Holdings, either paid in cash or, subject to the satisfaction of certain conditions, in shares of Common Stock, at a rate equal to 85% of the VWAP for the trading day immediately prior to the applicable interest payment date. The Original Chardan Note was convertible, in whole or in part, into shares of Common Stock at the election of the holder at any time at a conversion price equal to 90% of the VWAP of the Common Stock for the trading day immediately preceding the applicable conversion date. In addition, on each conversion date AtlasClear Holdings was required to pay to Chardan in cash (or, at AtlasClear Holdings' option and subject to certain conditions, a combination of cash and Common Stock) all accrued interest on the Original Chardan Note and all interest that would otherwise accrue on the amount of the Original Chardan Note being converted if such converted amount would be held to three years after the applicable conversion date.

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On October 23, 2024, the Company, Quantum Ventures, Chardan and Chardan Quantum LLC entered the Settlement Agreement (as defined herein). In connection with the Settlement Agreement, Chardan exchanged the Original Chardan Note for an amended non-interest bearing, convertible note in the aggregate principal amount of \$5,209,764 (as amended, the "Chardan Note"). While the Chardan Note does not bear interest, it can be converted from time to time by Chardan into shares of Common Stock, on terms substantially similar to the conversion provisions in the Original Chardan Note, and any remaining outstanding principal is to be repaid in full on the same maturity date as the Original Chardan Note.

In connection with the Settlement Agreement, on October 23, 2024, the Company and Chardan entered into an amendment (the "Chardan Amended RRA") to the registration rights agreement, dated February 9, 2024, pursuant to which the Company agreed, among other things, to file, by December 31, 2024, a registration statement with the SEC, registering the resale of shares of Common Stock issuable upon conversion of the Amended Chardan Note. If the resale registration statement (i) is not filed by December 31, 2024, then the interest rate of the Amended Chardan Note will increase by 2% per annum until the date of the filing, and shall be prorated for such period until the date of such filing and (ii) is not effective by March 31, 2025, then the interest rate on the Amended Chardan Note will increase to 19.99% per annum from March 31, 2025 until the date of effectiveness.

For more information about the Chardan Note, see Note 9, Note 14 and Note 15.

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Additional Settlements

The Company entered into the following settlements for certain accrued expenses and other obligations to third parties through the issuance of Common Stock and/or convertible promissory notes. Some of the ongoing obligations of the Company pursuant to such settlements are as follows:

- Carriage House Capital, Inc. – up to 350,000 pre reverse split or 5,833 post reverse split shares of Common Stock that were issued, or may become issuable, to Carriage House Capital, Inc. ("Carriage"), pursuant to the Consulting Agreement, dated as of February 19, 2024, between Carriage and the Company (the "Carriage Agreement"), as partial consideration for consulting services rendered to the Company, at the price per share of \$4.41 \$4.98 pre reverse split or \$298.80 post reverse split on the day of issuance. The total consideration due under the Consulting Agreement is 350,000 shares of Common Stock, 100,007 shares of which were due upon signing of the contract and 27,777 shares of which are due in months four through twelve from the date of signing. On February 9, 2024, 100,000 pre reverse split or 1,667 post reverse split shares were issued, and were valued at \$4.98 pre reverse split or \$298.80 post reverse split per share as agreed upon consideration. The Stock payable for the remaining 250,000 pre reverse split or 4,167 post reverse split shares was valued at \$1,244,965 and recorded as a stock payable at date the agreement. As of December 31, 2024 and June 30, 2024 the fair value of the 4,167 post reverse split stock payable was \$41,986 and \$259,893, respectively. The shares were valued at the closing price of the ATCH trading shares on December 31, 2024 and June 30, 2024 using a level 1 measurements. As a result, the company recognized \$21,757 and \$217,907, respectively in the change in fair value related to the Stock Payable during the three and six months period ended December 31, 2024.
- Interest Solutions, LLC – up to 144,454 pre reverse split or 2,408 post reverse split shares of Common Stock that may become issuable to Interest Solutions, LLC ("Interest Solutions"), pursuant to a convertible promissory note, dated as of February 9, 2024, in the aggregate principal amount of \$275,000 (the "Interest Solutions Note") at a price per share of \$2.00. \$2.00 pre reverse split or \$120 post reverse split. Accrued interest on the Interest Solutions Note is payable monthly, beginning on June 30, 2024, at a rate of 13% per annum. Until all payments have been made to the Wilson-Davis Sellers, interest on the Interest Solutions Note may be paid in cash or shares of Common Stock valued at the then-current conversion price. Thereafter, all accrued interest must be paid in cash. During the three and six month period ended December 31, 2024 the company recognized \$8,815 and \$17,826 in interest expenses. Quantum Ventures transferred 4,457 pre reverse split or 74 post reverse split registered shares to pay for \$9,011 in accrued interest. As of December 31, 2024 and June 30, 2024, there is \$297,723 and \$288,908 included in Promissory note payable.

- JonesTrading Institutional Services LLC – up to 196,983 pre reverse split or 3,283 post reverse split shares of Common Stock that may become issuable to JonesTrading Institutional Services LLC (“JonesTrading”), pursuant to a convertible promissory note, dated as of February 9, 2024, in the aggregate principal amount of \$375,000 (the “JonesTrading Note”) at a price per share of \$2.00. \$2.00 pre reverse split or \$120 post reverse split. Accrued interest on the JonesTrading Note is payable monthly, beginning on June 30, 2024, at a rate of 13% per annum. Until all payments have been made to the Wilson-Davis Sellers, interest on the Interest Solutions Note may be paid in cash or shares of Common Stock valued at the then-current conversion price. Thereafter, all accrued interest must be paid in cash. During the three and six month period ended December 31, 2024 the Company recognized \$12,021 and \$24,309 in interest expenses and the Quantum Ventures transferred 6,077 pre reverse split or 101 post reverse split registered shares to pay for \$12,288 in accrued interest. As of December 31, 2024 and June 30, 2024, there is \$405,987 and \$393,966 included in Promissory note payable.
- Toppan Merrill LLC – the Company issued to Toppan Merrill LLC (“Toppan”) a promissory note, dated as of February 9, 2024, in the aggregate principal amount of \$160,025 (the “Toppan Note”). The maturity date of the Toppan Note is February 8, 2026 and the note accrues interest at a rate of 13% per annum. The principal and interest payments due under the note is not payable in shares of Common Stock. As of December 31, 2024 and June 30, 2024, there was \$175,286 and \$170,094, respectively, included in Promissory note payable.
- Winston & Strawn LLP – up to \$2,500,000 in shares of Common Stock that may become issuable to Winston & Strawn LLP (“Winston & Strawn”), pursuant to a subscription agreement, dated as of February 9, 2024, between Winston & Strawn and the Company (the “Winston & Strawn Agreement”) at a 5 day VWAP on date of issuance. Pursuant to the Winston Agreement, the Company may issue \$2,500,000 worth of shares of Common Stock as payment for legal services, in three equal installments of \$833,333 beginning on August 9, 2024.
- Toppan Merrill LLC – As of December 31, 2024 and June 30, 2024, the Company issued to Toppan Merrill LLC (“Toppan”) a promissory note, dated amount is included in Subscription agreement as an liability of February 9, 2024, in the aggregate principal amount of \$160,025 (the “Toppan Note”). The maturity date of the Toppan Note is February

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8, 2026 \$2,473,529 and \$2,425,647, respectively. Due to the note accrues interest nature of the settlement terms, the subscription agreement was deemed to be a derivative liability to the Company as of June 30, 2024 under ASC 480. Change in fair value of the subscription agreement are measured at a rate of 13% per annum. The principal each reporting period with change reported in earnings. See valuation approach and interest payments due under the note is not payable in shares of Common Stock. further disclosure on Note 15.

- Lead Nectar – On August 29, 2024, up to 12,000 pre reverse split or 200 post reverse split shares of Common Stock were issued that may become issuable to Lead Nectar in lieu of payment for internet marketing services in the amount fair value of \$20,000. the shares at grant date was \$2,578.
- Atlas FinTech – 2,788,276 pre reverse split or 46,471 post reverse split shares of Common Stock that may become issuable to Lead Nectar in lieu of payment for internet marketing services the fair shares of Common Stock that were issued to Atlas FinTech pursuant to a Satisfaction and Discharge of Indebtedness Agreement, dated as of August 9, 2024, between Atlas FinTech and the Company (the “Atlas FinTech Agreement”), in lieu of payment of \$803,860 of expenses that were paid by Atlas FinTech in connection with a previous proposed business combination of Quantum.

For more information about each of the above settlements, see Note 9.

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Results of Operations

Comparison of the Three Months Ended September 30, 2024 December 31, 2024 Compared to the Three Months Ended September 30, 2023 December 31, 2023

The Company did not have operations until the acquisition of Wilson-Davis in connection with the Business Combination which closed on February 9, 2024. Therefore, the period-to-period comparison below primarily reflects financial results of Wilson-Davis since February 9, 2024.

Three Months Ended	three Months	Three Months Ended	three Months
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	September 30,		Ended Changes	December 31,		Ended Changes
	2024	2023		2024	2023	
REVENUES						
Commissions	\$ 1,383,828	\$ —	1,383,828	\$ 1,598,153	\$ —	1,598,153
Vetting fees	365,383	—	365,383	357,601	—	357,601
Clearing fees	1,047,712	—	1,047,712	785,227	—	785,227
Net gain/(loss) on firm trading accounts	1,711	—	1,711	2,245	—	2,245
Other revenue	5,448	—	5,448	3,273	—	3,273
TOTAL REVENUES	2,804,082	—	2,804,082	2,746,499	—	2,746,499
EXPENSES						
Compensation, payroll taxes and benefits	1,279,304	—	1,279,304	1,580,182	—	1,580,182
Data processing and clearing costs	611,646	—	611,646	629,733	—	629,733
Regulatory, professional fees and related expenses	1,095,819	640,813	455,006	1,107,762	611,934	495,828
Communications	152,754	—	152,754	126,089	—	126,089
Occupancy and equipment	54,004	—	54,004	54,428	—	54,428
Transfer fees	51,590	—	51,590	39,917	—	39,917
Bank charges	55,901	—	55,901	53,425	—	53,425
Intangible assets amortization	307,191	—	307,191	355,268	—	355,268
Other	136,975	—	136,975	(51,156)	—	(51,156)
TOTAL EXPENSES	3,745,184	640,813	3,104,371	3,895,648	611,934	3,283,714
LOSS FROM OPERATIONS	(941,102)	(640,813)	(300,289)	(1,149,149)	(611,934)	(537,215)
OTHER INCOME/(EXPENSE)						
Interest income	606,758	722,390	(115,632)	460,315	352,512	107,803
Change in fair value of warrant liability derivative	246,125	(184,594)	430,719	(61,531)	184,594	(246,125)
Change in fair value, convertible note derivative	3,167,309	—	3,167,309	823,076	—	823,076
Change in fair value, long-term and short-term note derivative	11,152,870	—	11,152,870	294,729	—	294,729
Change in fair value of contingent guarantee	(839,775)	—	(839,775)	—	—	—
Change in fair value of non-redemption agreement	—	(11,759)	11,759	—	451,546	(451,546)
Change in fair value of secured convertible note	(89,535)	—	(89,535)	89,535	—	89,535
Change in fair value of Merger financing	(63,195)	—	(63,195)	25,749	—	25,749
Change in fair value of earnout liability	(340,000)	—	(340,000)	1,594,000	—	1,594,000
Change in fair value of subscription agreement	(34,841)	—	(34,841)	(13,041)	—	(13,041)
Change in fair value stock payable	196,150	—	196,150	25,260	—	25,260
Change in fair value of Tau agreement	(833,983)	—	(833,983)	73,284	—	73,284
Interest expense	(1,456,996)	—	(1,456,996)	(2,667,285)	—	(2,667,285)
TOTAL OTHER INCOME/(EXPENSE)	11,710,887	526,037	11,184,850	644,091	988,652	(344,561)
Income before provision for income taxes	10,769,785	(114,776)	10,884,561	(505,058)	376,718	(881,776)
Benefit (provision) for income taxes	(21,752)	(141,202)	119,450	85,368	(3,718)	89,086
Net income (loss)	\$ 10,748,033	\$ (255,978)	\$ 11,004,011	\$ (419,690)	\$ 373,000	\$ (792,690)

Revenues of \$2,804,082 \$1,598,153 for the three months ended September 30, 2024 December 31, 2024, represent a 100% increase from revenues of \$0 for the three-month period ended September 30, 2023 December 31, 2023. Wilson-Davis is a self-clearing correspondent securities broker-dealer registered with the SEC and a member in good standing of FINRA. Wilson-Davis is engaged principally in the over-the-counter, or "OTC," markets in microcap

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securities. Microcap securities generally are issued by companies with low or "micro" capitalizations, meaning the total market capitalization value of the company's stock is less than \$250 million, which includes low-priced securities, or penny stocks, that trade for less than \$5.00 per share and have a market capitalization of less than \$50 million. Wilson-Davis also executes transactions in exchange-traded securities. It derives its revenue from the liquidation of restricted and control microcap securities; clearing transactions on behalf of an introducing broker-dealer on a fully disclosed basis; and trading in equity securities for its own account. It receives limited revenues from fully paid stock lending and margin accounts. During its history, Wilson-Davis has underwritten at-the-market offerings for publicly traded companies, placed private offerings, sold mutual funds, introduced margin accounts cleared by other firms on a fully disclosed basis, and provided ancillary financial services.

Total expenses of ~~\$3,782,966~~ \$3,895,648 for the three months ended ~~September 30, 2024~~ December 31, 2024, represent a significant increase of ~~\$3,142,153~~ \$3,283,714 from total expenses for the three-month period ended ~~September 30, 2023~~ December 31, 2023. The increase was primarily due to the operations for Wilson-Davis; the prior period the Company was non-operational.

Compensation, payroll taxes and benefits increased to ~~\$1,279,304~~ \$1,580,182 for the three-month period ended ~~September 30, 2024~~ December 31, 2024. No expense was recorded in the three-month period ended ~~September 30, 2023~~ December 31, 2023. The increase was due to compensation, payroll taxes and benefits related to Wilson-Davis; the prior period the Company was non-operational.

Data processing and clearing costs increased to ~~\$611,646~~ \$629,733 for the three-month period ended ~~September 30, 2024~~ December 31, 2024. No expense was recorded in the three-month period ended ~~September 30, 2023~~ December 31, 2023. The increase was due to data processing and clearing cost related to Wilson-Davis; the prior period the Company was non-operational.

Regulatory, professional fees and related expenses increased to ~~\$1,133,600~~ \$1,107,762 for the three months ended ~~September 30, 2024~~ December 31, 2024. ~~No expense was~~ An increase of \$495,828 from \$611,934 recorded in the three-month period ended ~~September 30, 2023~~ December 31, 2023. The increase was primarily due to the operations for Wilson-Davis, the prior period the Company was non-operational.

Intangible asset amortization increased ~~\$307,192~~ \$355,268 for the three-month period ended ~~September 30, 2024~~ December 31, 2024. No expense was recorded in the three-month period ended ~~September 30, 2023~~ December 31, 2023. The increase was due to the intangible assets acquired from Wilson-Davis, such as the customer list in the Business Combination, the amortization of the technology acquired from Pacqsquare and related transactions. No such assets existed in the prior period.

Other expenses, which includes, Communications, Occupancy and equipment, Transfer fees, Bank charges and Other, increased to an aggregate of ~~\$451,224~~ \$96,614 for the three-month period ended ~~September 30, 2024~~ December 31, 2024. No expense was recorded in the three-month period ended ~~September 30, 2023~~ December 31, 2023. The increase was primarily due to the operations for Wilson-Davis; the prior period the Company was non-operational.

Loss from operations was ~~\$978,884~~ \$1,149,149 for the three-months ended ~~September 30, 2024~~ December 31, 2024. Loss from operations was ~~\$640,813~~ \$611,934 in the prior period. The increase was primarily due to the operations for Wilson-Davis, the prior period the Company was non-operational.

Other income of ~~\$11,710,887~~ \$644,091 for the three-month period ended ~~September 30, 2024~~ December 31, 2024, represents a ~~significant increase~~ decrease from ~~\$526,037~~ \$988,652 when compared to the three-month period ended ~~September 30, 2023~~ December 31, 2023. The ~~increase~~ decrease was due to the changes in fair value of various financial instruments, which were not issued until the closing of the business combination with Wilson-Davis. ~~In the prior year the Company did not have interest expense to offset the gains from change in fair value of the various financial instruments.~~

Interest income and interest earned on investments held in trust ~~decreased to \$606,758~~ was \$460,315 for the three-month period ended ~~September 30, 2024~~ December 31, 2024, represents an approximate ~~16% decrease~~ 31% increase from ~~\$722,390~~ \$352,512 when compared to the prior period. In the prior period, the Company held cash in a trust account for the benefit of Quantum's stockholders which generated ~~\$716,882~~ \$338,775 in the three-month period ended ~~September 30, 2023~~ December 31, 2023 of which no such interest was earned in the three-month period ended ~~September 30, 2024~~ December 31, 2024, this was due to the shareholder redemptions in connection with the business combination. ~~The increase in interest income overall relates to the interest income earned by Wilson-Davis that was not present in the prior period.~~

The Company recognized a total of ~~\$12,561,125~~ \$2,912,592 in gain in change in fair value of financial instruments for the three-month period ended ~~September 30, 2024~~ December 31, 2024. The Company entered into the following financial instruments which are required to be accounted for at fair value under ASC 815 or ASC 480. As settlement with Chardan the company issued a convertible note to Chardan which required the conversion element to be accounted for as a derivative resulting in a gain of ~~\$3,167,309~~ \$823,076, this was primarily due to the decrease in stock prices and the fact that the Company does not have sufficient shares authorized to issue shares which required a change in valuation model from Black-Scholes to Monte Carlo method. The sellers of Wilson-Davis received convertible short term and long term note

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which required the conversion element to be accounted for as a derivative resulting in a gain of ~~\$11,152,870~~ \$294,729 this was primarily due to the decrease in stock prices and the fact that the Company does not have sufficient shares authorized to issue shares which required a change in valuation model from Black-Scholes to Monte Carlo method as well as a Commitment guarantee resulting in a loss of

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~~\$839,775~~ **Carlo**. The Company granted earnout shares as part of the consideration paid to AtlasClear, Inc. which resulted in a ~~loss~~ gain of ~~\$340,000~~ **\$1,594,000**. The Company entered into a Subscription Agreement with a Winston & Strawn which required fair value accounting under ASC 480 creating a loss of ~~\$34,841~~ **\$13,041**. These agreements were entered into in connection with the closing of the Business Combination. As such, no such expense was incurred in the three-month period ended ~~September 30, 2023~~ December 31, 2023. The Company recognized a total of \$89,535 in ~~loss~~ gain in change in fair value of secured convertible note for the three-month period ended ~~September 30, 2024~~ December 31, 2024. During the three-month period ended ~~September 30, 2024~~ December 31, 2024, the Company entered into an ELOC Agreement (as defined below) which resulted in a change in fair value of ~~\$833,983~~ **\$73,284**. This agreement did not exist in the three-month period ended ~~September 30, 2023~~ December 31, 2023.

Interest expense increased to ~~\$1,456,996~~ **\$2,667,285** for the three-month period ended ~~September 30, 2024~~ December 31, 2024 compared to \$0 in the prior six-month period ended ~~September 30, 2023~~ December 31, 2023. The increase was due to the convertible secured Notes, the seller notes, the convertible notes and Promissory Notes interest rates ranged from 8% to 13% and the secured convertible note increased from 13% to 20% in the three months ended December 31, 2024. These agreements were entered into in connection with the closing of the Business Combination as such no such expense was incurred in the three-month period ended ~~September 30, 2023~~ December 31, 2023.

Provision from income taxes of ~~\$223,000~~ **\$85,368** for the three-month period ended ~~September 30, 2024~~ December 31, 2024 increased by ~~\$81,798~~ **\$89,086**, from ~~\$141,202~~ a benefit of **\$3,718** in income tax provision in the prior three-month period ended ~~September 30, 2023~~ December 31, 2023, primarily due to the Business Combination resulting in deferred tax liabilities and assets.

The foregoing factors resulted in net ~~income~~ loss of ~~\$10,509,003~~ **\$419,690** for the three-month period ended ~~September 30, 2024~~ December 31, 2024, compared to net ~~loss~~ income of ~~\$255,978~~ **\$373,000** during the prior three-month period ended ~~September 30, 2023~~ December 31, 2023. The ~~increase~~ decrease was primarily due to the ~~loss~~ from operations, increase interest expense and reduction in gain recognized from changes in fair value of the convertible notes that resulted from a change in valuation model as a result of the company not having sufficient shares authorized to deliver upon its share obligations. We determined that a Black-Scholes model did not have the adequate parameters to address the various probability consideration in settlement of such obligations.

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Comparison of the Six Months Ended December 31, 2024 Compared to the Six Months Ended December 31, 2023

The Company did not have operations until the acquisition of Wilson-Davis in connection with the Business Combination which closed on February 9, 2024. Therefore, the period-to-period comparison below primarily reflects financial results of Wilson-Davis since February 9, 2024.

	Six Months Ended		Six Months Ended Changes
	December 31, 2024	2023	
REVENUES			

Commissions	\$ 2,981,981	\$ —	2,981,981
Vetting fees	722,984	—	722,984
Clearing fees	1,832,939	—	1,832,939
Net gain/(loss) on firm trading accounts	3,956	—	3,956
Other revenue	8,721	—	8,721
TOTAL REVENUES	5,550,581	—	5,550,581
 EXPENSES			
Compensation, payroll taxes and benefits	2,859,486	—	2,859,486
Data processing and clearing costs	1,241,379	—	1,241,379
Regulatory, professional fees and related expenses	2,203,581	1,252,747	950,834
Communications	278,843	—	278,843
Occupancy and equipment	108,432	—	108,432
Transfer fees	91,507	—	91,507
Bank charges	109,326	—	109,326
Intangible assets amortization	662,459	—	662,459
Other	85,819	—	85,819
TOTAL EXPENSES	7,640,832	1,252,747	6,388,085
 LOSS FROM OPERATIONS			
	(2,090,251)	(1,252,747)	(837,504)
 OTHER INCOME/(EXPENSE)			
Interest income	1,067,073	1,074,902	(7,829)
Change in fair value of warrant liability derivative	184,594	—	184,594
Change in fair value, convertible note derivative	3,990,385	—	3,990,385
Change in fair value, long-term and short-term note derivative	11,447,599	—	11,447,599
Change in fair value of contingent guarantee	(839,775)	—	(839,775)
Change in fair value of non-redemption agreement	—	439,787	(439,787)
Change in fair value of secured convertible note	—	—	—
Change in fair value of Merger financing	(37,446)	—	(37,446)
Change in fair value of earnout liability	1,254,000	—	1,254,000
Change in fair value of subscription agreement	(47,882)	—	(47,882)
Change in fair value stock payable	221,410	—	221,410
Change in fair value of Tau agreement	(760,699)	—	(760,699)
Interest expense	(4,124,281)	—	(4,124,281)
TOTAL OTHER INCOME/(EXPENSE)	12,354,978	1,514,689	10,840,289
 Income before provision for income taxes			
Benefit (provision) for income taxes	10,264,727	261,942	10,002,785
Net income (loss)	\$ 10,328,343	\$ 117,022	\$ 10,211,321

Revenues of \$5,550,581 for the six-months ended December 31, 2024, represent a 100% increase from revenues of \$0 for the six-month period ended December 31, 2023. Wilson-Davis is a self-clearing correspondent securities broker-dealer registered with the SEC and a member in good standing of FINRA. Wilson-Davis is engaged principally in the over-the-counter, or "OTC," markets in microcap securities. Microcap securities generally are issued by companies with low or "micro" capitalizations, meaning the total market

from the liquidation of restricted and control microcap securities; clearing transactions on behalf of an introducing broker-dealer on a fully disclosed basis; and trading in equity securities for its own account. It receives limited revenues from fully paid stock lending and margin accounts. During its history, Wilson-Davis has underwritten at-the-market offerings for publicly traded companies, placed private offerings, sold mutual funds, introduced margin accounts cleared by other firms on a fully disclosed basis, and provided ancillary financial services.

Total expenses of \$7,640,832 for the six-months ended December 31, 2024, represent a significant increase of \$6,388,085 from total expenses for the six-month period ended December 31, 2023. The increase was primarily due to the operations for Wilson-Davis; the prior period the Company was non-operational.

Compensation, payroll taxes and benefits increased to \$2,859,486 for the six-month period ended December 31, 2024. No expense was recorded in the six-month period ended December 31, 2023. The increase was due to compensation, payroll taxes and benefits related to Wilson-Davis; the prior period the Company was non-operational.

Data processing and clearing costs increased to \$1,241,379 for the six-month period ended December 31, 2024. No expense was recorded in the six-month period ended December 31, 2023. The increase was due to data processing and clearing cost related to Wilson-Davis; the prior period the Company was non-operational.

Regulatory, professional fees and related expenses increased to \$2,203,581 for the six-months ended December 31, 2024. An increase of \$950,834 from \$1,252,747 recorded in the six-month period ended December 31, 2023. The increase was primarily due to the operations for Wilson-Davis, the prior period the Company was non-operational.

Intangible asset amortization increased \$662,459 for the six-month period ended December 31, 2024. No expense was recorded in the six-month period ended December 31, 2023. The increase was due to the intangible assets acquired from Wilson-Davis, such as the customer list in the Business Combination, the amortization of the technology acquired from Pacqsquare and related transactions. No such assets existed in the prior period.

Other expenses, which includes, Communications, Occupancy and equipment, Transfer fees, Bank charges and Other, increased to an aggregate of \$673,927 for the six-month period ended December 31, 2024. No expense was recorded in the six-month period ended December 31, 2023. The increase was primarily due to the operations for Wilson-Davis; the prior period the Company was non-operational.

Loss from operations was \$2,090,251 for the six-months ended December 31, 2024. Loss from operations was \$1,252,747 in the prior period. The increase was primarily due to the operations for Wilson-Davis, the prior period the Company was non-operational.

Other income of \$12,354,978 for the six-month period ended December 31, 2024, represents an increase from \$1,514,689 when compared to the six-month period ended December 31, 2023. The increase was due to the changes in fair value of various financial instruments, which were not issued until the closing of the business combination with Wilson-Davis. The primary cause of change was as a result from a change in valuation model approach that is more expansive that covers the uncertainty related to the insufficient shares authorized to deliver upon its share obligations. We determined that a Black-Scholes model did not have the adequate parameters to address the various probability consideration in settlement of such obligations. In the prior year the Company did not have interest expense to offset the gains from change in fair value of the various financial instruments.

Interest income and interest earned on investments held in trust was \$1,067,073 for the six-month period ended December 31, 2024, represents an approximate 1% decrease from \$1,074,902 when compared to the prior period. In the prior period, the Company held cash in a trust account for the benefit of Quantum's stockholders which generated \$1,061,165 in the six-month period ended December 31, 2023 of which no such interest was earned in the six-month period ended December 31, 2024, this was due to the shareholder redemptions in connection with the business combination. The increase in interest income overall relates to the interest income earned by Wilson-Davis that was not present in the prior period.

The Company recognized a total of \$15,412,186 in gain in change in fair value of financial instruments for the six-month period ended December 31, 2024. The Company entered into the following financial instruments which are required to be accounted for at fair value under ASC 815 or ASC 480. As settlement with Chardan the company issued a convertible note to Chardan which required the conversion element to be accounted for as a derivative resulting in a gain of \$3,990,385, this was primarily due to the decrease in stock

prices and the fact that the Company does not have sufficient shares authorized to issue shares which required a change in valuation model from Black-Scholes to Monte Carlo method. The sellers of Wilson-Davis received convertible short term and long term note which required the conversion element to be accounted for as a derivative resulting in a gain of \$11,447,599 this was primarily due to the decrease in stock prices and the fact that the Company does not have sufficient shares authorized to issue shares which required a change in valuation model from Black-Scholes to Monte Carlo. The Company granted earnout shares as part of the consideration paid to AtlasClear, Inc. which resulted in a gain of \$1,254,000. The Company entered into a Subscription Agreement with a Winston & Strawn which required fair value accounting under ASC 480 creating a loss of \$47,882. These agreements were entered into in connection with the closing of the Business Combination. As such, no such expense was incurred in the six-month period ended December 31, 2023. The Company recognized a total of net zero in change in fair value of secured convertible note for the six-month period ended December 31, 2024. During the six-month period ended December 31, 2024, the Company entered into an ELOC Agreement (as defined below) which resulted in a change in fair value of \$760,699. This agreement did not exist in the six-month period ended December 31, 2023.

Interest expense increased to \$4,124,281 for the six-month period ended December 31, 2024 compared to \$0 in the prior six-month period ended December 31, 2023. The increase was due to the convertible secured Notes, the seller notes, the convertible notes and Promissory Notes interest rates ranged from 8% to 13% and the secured convertible note increased from 13% to 20% in the three months ended December 31, 2024. These agreements were entered into in connection with the closing of the Business Combination as such no such expense was incurred in the six-month period ended December 31, 2023.

Provision from income taxes of \$63,616 for the six-month period ended December 31, 2024 increased by \$208,536, from a benefit of \$144,920 in income tax provision in the prior six-month period ended December 31, 2023, primarily due to the Business Combination resulting in deferred tax liabilities and assets.

The foregoing factors resulted in net income of \$10,328,343 for the six-month period ended December 31, 2024, compared to net income of \$117,022 during the prior six-month period ended December 31, 2023. The increase was primarily due to the loss from operations, increase interest expense and increase in gain recognized from changes in fair value of the convertible notes and financial instruments. The primary cause of change was as a result from a change in valuation model approach that is more expansive that covers the uncertainty related to the insufficient shares authorized to deliver upon its share obligations. We determined that a Black-Scholes model did not have the adequate parameters to address the various probability consideration in settlement of such obligations.

Liquidity and Capital Resources

Cash provided by operating activities for the three-month six-month period ended September 30, 2024 December 31, 2024 was \$175,607 \$761,406 as compared to cash used in operating activities for the three-month six-month period ended September 30, 2023 December 31, 2023 of \$637,971 \$1,034,222. This was primarily affected by \$371,396 \$1,010,327 in changes in operational assets and liabilities and the impact of operating revenue and operating expense due to the Business Combination and asset purchase transaction with AtlasClear. Adjustment to net income primarily consisted of change in fair value related to various financial instruments as discussed above resulting in an adjustment of \$12,561,125 \$15,412,185. Further adjustments for the income was non-cash interest expense on convertible notes and other financial instruments of \$1,403,503 \$3,830,898, Fee on sellers note \$16,340, amortization of intangible assets of \$307,191 \$662,459 and a gain loss on Tau agreement of \$30,562 \$23,245.

Cash used for investing activities for the three-month six-month period ended September 30, 2024 December 31, 2024 was \$65,000 \$125,000 as compared to \$4,151,434 cash provided by investing activities of \$3,671,434 for the three-month six-month period ended September 30, 2023 December 31, 2023. This is primarily due to the redemptions of cash held in Quantum's trust account of \$4,286,537. The \$65,000 \$125,000 of cash used for investing activities in the period ended September 30, 2024 December 31, 2024 represents cash payment towards the AtlasClear Platform.

Cash used in financing activities for the three-month six-month period ended September 30, 2024 December 31, 2024 was \$148,383 \$513,381 as compared to \$3,933,556 \$3,150,556 for the three-month six-month period ended September 30, 2023 December 31, 2023. This was primarily due to the redemptions of \$4,286,537, and advances from related party of \$352,981 \$1,135,981. During the three-month six-month period ended September 30, 2024 December 31, 2024, the Company received \$148,383 \$533,383 under the ELOC Agreement.

Financing Arrangements

Line of Credit

The Company has a \$10,000,000 revolving line of credit with BMO Harris Bank N.A. The interest rate is determined at the time of borrowing as agreed by the Company and the bank. The line of credit currently provides for interest at the bank's overnight rate plus 1.5% and is secured by Wilson-Davis' assets. In addition, the line of credit carries an interest rate of 0.5% on its unused portion. The

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line of credit agreement requires Wilson-Davis to maintain line of credit collateral with value, as determined by the bank, in an amount at least equal to a percentage of the loan amount as specified by the bank. Advances on the line of credit are payable on demand. The entire amount of this credit facility is available to be drawn and used to meet Wilson-Davis' liquidity requirements for NSCC clearing margin deposits. Wilson-Davis did not draw on its line of credit during the **three-month** six-month period ended **September 30, 2024** December 31, 2024, and **September 30, 2023** December 31, 2023.

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ELOC Agreement

On July 31, 2024, Tau Investment Partners LLC ("Tau") and the Company entered into an at-the-market agreement (the "ELOC Agreement"). Pursuant to the ELOC Agreement, Tau has committed to purchase, upon the terms thereof and subject to the satisfaction of certain conditions, up to \$10 million of shares of Common Stock, at a price per share equal to 97% of the lowest VWAP of the Common Stock during a pricing period of three consecutive trading days following Tau's receipt of the applicable advance notice sent by the Company from time to time, over the course of 24 months from the date of the ELOC Agreement. Each advance may be up to the greater of 100,000 shares or 50% of the average daily volume traded of the shares during the 30 trading days immediately prior to the date the Company requests each advance. Tau is an underwriter within the meaning of Section 2(a)(11) of the Securities Act. As of **September 30, 2024** December 31, 2024, the Company has issued 2,475,000 shares under the ELOC for **\$441,524** \$546,100 of which **\$148,382** \$533,383 in cash was received.

Second ELOC Agreement

On February 5, 2025, Tau and the Company entered into a second at-the-market agreement (the "Second ELOC Agreement"). Pursuant to the Second ELOC Agreement, Tau has committed to purchase, upon the terms thereof and subject to the satisfaction of certain conditions, up to \$12.25 million (the "Aggregate Limit"), over the 24-month term of the Second ELOC Agreement. We may request, on dates determined by us, individual advances up to the greater of 2,000 shares or such amount as is equal to 50% of the average daily volume traded of the Common Stock during the 30 trading days immediately prior to the date we request each advance, subject to the Aggregate Limit. Any such advance will reduce amounts that we can request for future advances and draw downs. The purchase price payable for the shares sold pursuant to any advance will be equal to 97% of the lowest VWAP of the Common Stock during a pricing period of three consecutive trading days following Tau's receipt of the applicable advance notice. Tau's obligation to purchase the shares we request to sell pursuant to any advance is conditioned upon, in addition to certain other customary closing conditions, the continued effectiveness of a registration statement pursuant to which Tau may freely sell the shares to be received. The Company has agreed to file a registration statement with the Securities and Exchange Commission for the resale by Tau of at least 3,500,000 shares of Common Stock.

Funicular Convertible Note Financing

On February 9, 2024, AtlasClear Holdings and Quantum entered into the Funicular Purchase Agreement with Funicular, pursuant to which AtlasClear Holdings sold and issued to Funicular, on that date, a secured convertible promissory note (the "Funicular Note") in the principal amount of \$6,000,000 for a purchase price of \$6,000,000, in a private placement (the "Note Financing"). See "Convertible Note Financing" above for more details. On January 7, 2025, the Company and Funicular entered into an Amendment, Waiver and Consent (the "Funicular Amendment"). Pursuant to the Funicular Amendment, the Company and Funicular agreed to certain amendments to the Funicular Note, and the registration rights agreement (the "Funicular RRA"), including an extension of the maturity date of the Funicular Note from November 9, 2025 to January 31, 2028. In addition, Funicular agreed to waive certain defaults by the Company under the Secured Note and the Funicular RRA and consented to the transactions contemplated by the Funicular Purchase Agreement.

Hanire Purchase Agreement

On December 31, 2024, the Company and Hanire, LLC ("Hanire") entered into a securities purchase agreement (the "Hanire Purchase Agreement") for the purchase and sale, in a private placement, of (i) up to 333,333 shares (the "Shares") of Common Stock, at a purchase price of \$15.00 per share (after giving effect to the 1-for-60 reverse stock split), and (ii) a convertible promissory note (the "Hanire Note") in the principal amount of up to \$40 million (plus any amount by which the aggregate purchase price paid by Hanire for the Shares is less than \$5 million as a result of the Share Limit, as defined below). To the extent the number of Shares to be purchased by Hanire at the Hanire Closing would cause Hanire to own more than 19.9% of the Company's outstanding voting stock, the number of Shares will be reduced such that the number of Shares is equal to 19.9% of the total outstanding voting stock (the "Share Limit"). The

consummation of the issuance and sale of the Shares and the Hanire Note (the "Hanire Closing") was to occur at such time as agreed to by the Company and Hanire on or before January 31, 2025 (subject to extension by up to 15 days by Hanire), subject to customary closing conditions.

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The Hanire Note will provide for Hanire to loan funds, up to the aggregate maximum principal amount of the Hanire Note, in tranches, as follows: (i) \$5 million (plus any amount by which the aggregate purchase price paid by Hanire for the Shares is less than \$5 million as a result of the Share Limit) at the Hanire Closing, (ii) \$12.5 million upon the Company securing a settlement of amounts outstanding to the principal owners of Wilson-Davis, (iii) \$7.5 million at such time as the Company files a quarterly report on Form 10-Q or annual report on Form 10-K that shows that the Company has achieved positive net income on a consolidated basis in the most recent reporting period, and (iv) \$15.0 million at such time as the Company receives approval from all regulatory authorities to acquire Commercial Bancorp. Unpaid principal amounts under the Hanire Note will accrue simple interest at a rate of 12.0% per annum, payable commencing three months after the initial draw and thereafter quarterly until the maturity date of January 31, 2028. The unpaid principal amount and all accrued interest under the Hanire Note is convertible at any time after certain conditions are met (including receipt of stockholder approval for the issuance of shares upon conversion), at the option of Hanire, into shares of Common Stock (the "Conversion Shares") at a conversion rate equal to 60% of the volume-weighted average price of the Common Stock for the 20-consecutive trading day period immediately prior to the conversion date.

In connection with the execution of the Hanire Purchase Agreement the Company and Hanire entered into a registration rights agreement (the "Registration Rights Agreement"), pursuant to which the Company agreed to file, promptly (and in any event within 30 days) after the Hanire Closing, a registration statement covering the resale of all of the Shares and the Conversion Shares. The Company also agreed to use reasonable best efforts to have such registration statement declared effective within a specified period of time after filing (the "Effectiveness Deadline"). Under certain circumstances, including the Company's failure to file the registration statement within such 30-day deadline or the failure of the registration statement to have been declared effective by the Effectiveness Deadline, the Company will have the obligation to pay liquidated damages in an amount equal to 0.5% of the aggregate amount paid for the applicable registrable securities for each 30-day period that the applicable default continues, subject to a cap of 5% of the aggregate purchase price paid for the applicable securities. As of the date of this filing, the Hanire Closing has not occurred.

Going Concern

In connection with AtlasClear Holdings' assessment of going concern considerations in accordance with Financial Accounting Standard Board's Accounting Standards Codification Subtopic 205-40, "Presentation of Financial Statements – Going Concern," the liquidity of the Company raises substantial doubt about the Company's ability to continue as a going concern through the twelve months following the issuance of the financial statements. If the Company is unable to raise additional capital, it may be required to take additional measures to conserve liquidity, which could include, but not necessarily be limited to, curtailing operations and reducing overhead expenses. The Company cannot provide any assurance that new financing will be available to it on commercially acceptable terms, if at all. No adjustments have been made to the carrying amounts of assets or liabilities as a result of this uncertainty.

Off-Balance Sheet Arrangements

The Company has no obligations, assets or liabilities, which would be considered off-balance sheet arrangements as of **September 30, 2024** **December 31, 2024**.

Contractual Obligations

The Company holds several long-term debt obligations with outside vendors and investors, with loans maturing between 2025 and 2028 (see Note 9 and 14). Additionally, the Company leases office space under several operating leases. The Company has no capital lease obligations. Further, there are no other outstanding long-term liabilities contractually obligated by the Company.

Critical Accounting Policies

The preparation of consolidated financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and income and expenses during the periods reported. Actual results could materially differ from those estimates.

Derivative Liabilities

We account for derivative instruments as either equity-classified or liability-classified instruments based on an assessment of the derivative instruments' specific terms and applicable authoritative guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 480, Distinguishing Liabilities from Equity ("ASC 480") and ASC 815, Derivatives and

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Hedging ("ASC 815"). The assessment considers whether the derivative instruments are freestanding financial instruments pursuant to ASC 480, meet the definition of a liability pursuant to ASC 480, and whether the derivative instruments meet all of the requirements for equity classification under ASC 815, including whether the derivative instruments are indexed to our own common stock, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of issuance and as of each subsequent quarterly period end date while financial instruments are outstanding.

For issued or modified derivatives that meet all of the criteria for equity classification, the derivatives are required to be recorded as a component of additional paid-in capital at the time of issuance. For issued or modified derivatives that do not meet all the criteria for equity classification, the derivatives are required to be recorded at their initial fair value on the date of issuance, and each balance sheet date thereafter. Changes in the estimated fair value of the derivatives are recognized as a non-cash gain or loss on the statements of operations.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not required for smaller reporting companies.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that such information is accumulated and communicated to the company's management, including its chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

As of **September 30, 2024** **December 31, 2024**, an evaluation of the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) was carried out by our management, with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO). Based upon that evaluation, the CEO and CFO have concluded that as of the end of that fiscal quarter, our disclosure controls and procedures were not effective.

Changes in Internal Control over Financial Reporting

As a result of the business combination, the Company has incorporated changes in internal controls as it relates to the controls and procedures of Wilson-Davis. The Company has incorporated additional controls as necessary to enhance our control environment, such as continue to engage consultants or outside accounting firms in order to ensure proper accounting for our consolidated financial statements and ensure proper communication is maintained between officers and accountants. Except as discussed, there were no changes in our internal control over financial reporting that occurred during the fiscal quarter covered by this Quarterly Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings

On October 23, 2024, the Company and Chardan entered into a settlement agreement, pursuant to which the parties agreed to settle Chardan's previously disclosed claim against the Company (the "Settlement Agreement"). In connection with the Settlement Agreement, Chardan exchanged the Original Chardan Note for the Amended Chardan Note in the aggregate principal amount of \$5,209,764.

Item 1A. Risk Factors

Factors that could cause our actual results to differ materially from those in this report include the risk factors described in our Transition Report. Any of these factors could result in a significant or material adverse effect on our results of operations or financial condition. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations. As of the date of this Quarterly Report, there have been no material changes to the risk factors disclosed in our Transition Report.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities.

The information set forth in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" above with respect to the issuances under the headings, "Expense Settlements—Atlas FinTech," "Liquidity and Capital Resources—Second ELOC Agreement," "Expense Settlements—Lead Nectar" and "Amendment to Bank Acquisition Agreement," "Hanire Purchase Agreement", is incorporated by reference herein. The issuance and sale of the foregoing shares of Common Stock have been or will be issued and sold pursuant to each of the respective agreements in reliance upon the exemption from registration provided under Section 4(a)(2) and/or Rule 506 of Regulation D of the Securities Act in transactions not requiring registration under the Securities Act.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

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Item 5. Other Information

(a) The information set forth below is included herein for purposes of providing disclosures under Items 1.01 and 3.02 of Form 8-K.

On November 14, 2024 February 5, 2025, Tau and the Company and Commercial Bancorp agreed to amend the Bank Acquisition Agreement to extend the termination date of the Bank Acquisition Agreement from November 16, 2024, to May 14, 2025 entered into an at-the-market agreement (the "Second ELOC Agreement"). Pursuant to the Second Amendment, ELOC Agreement, Tau has committed to purchase, upon the parties expect terms thereof and subject to enter into a new agreement the satisfaction of certain conditions, up to \$12.25 million (the "Aggregate Limit"), over the 24-month term of the Second ELOC Agreement. We may request, on dates determined by us, individual advances up to the greater of 2,000 shares or such amount as is equal to 50% of the average daily volume traded of the Common Stock during the 30 trading days immediately prior to the date we request each advance, subject to the Aggregate Limit. Any such advance will reduce amounts that we can request for future advances and draw downs. The purchase price payable for the Company shares sold pursuant to acquire any advance will be equal to 97% of the lowest VWAP of the Common Stock during a pricing period of three consecutive trading days following Tau's receipt of the applicable advance notice. Tau's obligation to purchase the shares held by such shareholders we request to sell pursuant to any advance is conditioned upon, in addition to certain other customary closing conditions, the continued effectiveness of Commercial Bancorp. No Commercial Bancorp shareholder a registration statement pursuant to which Tau may freely sell the shares to be received. Tau's obligation to purchase the shares the Company requests to sell pursuant to any advance is required conditioned upon, in addition to agree certain other customary closing conditions, the continued effectiveness of a registration statement pursuant to such amended or new agreement. Failure which Tau may freely sell the shares to enter into a new agreement or amendment to the Bank Acquisition Agreement will constitute termination be received.

The issuance and sale of the Bank Acquisition Agreement without liability. Pursuant shares of Common Stock pursuant to the Second Amendment, ELOC Agreement will be exempt from the registration requirements of the Securities Act of 1933, as amended, in accordance with Section 4(a)(2) thereof. The Company will issue has agreed to file a registration statement with the shareholders SEC for the resale by Tau of Commercial Bancorp, without additional compensation, 500,000 at least 3,500,000 shares of common stock and the previously issued 40,000 shares to the Commercial Bancorp shareholders will be cancelled. Common Stock.

(b) None.

(c) During the three months ended December 31, 2024, no director or "officer" (as defined in Rule 16a-1(f) under the Exchange Act) of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement", as each term is defined in Item 408(a) of Regulation S-K.

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Item 6. Exhibits

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report.

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of AtlasClear Holdings, Inc. (formerly Calculator New Pubco, Inc.) (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on February 15, 2024).
3.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation of AtlasClear Holdings, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on January 8, 2025).
3.3	Certificate of Amendment to Amended and Restated Certificate of Incorporation of AtlasClear Holdings, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on January 8, 2025).
3.4	Amended and Restated By-Laws of AtlasClear Holdings, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on February 15, 2024).
3.5	Amendment to the Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on December 27, 2024).
10.1	At-the-Market Agreement, dated as of July 31, 2024, between AtlasClear Holdings, Inc. and Tau Investment Partners LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on August 2, 2024).

10.2	Amended and Restated Convertible Promissory Note, dated as of October 23, 2024, by and between AtlasClear Holdings, Inc. and Chardan Capital Markets, LLC, (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on October 25, 2024).
10.3	First Amendment to Registration Rights Agreement, dated as of October 23, 2024, by and between AtlasClear Holdings, Inc. and Chardan Capital Markets, LLC, (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on October 25, 2024).
10.4* 10.4	Amendment to Agreement and Plan of Merger Agreement and Plan of Merger, dated as of November 14, 2024, by and between the Company and Commercial Bancorp, (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q (File No. 001-41956), filed with the SEC on November 15, 2024).
10.5	Securities Purchase Agreement, dated December 31, 2024, by and among AtlasClear Holdings, Inc. and Hanire, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on January 8, 2025).
10.6	Registration Rights Agreement, dated December 31, 2024, by and among AtlasClear Holdings, Inc. and Hanire, LLC (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on January 8, 2025).
10.7	Convertible Promissory Note, dated December 31, 2024, by and between AtlasClear Holdings, Inc. and Hanire, LLC (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on January 8, 2025).
10.8	Amendment, Waiver and Consent by and between AtlasClear Holdings, Inc. and Funicular Funds, LP (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on January 8, 2025).
10.9*	At-the-Market Agreement, dated as of February 5, 2025, between AtlasClear Holdings, Inc. and Tau Investment Partners LLC.
10.10*#	AtlasClear Holdings, Inc. 2024 Equity Incentive Plan, as amended and restated.
31.1*	Certification of the Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a).
31.2*	Certification of the Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a).
32.1**	Certification of the Chief Executive Officer required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350.
32.2**	Certification of the Chief Financial Officer required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

* Filed herewith.

** Furnished herewith.

Indicates management contract or compensatory plan, contract or arrangement.

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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ATLASCLEAR HOLDINGS, INC.

Date: **November 15, 2024** February 19, 2025

By: /s/ Robert McBey John Schaible

Name: **Robert McBey** **John Schaible**

Title: Chief Executive Officer Chairman
(Principal Executive Officer)

Date: November 15, 2024

By: /s/ Richard Barber
Name: Richard Barber
Title: Chief Financial Officer
(Principal and Financial Officer)

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Exhibit 10.4 10.9

AT-THE-MARKET AGREEMENT

dated as of February 5, 2025

by and Plan of Merger between

ATLASCLEAR HOLDINGS CORPORATION

and

TAU INVESTMENT PARTNERS LLC

This Amendment AT-THE MARKET AGREEMENT (this "Agreement") is dated November 14, 2024, made and entered into as of the date first above written (the "Effective Date") by and between AtlasClear Holdings, Inc., (formerly New Pubco, Inc. ATLASCLEAR HOLDINGS CORPORATION, a Delaware corporation having a principal place of business at 2203 Lois Ave, Ste 814 Tampa FL 33607 (the "Company") and Commercial Bancorp TAU INVESTMENT PARTNERS LLC, a Delaware Company having an address at 1230 Avenue of the Americas, 16th Floor, New York, NY 10020 (the "Purchaser," and together with the Company, the "Parties").

RECITALS

WHEREAS, the Parties desire that, upon the terms and subject to the conditions contained herein, the Company will issue and sell to the Purchaser, and the Purchaser will purchase from the Company, the Security;

WHEREAS, such investment will be made in reliance upon the provisions of Section 4(a)(2) of the Securities Act ("Section 4(a)(2)") promulgated by the Commission under the Securities Act, and upon such other exemption from the registration requirements of the Securities Act as may be available; and

NOW, THEREFORE, the Parties, intending to be legally bound, agree as follows:

ARTICLE I
DEFINITIONS.

Section 1.01 Definitions.

(a) "Affiliate" means with respect to any Person (i) any company of which over fifty percent (50%) of its issued and voting share capital is owned or controlled, directly or indirectly, by such Person, or (ii) any company which owns or controls, directly or indirectly, over fifty percent (50%) of the issued and voting share capital of such Person, or (iii) any company owned or controlled, directly or indirectly, to the extent of over fifty percent (50%) or more of the issued and voting share capital, by any of the foregoing.

(b) "Agreement" has the meaning set forth in the preamble.

(e) "Code" means the United States Internal Revenue Code of 1986, as amended.

(f) "Commission" shall mean the Securities and Exchange Commission or any successor entity.

(g) "Commission Documents" shall mean, as of a particular date, all reports, schedules, forms, statements and other documents filed by the Company with the Commission pursuant to the reporting requirements of the Exchange Act, including material filed pursuant to Section 13(a) or 15(d) of the Exchange Act, the Registration Statement and the related Prospectus, and shall include all information contained in such filings and all filings incorporated by reference therein.

(h) "Common Shares" means shares of the Company's common stock, par value \$0.0001 per share.

(i) "Company" has the meaning set forth in the preamble.

(j) "Control" means the power, directly or indirectly, either to vote 50.1% or more of the share capital having ordinary voting power for the election of directors of such Person or to direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

(k) "Environmental Laws" shall have the meaning assigned to such term in Section 3.01(n) hereof.

(l) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission thereunder.

(m) "GAAP" shall mean generally accepted accounting principles in the United States of America as consistently applied by the Company.

(n) "Indebtedness" shall have the meaning assigned to such term in Section 3.01(i) hereof.

(o) "Knowledge" means the actual knowledge of the Company's Chief Executive Officer and Chief Financial Officer, after reasonable inquiry of their direct reports.

(p) "Lien" means with respect to any property or asset, any mortgage, lien, pledge, charge, security interest, option, adverse claim, restriction on title or transfer, encroachments, occupancy rights, or other encumbrance of any kind or character in respect of such property or asset, and any agreement to create any of the foregoing.

(q) "Material Adverse Effect" shall mean (i) any effect on the business, operations, properties or condition (financial or otherwise) of the Company that is material and adverse to the Company and its Affiliates, taken as a whole, or (ii) any condition, circumstance, or situation that would prohibit or otherwise materially interfere with the ability of the Company to enter into and perform any of its obligations under this Agreement in any material respect; provided, however, that in the case of clause (i), none of the following shall be taken into account in determining whether a Material Adverse Effect has occurred: any events, changes or effects (a) occurring in economic or political conditions or the financing, banking, currency or capital markets in general; (b) occurring generally in, or generally affecting, the industries or the markets in which the Company conducts business; (c) resulting from changes in laws or orders or approvals of governmental authorities, or accounting

requirements or principles, or any interpretation thereof, after the date hereof; (d) resulting from an outbreak or escalation of hostilities involving any country where the Company does business, the declaration by any country where the Company does business of a national emergency or war, or the occurrence of any acts of terrorism and any actions or reactions thereto in such country; (e) resulting from any natural disaster; (f) resulting from any failure of the Company to meet any projections or forecasts (provided that this clause (f) shall not by itself exclude the underlying causes of any such failure); or (g) due to any epidemic, pandemic, disease outbreak (including COVID-19) or other health crisis or public health event, or the worsening of any of the foregoing; provided, further, that notwithstanding the foregoing, with respect to clauses (a), (b), (c), (d), (e) and (f) above, any such event, change or effect shall be taken into account in determining whether a Material Adverse Effect has occurred to the extent such event, change or effect materially disproportionately and adversely affects the Company as compared to other participants in industries or markets in which the Company operates.

(r) "Registration Statement" shall mean the registration statement on Form S-1 or Form S-3 under the Securities Act (which may include an amendment to an existing registration statement) to be filed by the Company with the Commission with respect to the registration for resale of at least 3,500,000 Common Shares of the Purchaser less the Sold Shares.

(s) "Securities Act" shall mean the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder.

(t) "Sold Shares" shall mean Common Shares that are beneficially owned (as defined in Rule 13d-3 under the Exchange Act) by the Purchaser as of the date of this Agreement that the Purchaser, in the exercise of its sole discretion, sells before the Closing.

(u) "Subsidiary" shall mean any corporation or other entity of which at least a majority of the securities or other ownership interest having ordinary voting power (absolutely or contingently) for the election of directors or other Persons performing similar functions are at the time owned directly or indirectly by the Company and/or any of its other Subsidiaries.

(v) "Trading Day" shall mean, as applicable, (x) with respect to all price or trading volume determinations relating to the Common Shares, any day on which the Common Shares are traded on the Principal Market, or, if the Principal Market is not the principal trading market for the Common Shares, then on the principal securities exchange or securities market on which the Common Shares are then traded, provided that "Trading Day" shall not include any day on which the Common Shares are scheduled to trade on such exchange or market for less than 4.5 hours or any day that the Common Shares are suspended from trading during the final hour of trading on such exchange or market (or if such exchange or market does not designate in advance the closing time of trading on such exchange or market, then during the hour ending at 4:00:00 p.m., New York time) unless such day is otherwise designated as a Trading Day in writing by the Purchaser or (y) with respect to all determinations other than price and trading volume determinations relating to the Common Shares, any day on which the New York Stock Exchange (or any successor thereto) is open for trading of securities.

ARTICLE II PURCHASE AND SALE OF SHARES

Section 2.01Purchase and Sale of Shares.

(a) **Commitment Amount.** The Investor shall commit to purchase up to \$12.25 million of Common Stock of the Company over the course of 24 months from the date of entry into definitive documents. The Company shall have the right, but not the obligation, to sell Common Stock to the Investor. Each right to sell Common Stock is called an "Advance." Each Advance may be up to the greater of (i) 2,000 shares or (ii) such amount as is equal to 50% of the average daily volume traded of the common shares during the 30 trading days immediately prior to the date the Company requests each Advance. The amount of Advance can be increased at mutual consent of the Company and the Investor. In no event shall the number of shares sold to the Investor cause the aggregate number of shares of Common Stock beneficially owned by the Investor and its affiliates at any one time to exceed 4.99% of the Company.

(b) **Advance Notice.** To request an Advance, the Company will submit a written notice (an "Advance Notice") to the Investor. The Advance Notice will specify the amount of the Advance in shares. The Investor shall be irrevocably bound to purchase shares from the Company subject to each valid Advance Notice. Subsequent Advance Notices may be delivered to the Investor after the completion of the preceding Advance.

(c) **Purchase Price.** The Company will sell to the Investor the Common Stock at a Purchase Price equal to 97% of the lowest VWAP of the Common Stock during a pricing period of 3 consecutive trading days commencing on the trading day the Advance Notice is received by the Investor, if it is received by 9:00 a.m. EST, or the immediately following trading day if received after 9:00 a.m. If the VWAP on any trading day during a pricing period under is below a minimum price set by the Company in connection with each Advance Notice (the "MAP") then for each such trading day (i) the requested Advance amount shall automatically be reduced by an amount equal to 33% of the original requested Advance amount and (ii) such day shall not be factored into the determination of the Market Price.

(d) **Advance Closing Date.** At the end of each Pricing Period the Company will deliver the shares sold to the Investor against payment of the Purchase Price by the Investor to the Company's designated account by wire transfer of immediately available funds.

(e) **Sales Reporting.** On a weekly basis, the Investor agrees to provide trading transparency reflective of shares long, shares sold and average sales price.

(f) **Registration.** The Company shall prepare and file a resale registration statement for the Investor's resale of shares of Common Stock to be issued to the Investor under the ATM and Commitment Fee. The registration statement shall be effective before the Company may begin giving Advance Notices. The Company shall pay all offering expenses in connection with the registration, issuance, and listing of the shares.

(g) **Commitment Fee:** The Company will issue to the Investor a fee equal to 1.25% of the Commitment Amount (the "Commitment Fee") due in shares upon closing based on the closing price on the day prior to approval of the S-1.

(h) Conditions: Each Advance shall be conditional upon the continued effectiveness of a registration statement pursuant to which the Investor may freely sell the shares to be received.

(i) Confidentiality: The terms contained herein shall not be disclosed by the Company to any person or entity, except (i) to the employees and legal and financial advisers of the Company for the purposes of this proposed transaction who have a need to know the information and who are made aware of and agree to be bound by this confidentiality obligation, and (ii) as may be required by law.

ARTICLE III
REPRESENTATIONS AND WARRANTIES

Section 3.01 Representations and Warranties of the Company. The Company hereby makes the following representations and warranties to the Purchaser as of the Effective Date and as of the Closing Date, except (i) where the representation is expressly made only as of the Effective Date; (ii) with respect to the Effective Date, to the extent stated otherwise in any Commission Documents filed as of the Effective Date (it being understood that any such Commission Documents shall be deemed to be incorporated into the Schedules); or (iii) with respect to the Closing Date, to the extent stated otherwise in any updates to the Schedules provided by the Company or in any Commission Documents filed through such time (it being understood that any Commission Documents shall be deemed to be incorporated into such Schedules as of their respective dates of filing with the Commission):

(a) **Organization, Good Standing and Power.** The Company is a corporation validly existing and in good standing under the laws of its jurisdiction of incorporation and has the requisite corporate power and authority to own, lease and operate its properties and assets and to conduct its business as it is now being conducted. All Company Subsidiaries are duly formed, validly existing and in good standing under the laws of their respective jurisdictions of formation and have the requisite corporate power and authority to own, lease and operate their respective properties and assets and to conduct their respective business as it is now being conducted. The Company and each of its Subsidiaries is duly qualified as a foreign corporation to do business and is in good standing in every jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified, authorized or in good standing would not have a Material Adverse Effect.

(b) **Authorization, Enforcement.** The Company has the requisite corporate power and authority to enter into and perform this Agreement and to issue and sell the Security in accordance with the terms hereof. The execution, delivery and performance of this Agreement by the Company and the consummation by it of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action, and no further consent or authorization of the Company or its Board of Directors or shareholders is required. This Agreement has been duly executed and delivered by the Company. This Agreement constitutes, or shall constitute when executed and delivered, a valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, liquidation, conservatorship, receivership or similar laws relating to, or affecting generally the enforcement of, creditor's rights and remedies or by other equitable principles of general application.

(c) **Capitalization.** The authorized equity capital of the Company and the shares thereof issued and outstanding are as set forth in the Commission Documents as of the date of such Commission Documents in all material respects. Except as set forth in the Commission Documents, no holders of Common Shares are entitled to preemptive rights or registration rights, and there are no outstanding options, warrants, scrip, rights to subscribe to, call or commitments of any character whatsoever relating to, or securities or rights convertible into, any shares of equity capital of the Company. Furthermore, except as set forth in the Commission Documents, there are no contracts, commitments, understandings, or arrangements by which the Company is or may become bound to issue additional equity shares of the Company or options, securities or rights convertible into equity shares of the Company. Except for customary transfer restrictions contained in agreements entered into by the Company in order to sell restricted securities or as set forth in the Commission Documents, the Company is not a party to, and it has no knowledge of, any agreement restricting the voting or transfer of any equity shares of the Company, except for voting restrictions on non-US Citizen holders of shares in the Company set forth in the Company's certificate of incorporation and bylaws. The offer and sale of all equity shares, convertible securities, rights, warrants, or options of the Company complied in all material respects with all applicable federal and state securities laws. No shareholder of the Company has a right of rescission or damages with respect to the offer and sale of equity shares, convertible securities, rights, warrants or options of the Company. Except as is or will be

set forth in the Commission Documents, there are no securities or instruments containing anti-dilution or similar provisions that will be triggered by this Agreement or the consummation of the transactions described herein or therein.

(d) Issuance of Shares. All of the Underlying Shares will be duly and validly authorized, fully paid and non-assessable.

(e) No Conflicts. The execution, delivery and performance of this Agreement by the Company and the consummation by the Company of the transactions contemplated herein do not (i) violate any provision of the Company's Organizational Documents, (ii) conflict with, result in a breach or violation of any of the terms or provisions of, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any material agreement, mortgage, deed of trust, indenture, note, bond, license, lease agreement, instrument or obligation to which the Company is a party or is bound, (iii) create or impose a lien, charge or encumbrance on any property or assets of the Company under any agreement or any commitment to which the Company is a party or by which the Company is bound or by which any of its respective properties or assets are bound, or (iv) result in a violation of any federal, state, local or foreign statute, rule, regulation, order, judgment or decree (including federal and state securities laws and regulations) applicable to the Company or by which any property or asset of the Company are bound or affected, except in the case of subsections (ii), (iii) and (iv) if it would not result in a Material Adverse Effect. The Company is not required under federal, state or local law, rule or regulation to obtain any consent, authorization or order of, or make any filing or registration with, any court or governmental agency in order for it to execute, deliver or perform any of its obligations under this Agreement, or issue and sell the Security or the Underlying Shares to the Purchaser in accordance with the terms hereof (other than any filings which may be required to be made by the Company with the Commission or the Principal Market subsequent to the Effective Date, including the Registration Statement and any registration statement, amendment, prospectus or prospectus supplement which may be filed pursuant hereto); *provided, however, that, for purposes of the representation made in this sentence, the Company is assuming and relying upon the accuracy of the representations, warranties and agreements of the Purchaser herein.*

(f) Commission Documents, Financial Statements. Since July 27, 2023, the Company has timely filed all Commission Documents (giving effect to permissible extensions in accordance with Rule 12b-25 under the Exchange Act). The Company has not provided to the Purchaser any information which, according to applicable law, rule or regulation, should have been disclosed publicly by the Company but which has not been so disclosed, other than with respect to the transactions contemplated by this Agreement. As of their respective filing dates, the Commission Documents complied in all material respects with the requirements of the Exchange Act and other federal, state and local laws, rules and regulations applicable to them, and, as of their respective dates, the Commission Documents did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of the Company included in the Commission Documents comply as to form in all material respects with applicable accounting requirements and the published rules and regulations of the Commission or other applicable rules and regulations with respect thereto. Such financial statements have been prepared in accordance with GAAP applied on a consistent basis during the periods involved (except (i) as may be otherwise indicated in such financial statements or the notes thereto or (ii) in the case of unaudited interim statements, to the extent they may not include footnotes or may be condensed or summary statements), and fairly present in all material respects the financial position of the Company as of the dates thereof and the results of operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments).

(g) No Material Adverse Effect. No Material Adverse Effect has occurred or exists with respect to the Company.

(h) No Undisclosed Liabilities. The Company has no liabilities, obligations, claims or losses (whether liquidated or unliquidated, secured or unsecured, absolute, accrued, contingent or otherwise) that would be required to be disclosed on a balance sheet of the Company or any Subsidiary (including the notes thereto) in conformity with GAAP that are not disclosed in the Commission Documents other than liabilities incurred in the ordinary course of business since the date of such Commission Documents which, individually and in the aggregate, are not material to the Company's business.

(i) Indebtedness. The Commission Documents set forth all outstanding secured and unsecured Indebtedness of the Company, or for which the Company has commitments, in each case through the date to which such Commission Document applies. For the purposes of this Agreement, "Indebtedness" shall mean (a) any liabilities for borrowed money or amounts owed in excess of \$1,000,000 (other than trade accounts payable incurred in the ordinary course of business), (b) all guarantees, endorsements, indemnities and other contingent obligations in respect of Indebtedness of others in excess of \$1,000,000, whether or not the same are or should be reflected in the Company's balance sheet (or the notes thereto), except guarantees by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business; and (c) the present value of any lease payments in excess of \$1,000,000 due under leases required to be capitalized in accordance with GAAP. The Company is not in default with respect to any Indebtedness, except as set forth in the Commission Documents. The Company has not taken any steps, and does not currently expect to take any steps, to seek protection pursuant to Title 11 of the Code, or other similar federal or state or other applicable bankruptcy law or law for the relief of debtors, nor does the Company have any

Knowledge that its creditors intend to initiate involuntary bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings for relief under any such bankruptcy law or law for the relief of debtors. The Company is financially solvent and is generally able to pay its debts as they become due.

(j) **Actions Pending.** There is no action, suit, claim, investigation or proceeding pending or, to the Knowledge of the Company, threatened against the Company or any Subsidiary which questions the validity of this Agreement or the transactions contemplated hereby or thereby or any action taken or to be taken pursuant hereto or thereto. Except as set forth in the Commission Documents, there is no material action, suit, claim, investigation or proceeding pending or, to the Knowledge of the Company, threatened, against or involving the Company, any Subsidiary or any of their respective properties or assets, or involving any officers or directors of the Company or any Subsidiary, including, without limitation, any securities class action lawsuit or shareholder derivative lawsuit related to the Company. Except as set forth in the Commission Documents and on Schedule 3.01(l) attached hereto, no material judgment, order, writ, injunction or decree or award has been issued by or, to the Knowledge of the Company, requested of any court, arbitrator or governmental agency.

(k) **Compliance with Law.** The business of the Company has been and is presently being conducted in accordance with all material applicable federal, state and local governmental laws, rules, regulations and ordinances in all material respects. The Company has all material franchises, permits, licenses, consents and other governmental or regulatory authorizations and approvals necessary for the conduct of its business as now being conducted by it. The Company is not in violation of any material judgment, decree or order or any statute, ordinance, rule or regulation applicable to the Company, and the Company will not conduct its business in violation of any of the foregoing.

(l) **Certain Fees.** No brokers, finders or financial advisory fees or commissions will be payable by the Company or any Subsidiary with respect to the transactions contemplated by this Agreement.

(m) **Operation of Business.** To its Knowledge, the Company owns or controls all patents, trademarks, service marks, trade names, copyrights, licenses and authorizations of the Company, and all rights with respect to the foregoing, which are reasonably necessary for the conduct of its business as now conducted without, to the Company's Knowledge, any material conflict with the rights of others. The Company possesses such material permits, licenses, approvals, consents and other authorizations (including licenses, accreditation and other similar documentation or approvals of any local health departments) issued by the appropriate federal, state, local or foreign regulatory agencies or bodies as are reasonably necessary to conduct the business now operated by it (collectively, Governmental Licenses). The Company is in material compliance with the terms and conditions of all such Governmental Licenses, except as otherwise disclosed in the Commission Documents. All of the Governmental Licenses are valid and in full force and effect, except as otherwise disclosed in the Commission Documents. Except as set forth in the Commission Documents, the Company has not received any written notice of proceedings relating to the revocation or modification of any such Governmental Licenses.

(n) **Environmental Compliance.** Except as disclosed in the Commission Documents, the Company has obtained all material approvals, authorization, certificates, consents, licenses, orders and permits or other similar authorizations of all governmental authorities, or from any other Person, that are required under any Environmental Laws. "Environmental Laws" shall mean all applicable laws relating to the protection of the environment including, without limitation, all requirements pertaining to reporting, licensing, permitting, controlling, investigating or remediating emissions, discharges, releases or threatened releases of hazardous substances, chemical substances, pollutants, contaminants or toxic substances, materials or wastes, whether solid, liquid or gaseous in nature, into the air, surface water, groundwater or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of hazardous substances, chemical substances, pollutants, contaminants or toxic substances, material or wastes, whether solid, liquid or gaseous in nature. To the best of the Company's Knowledge, there are no past or present events, conditions, circumstances, incidents, actions or omissions relating to or in any way affecting the Company that violate or could reasonably be expected to violate any Environmental Law or that could reasonably be expected to give rise to any environmental liability, or otherwise form the basis of any claim, action, demand, suit, proceeding, hearing, study or investigation (i) under any Environmental Law, or (ii) based on or related to the manufacture, processing, distribution, use, treatment, storage (including, without limitation, underground storage tanks), disposal, transport or handling, or the emission, discharge, release or threatened release of any hazardous substance.

(o) **Material Agreements.** The Company is not a party to any written or oral contract, instrument, agreement, commitment, obligation, plan or arrangement, a copy of which would be required to be filed with the Commission as an exhibit to an Annual Report on Form 10-K (collectively, Material Agreements) which has not been furnished or disclosed to the Purchaser or filed or disclosed in the Commission Documents. The Company has in all material respects performed all the obligations required to be performed by it to date under the Material Agreements, has received no notice of default by the Company thereunder and, to the best of the Company's Knowledge, is not in default under any Material Agreement now in effect.

(p) **Securities Act.** The Registration Statement, on the date it is filed with the Commission, on the Closing Date and on the date it is declared effective by the Commission (or becomes effective pursuant to Section 8 of the Securities Act) shall comply in all material respects with the requirements of the Securities Act and shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to

make the statements therein not misleading, except that this representation and warranty shall not apply to statements in or omissions from the Registration Statement made in reliance upon and in

conformity with information relating to the Purchaser furnished to the Company in writing by or on behalf of the Purchaser expressly for use therein. The Prospectus shall comply in all material respects with the requirements of the Securities Act (including, without limitation, Rule 424(b) under the Securities Act) and shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, except that this representation and warranty shall not apply to statements in or omissions from the Prospectus made in reliance upon and in conformity with information relating to the Purchaser furnished to the Company in writing by or on behalf of the Purchaser expressly for use therein.

(q) Employees. The Company does not have any collective bargaining arrangements or other agreements covering substantially all of its employees, except as set forth in the Commission Documents. Except as disclosed in the Commission Documents, no officer or key employee of the Company has terminated or, to the Knowledge of the Company, has any present intention of terminating his or her employment or engagement with the Company.

(r) Investment Company Act Status. The Company is not, and as a result of the consummation of the transactions contemplated by this Agreement shall not be required to be registered as, an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended.

(s) ERISA. No liability has been incurred with respect to any Plan by the Company. No "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) or "accumulated funding deficiency" (as defined in Section 302 of ERISA) or any of the events set forth in Section 4043(b) of ERISA has occurred with respect to any Plan, and the execution and delivery of this Agreement and the issuance and sale of the securities hereunder shall not result in any of the foregoing events. Each Plan is in compliance in all material respects with applicable law, including ERISA and the Code; the Company has not incurred and does not expect to incur liability under Title IV of ERISA with respect to the termination of, or withdrawal from, any Plan; and each Plan for which the Company would have any liability that is intended to be qualified under Section 401(a) of the Code is so qualified in all material respects and nothing has occurred, whether by action or failure to act, which would cause the loss of such qualifications. As used in this Section 3.01(s), the term "Plan" shall mean an "employee pension benefit plan" (as defined in Section 3 of ERISA) which is or has been established or maintained, or to which contributions are or have been made, by the Company or any Subsidiary or by any trade or business, whether or not incorporated, which, together with the Company or any Subsidiary, is under common control, as described in Section 414(b) or (c) of the Code.

(t) Taxes. The Company (i) has filed all necessary federal, state and foreign income and franchise tax returns or has duly requested extensions thereof, (ii) has paid all federal, state, local and foreign taxes due and payable for which it is liable, except to the extent that any such taxes are being contested in good faith and by appropriate proceedings, and (iii) does not have any tax deficiency or claims outstanding or assessed or, to the Company's Knowledge, proposed against it. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company know of no basis for any such claim. The Company is not operated in such a manner as to qualify as a "passive foreign investment company" as defined in Section 1297 of the Code.

(u) U.S. Real Property Holding Corporation. The Company is not, nor has it ever been, and so long as any of the securities are held by the Purchaser, shall not become a U.S. real property holding corporation within the meaning of Section 897 of the Code.

(v) Exemption from Registration; Valid Issuances. Subject to, and in reliance on, the representations, warranties and covenants made herein by the Purchaser, the offer and sale of the Security and the Underlying Shares in accordance with the terms and conditions of this Agreement and the Security is exempt from the registration requirements of the Securities Act pursuant to Section 4(a)(2); provided, however, that at the request of and with the express agreement of the Purchaser, the Underlying Shares will be delivered to the Purchaser via book entry through the Depository Trust Company. Neither the offer and sale of the Security and the Underlying Shares pursuant to, nor the Company's performance of its obligations under, this Agreement shall (i) result in the creation or imposition of any Liens, charges, claims or other encumbrances upon the Security or the Underlying Shares, or (ii) entitle the holders of any outstanding equity shares of the Company to preemptive or other rights to subscribe to or acquire Common Shares or other securities of the Company.

(w) **No Integrated Offering.** None of the Company or any of its Affiliates, nor any Person acting on their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would require registration of the issuance of the Security or Underlying Shares under the Securities Act, whether through integration with prior offerings or otherwise, or cause this offering of the Security to require approval of shareholders of the Company under any applicable shareholder approval provisions, including, without limitation, under the rules and regulations of the Principal Market. None of the Company, nor its Affiliates, nor any Person acting on their behalf will take any action or steps referred to in the preceding sentence that would require registration of the issuance of any of the securities under the Securities Act or cause the offering of the Security to be integrated with other offerings.

(x) **Manipulation of Price.** Neither the Company nor any of its officers, directors or Affiliates has, and, to the Knowledge of the Company, no Person acting on their behalf has, (i) taken, directly or indirectly, any action designed or intended to cause or to result in the stabilization or manipulation of the price of any security of the Company, or which caused or (ii) resulted in, or which would in the future reasonably be expected to cause or result in, the stabilization or manipulation of the price of any security of the Company, in each case to facilitate the sale or resale of any of the Security or the Underlying Shares, or (iii) sold, bid for, purchased, or paid any compensation for soliciting purchases of, any of the Underlying Shares. Neither the Company nor any of its officers, directors or Affiliates will, during the term of this Agreement, and, to the Knowledge of the Company, no Person acting on their behalf will, during the term of this Agreement, take any of the actions referred to in the immediately preceding sentence.

(y) **Foreign Corrupt Practices Act.** None of the Company, any Subsidiary or, to the Knowledge of the Company, any director, officer, agent, employee, Affiliate or other Person acting on behalf of the Company, is aware of or has taken any action, directly or indirectly, that would result in a violation by such Persons of the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder (collectively, the "FCPA"), including, without limitation, making use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay or authorization of the payment of any money, or other property, gift, promise to give, or authorization of the giving of anything of value to any "foreign official" (as such term is defined in the FCPA) or any foreign political party or official thereof or any candidate for foreign political office, in contravention of the FCPA. The Company has conducted its business in compliance with the FCPA.

(z) **Money Laundering Laws.** The operations of the Company is and has been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the "Money Laundering Laws") and, to the Knowledge of the

Company, no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company with respect to the Money Laundering Laws is pending or threatened.

(aa) **OFAC.** None of the Company or, to the Knowledge of the Company, any director, officer, agent, employee, Affiliate or Person acting on behalf of the Company is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC"); and the Company will not directly or indirectly use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds to any Subsidiary, joint venture partner or other Person, for the purpose of financing the activities of any Person currently subject to any U.S. sanctions administered by OFAC.

Section 3.02 Representatives and Warranties of the Purchaser. The Purchaser hereby makes the following representations and warranties to the Company as of the Effective Date and as of the Closing Date:

(a) **Organization and Standing of the Purchaser.** The Purchaser is a duly formed, validly existing and in good standing under the laws of Delaware.

(b) **Authorization and Power.** The Purchaser has the requisite corporate power and authority to enter into and perform this Agreement and to purchase the Security in accordance with the terms hereof. The execution, delivery and performance of this Agreement by Purchaser and the consummation by it of the transactions contemplated hereby have been duly authorized by all necessary corporate action, and no further consent or authorization of the Purchaser, or the Board of Directors or shareholders of the Purchaser is required. This Agreement has been duly executed and delivered by the Purchaser. This Agreement constitutes, or shall constitute when executed and delivered, a valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, liquidation, conservatorship, receivership, or similar laws relating to, or affecting generally the enforcement of, creditor's rights and remedies or by other equitable principles of general application.

(c) **No Conflicts.** The execution, delivery and performance of this Agreement, and the consummation by the Purchaser of the transactions contemplated hereby and thereby or relating hereto or thereto, do not and will not (i) result in a violation of the Purchaser's charter documents or bylaws or (ii)

conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any material agreement, mortgage, deed of trust, indenture, note, bond, license, lease agreement, instrument or obligation to which the Purchaser is a party, (iii) create or impose a lien, charge or encumbrance on any property of the Purchaser under any agreement or any commitment to which the Purchaser is party or by which the Purchaser is bound or by which any of its properties or assets are bound, or (iv) result in a violation of any law, rule, or regulation, or any order, judgment or decree of any court or governmental agency applicable to the Purchaser or any of its properties, except for such conflicts, defaults and violations as would not, individually or in the aggregate, prohibit or otherwise interfere with the ability of the Purchaser to enter into and perform its obligations under this Agreement in any material respect. The Purchaser is not required to obtain any consent, authorization or order of, or make any filing or registration with, any court or governmental agency in order for it to execute, deliver or perform any of its obligations under this Agreement or to purchase the Security in accordance with the terms hereof; *provided, however,* that for purposes of the representation made in this sentence, the Purchaser is assuming and relying upon the accuracy of the representations, warranties and agreements of the Company herein.

(e) **Financial Risks.** The Purchaser acknowledges that it is able to bear the financial risks associated with an investment in the Security. The Purchaser is capable of evaluating the risks and merits of an investment in the

Security by virtue of its experience as an investor and its knowledge, experience, and sophistication in financial and business matters, and the Purchaser is capable of bearing the entire loss of its investment in the Security.

(f) **Information.** The Purchaser and its advisors, if any, have been furnished with all materials relating to the business, finances and operations of the Company and materials relating to the offer and sale of the Security which have been requested by the Purchaser. The Purchaser and its advisors, if any, have been afforded the opportunity to ask questions of the Company. The Purchaser has sought such accounting, legal and tax advice as it has considered necessary to make an informed investment decision with respect to its acquisition of the Security. The Purchaser understands that it (and not the Company) shall be responsible for its own tax liabilities that may arise as a result of this investment or the transactions contemplated by this Agreement.

ARTICLE IV

COVENANTS

The Company covenants with the Purchaser, and the Purchaser covenants with the Company, as follows, which covenants of one Party are for the benefit of the other Party, during the period commencing on the date hereof until the date that the Purchaser informs the Company that it has sold its entire interest in the Security and the Underlying Shares (such date, the "End Date").

Section 4.01 Securities Compliance. The Company shall notify the Commission and the Principal Market, if applicable, in accordance with their rules and regulations, of the transactions contemplated by this Agreement and shall take all other necessary action and proceedings as may be required and permitted by applicable law, rule and regulation, for the legal and valid issuance of the Security and the Underlying Shares to the Purchaser. The Company shall take such action, if any, as is reasonably necessary in order to obtain an exemption for or to qualify any subsequent resale of the Security and the Underlying Shares by the Purchaser under applicable securities or "Blue Sky" laws of the states of the United States of America in such states as is reasonably requested by the Purchaser from time to time, and shall provide evidence of any such action so taken to the Purchaser.

Section 4.02 Registration and Listing. The Company will comply in all material respects with its reporting and filing obligations under the Exchange Act and take all action necessary to maintain compliance with such reporting and filing obligations, and will not take any action or file any document (whether or not permitted by the Securities Act or the Exchange Act) to terminate or suspend such registration or to terminate or suspend its reporting and filing obligations under the Exchange Act or Securities Act, except as permitted herein. The Company will take all action necessary to maintain the listing of the Common Shares on the Principal Market or any relevant market or system, if applicable, and will comply in all respects with the Company's reporting, filing and other obligations under the bylaws or rules of the Principal Market or any relevant market or system.

Section 4.03 Compliance with Laws; Volume Limitations. The Purchaser shall comply in all material respects with all applicable laws, rules, regulations and orders in connection with this Agreement and the transactions contemplated hereby and thereby. On any Trading Day, the Purchaser shall restrict the volume of sales of Common Shares beneficially owned (as defined in Rule 13d-3 under the Exchange Act by the Purchaser, its Affiliates and any entity managed by the Purchaser (together, the "Holder Entities") to 1/10th of the daily volume of Common Shares traded on the Principal Market during the immediately preceding Trading Day. For the avoidance of doubt, the foregoing restriction shall apply to sales of Underlying Shares and sales of Common Shares that are beneficially owned by the Holder Entities as of the date of this Agreement in the aggregate. For purposes of this Section 4.03, "beneficially owned" shall have the meaning provided in Rule 13d-3 under the Exchange Act.

Section 4.04 Registration Statement. The Company shall cause the Registration Statement to be filed within ten (10) business days of the date of the filing of the Company's Annual Report on Form 10-K for the year ended December 31, 2023 (the "2023 Form 10-K") with the Commission and shall use commercially reasonable efforts to ensure that the Registration Statement be declared effective (i) within sixty (60) calendar days of the date of the filing of such 2023 Form 10-K (the "Registration Deadline") and (ii) no more than five (5) calendar days following the Closing Date. The Company shall use commercially reasonable efforts to keep the Registration Statement effective until the date on which all of the Underlying Shares have been sold pursuant thereto or may be freely tradeable by non-Affiliates without such registration.

Section 4.05 Other Agreements. The Company shall not enter into any agreement in which the terms of such agreement would restrict or impair the right to perform of the Company or any Subsidiary under this Agreement.

Section 4.06 Non-Public Information. Neither the Company, nor any of its directors, officers or agents (at its direction) shall disclose any material non-public information about the Company to the Purchaser.

Section 4.07 Stop Orders. Subject to Section 4.06, during the period commencing on the effectiveness of the Registration Statement and ending on the End Date, the Company will advise the Purchaser promptly and, if requested by the Purchaser, will confirm such advice in writing: (i) of the Company's receipt of notice of any request by the Commission for amendment of or a supplement to the Registration Statement, any related prospectus or for additional information; (ii) of the Company's receipt of notice of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of the suspension of qualification of the Underlying Shares for offering or sale in any jurisdiction or the initiation of any proceeding for such purpose; and (iii) of the Company becoming aware of the happening of any event, which makes any statement of a material fact made in the Registration Statement (as then amended or supplemented) untrue or which requires the making of any additions to or changes in the Registration Statement (as then amended or supplemented) in order to state a material fact required by the Securities Act to be stated therein or necessary in order to make the statements therein not misleading. If at any time the Commission shall issue any stop order suspending the effectiveness of the Registration Statement, the Company will make commercially reasonable efforts to obtain the withdrawal of such order at the earliest possible time.

Section 4.08 Amendments to the Registration Statement; Prospectus Supplements. Except as provided in this Agreement and other than periodic reports required to be filed pursuant to the Exchange Act, the Company shall not file with the Commission any amendment to the Registration Statement (whether prior to or after effectiveness of the Registration Statement) that relates to the Purchaser, this Agreement or the transactions contemplated hereby, or file with the Commission any Prospectus Supplement that relates to the Purchaser, this Agreement or the transactions contemplated hereby with respect to which (a) the Purchaser shall not previously have been advised, (b) the Company shall not have given due consideration to any comments thereon received from the Purchaser or its counsel, or (c) the Purchaser shall reasonably object after being so advised, unless it is necessary to amend the Registration Statement or make any supplement to the Prospectus to comply with the Securities Act or any other applicable law or regulation, in which case the Company shall promptly so inform the Purchaser, the Purchaser shall be provided with a reasonable opportunity to review and comment upon any disclosure relating to the Purchaser and the Company shall expeditiously furnish to the Purchaser an electronic copy thereof. In addition, for so long as, in the reasonable opinion of counsel for the Purchaser, the Prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Securities Act) is required to be delivered in connection with any sales of registrable securities by the Purchaser, the Company shall not file any Prospectus Supplement without delivering or making available a copy of such Prospectus Supplement to the Purchaser promptly. Upon receipt of an amendment to the Registration Statement or Prospectus Supplement from the

Company or its counsel, the Purchaser shall promptly review such document and provide comments to the Company or its counsel regarding such document, if any, within a reasonable period of time.

ARTICLE V

CLOSING CERTIFICATE; CONDITIONS TO THE SALE AND PURCHASE OF THE SECURITY

Section 5.01 Conditions Precedent to the Obligation of the Company to Sell the Security. The obligation hereunder of the Company to issue and sell the Security to the Purchaser is subject to the satisfaction or waiver of each of the conditions set forth below. These conditions are for the Company's sole benefit and may be waived by the Company at any time in its sole discretion.

(a) **Accuracy of the Purchaser's Representations and Warranties.** Except for representations and warranties that are expressly made as of a particular date, the representations and warranties of the Purchaser in this Agreement shall be true and correct in all material respects as of the Effective Date and the Closing Date as though made at that time.

(b) **Performance by the Purchaser.** The Purchaser shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Purchaser at or prior to the Closing Date.

(d) **No Injunction.** No statute, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction which prohibits the consummation of any of the transactions contemplated by this Agreement.

(e) **No Proceedings or Litigation.** No action, suit or proceeding before any arbitrator or any governmental authority shall have been commenced, and no investigation by any governmental authority shall have been threatened, against the Company or any of the officers, directors or Affiliates of the Company seeking to restrain, prevent or change the transactions contemplated by this Agreement, or seeking damages in connection with such transactions.

Section 5.03Conditions Precedent to the Obligation of the Purchaser to Purchase the Security. The obligation hereunder of the Purchaser to acquire and pay for the Security is subject to the satisfaction or waiver, at or before the Closing of each of the conditions set forth below. The conditions are for the Purchaser's sole benefit and may be waived by the Purchaser at any time in its sole discretion.

(a) **Accuracy of the Company's Representations and Warranties.** (i) The Fundamental Representations will be true and correct in all but de minimis respects as of the Effective Date and the Closing Date; and (ii) other than with respect to the Fundamental Representations, the representations and warranties of the Company set forth in ARTICLE III (without giving effect to any "material," "materiality," "Material Adverse Effect" or similar qualification contained in such representations or warranties) will be true and correct as of the Effective Date and the Closing Date, except for such failures to be true and correct as would not have, in the aggregate, a Material Adverse Effect; provided, however, that, with respect to clauses (i) and (ii) above, representations and warranties that are made as of a particular date or period will be true and correct (in the manner set forth in clauses (i) or (ii) above, as applicable) only as of such date or period.

(b) **Performance by the Company.** The Company shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Company at or prior to the Closing Date.

(c) **No Injunction.** No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction which prohibits the consummation of any of the transactions contemplated by this Agreement.

(d) **No Proceedings or Litigation.** No action, suit or proceeding before any arbitrator or any governmental authority shall have been commenced, and no investigation by any governmental authority shall have been threatened, against the Company or any subsidiary, or any of the officers, directors or Affiliates of the Company or any subsidiary seeking to restrain, prevent or change the transactions contemplated by this Agreement, or seeking damages in connection with such transactions.

(e) **Security Authorized.** The Security and the Underlying Shares will have been duly authorized by all necessary corporate action of the Company.

ARTICLE VI INDEMNIFICATION

Section 6.01General Indemnity.

(a) **Indemnification by the Company.** The Company will indemnify and hold harmless the Purchaser and each Person who controls the Purchaser within the meaning of Section 15 of the Securities Act or Section 20(a) of the Exchange Act from and against any losses, claims, damages, liabilities and expenses (including reasonable costs of defense and investigation and all attorneys' fees) to which the Purchaser and each such controlling Person may become subject, under the Securities Act, the Exchange Act or otherwise, insofar as such losses, claims, damages, liabilities and expenses (or actions in respect thereof) (collectively, "Losses," and each, a "Loss") arise out of or are based upon (i) any untrue statement or alleged untrue statement of a material fact contained, or incorporated by reference, in the Registration Statement relating to the Underlying Shares (including any prospectus relating thereto), or any amendment or supplement to it or (ii) the omission or alleged omission to state in the Registration Statement or any document incorporated by reference in the Registration Statement, a material fact required to be stated therein or necessary to make the statements therein not misleading. Pursuant to Section 6.02 hereof, the Company will reimburse the Purchaser and each such controlling Person promptly upon demand for any documented, out-of-pocket legal or other costs or expenses reasonably incurred by the Purchaser or such controlling Person in investigating, defending against, or preparing to defend against any such Loss.

ARTICLE VII
TERMINATION

Section 7.01Term, Termination by Mutual Consent. Unless earlier terminated as provided hereunder, this Agreement shall terminate automatically on the date the Purchaser shall have purchased the Security; provided that (i) the provisions of Article IV shall terminate on the End Date, and (ii) the provisions of Articles

VI, and VIII shall survive termination. This Agreement may be terminated at any time by mutual written consent of the Parties, effective as of the date of such mutual written consent unless otherwise provided in such written consent.

ARTICLE VIII
MISCELLANEOUS

Section 8.01Fees and Expenses. Each Party shall bear its own fees and expenses related to the transactions contemplated by this Agreement. The Company shall pay all reasonable attorneys' fees and expenses incurred by the Purchaser in connection with any amendments, modifications or waivers of this Agreement. The Company shall pay all stamp or other similar taxes and duties levied in connection with the initial issuance of the Security and the Underlying Shares.

Section 8.02Specific Enforcement, Consent to Jurisdiction.

(a) The Company and the Purchaser acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that either Party shall be entitled to an injunction or injunctions from any court of competent jurisdiction or arbitral authority to prevent or cure breaches of the provisions of this Agreement by the other Party and to enforce specifically the terms and provisions hereof; such right is in addition to any other remedy to which either Party may be entitled by law or equity, without the necessity of posting a bond or other security or the burden of proving actual damages.

(b) Each of the Parties (i) hereby irrevocably submits to the jurisdiction of the United States District Court and other courts of the United States sitting in the State of New York for the purposes of any suit, action or proceeding arising out of or relating to this Agreement, and Plan (ii) hereby waives, and agrees not to assert in any such suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of Merger dated November 16, 2022 (Agreement).

For such court, that the suit, action or proceeding is brought in an inconvenient forum or that the venue of the suit, action or proceeding is improper. Each of the Company and the Purchaser consents to process being served in any such suit, action or proceeding by sending by electronic mail a copy thereof to such Party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and valuable consideration, sufficient service of process and notice thereof. Nothing in this Section 7.02(b) shall affect or limit any right to serve process in any other manner permitted by law.

Section 8.03Entire Agreement; Amendment. This Agreement represents the parties agree: entire agreement of the Parties with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by either Party relative to subject matter hereof not expressly set forth herein. No provision of this Agreement may be amended other than by a written instrument signed by both Parties.

1.

Section 8.04 Notices. Any notice, demand, request, waiver or other communication required or permitted to be given hereunder shall be in writing, delivered by e

ATLASCLEAR HOLDINGS CORPORATION

Attn: John Schaible

Email: jschaible@atlasclear.com

TAU LLC

Attn: David Snyder

Email: dsnyder@magellanglobal.net

Either Party hereto may from time to time change its address for notices by giving at least ten (10) d

Section 8.05 Waivers. No waiver by either Party of any default with respect to any provision, condit

Section 8.06 Headings. The article, section and subsection headings in this Agreement are for con

Section 8.07 Successors and Assigns; Third-Party Beneficiary. Neither party may assign this A

Section 8.08 Governing Law; Waiver of Jury Trial.

(a) This Agreement shall be governed by and construed in accordance with the internal laws of the S

(b) EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT

Section 8.09 Survival. The representations and warranties of the Company and the Purchaser con

Section 8.10 Counterparts. This Agreement may be executed in any number of counterparts, all of

Section 8.11 Publicity. Subject to the next sentence, without the prior written consent of the Purcha

Section 8.12 Severability. The provisions of this Agreement are severable and, in the event that a

Section 8.13 Further Assurances. From and after the date of this Agreement, upon the request of

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed by th

2. AtlasClear Holdings, Inc., shall issue to the shareholders of Commercial Bancorp, without additional compensation, 500,000 shares of Class A Common Stock at execution of this agreement which will provide a 6-month extension to May 14, 2025. The shares will be issued in a timely manner and will be registered in the individual shareholders names of Commercial Bancorp. Commercial Bancorp will provide the exact amount to be assigned to each shareholder. The shares will be issued at today's (November 14, 2024) market price of \$.175. Previously issued shares (40,000) to the Commercial Bancorp shareholders shall be cancelled as if not issued.

ATLASCLEAR HOLDINGS CORPORATION

/s/ **Craig**
Ridenhour

By:

Craig Ridenhour, President Name:

Title:

John M Schaible

Authorized Officer

TAU INVESTMENT PARTNERS LLC

By:

Name:

Title:

/s/ **Wynema Gross** **Vinode Ramgopal**

Vinode Ramgopal

Member

[Signature Page to Security Purchase Agreement]

Exhibit 10.10

ATLASCLEAR HOLDINGS, INC.
2024 EQUITY INCENTIVE PLAN

(As Amended and Restated)

1. Purposes of the Plan. The purposes of this Plan are (a) to attract and retain the best available personnel to ensure the Company's success and accomplish the Company's goals; (b) to incentivize Employees, Directors and Independent Contractors with long-term equity-based compensation to align their interests with the Company's stockholders; and (c) to promote the success of the Company's business.

The Plan permits the grant of Incentive Stock Options, Nonstatutory Stock Options, Restricted Stock, Restricted Stock Units, Stock Appreciation Rights and Stock Bonus Awards.

2. Definitions. As used herein, the following definitions will apply:

(a) **"Administrator"** means the Board or any of its Committees as will be administering the Plan, in accordance with Section 4 of the Plan.

(b) **"Affiliate"** means a Parent, a Subsidiary or any corporation or other entity that, directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Company.

(c) **"Applicable Laws"** means all applicable laws, rules, regulations and requirements, including, but not limited to, all applicable U.S. federal or state laws, rules and regulations, the rules and regulations of any stock exchange or quotation system on which the Common Stock is listed or quoted, and the applicable laws, rules and regulations of any other country or jurisdiction where Awards are, or will be, granted under the Plan or Participants reside or provide services to the Company or any Affiliate, as such laws, rules, and regulations shall be in effect from time to time.

(d) **"Award"** means, individually or collectively, a grant under the Plan of Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units or Stock Bonus Awards.

(e) **"Award Agreement"** means the written or electronic agreement setting forth the terms and provisions applicable to each Award granted under the Plan. The Award Agreement is subject to the terms and conditions of the Plan.

(f) **"Board"** means the Board of Directors of the Company.

(g) **"Cause"** means, with respect to the termination of a Participant's status as a Service Provider:

(A) any material breach by Participant of any material written agreement between Participant and the Company; (B) any failure by Participant to comply with the Company's material written policies or rules as they may be in effect from time to time; (C) neglect or persistent unsatisfactory performance of Participant's duties; (D) Participant's repeated failure to follow reasonable and lawful instructions from the Board or Chief Executive Officer; (E) Participant's indictment for, conviction of, or plea of guilty or nolo contendre to, any felony or crime that results in, or is reasonably expected to result in, a material adverse effect on the business or reputation of the Company; (F) Participant's commission of or participation in an act of fraud against the Company; (G) Participant's intentional damage to the Company's business, property or reputation; or (H) Participant's unauthorized use or disclosure of any proprietary information or trade secrets of the Company or any other party to whom the Participant owes an obligation of nondisclosure as a result of his or her relationship with the Company. For purposes of clarity, a termination without "Cause" does not include any termination that occurs solely as a result of Participant's death or Disability. The determination as to whether a Participant's status as a Service Provider for purposes of the Plan has been terminated for Cause shall be made in good faith by the Company and shall be final and binding on the Participant. The foregoing definition does not in any way limit the Company's ability (or that of any Affiliate or any successor thereto, as appropriate) to terminate a Participant's employment or consulting relationship at any time, subject to Applicable Laws.

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(h) **"Change in Control"** except as may otherwise be provided in an Award Agreement or other applicable agreement, means the occurrence of any of the following:

(i) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if the Company's stockholders immediately prior to such merger, consolidation or reorganization cease to directly or indirectly own immediately after such merger, consolidation or reorganization at least a majority of the combined voting power of the continuing or surviving entity's securities outstanding immediately after such merger, consolidation or reorganization;

(ii) The consummation of the sale, transfer or other disposition of all or substantially all of the Company's assets (other than (x) to a corporation or other entity of which at least a majority of its combined voting power is owned directly or indirectly by the Company, (y) to a corporation or other entity owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the Common Stock of the Company or (z) to a continuing or surviving entity described in Section 2(h)(i) in connection with a merger, consolidation or reorganization which does not result in a Change in Control under Section 2(h)(i));

(iii) A change in the effective control of the Company which occurs on the date that a majority of members of the Board is replaced during any twelve (12) month period by Directors whose appointment or election is not endorsed by two-thirds (2/3) of the members of the Board prior to the date of the appointment or election; or

(iv) The consummation of any transaction as a result of which any Person becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing at least fifty percent (50%) of the total voting power represented by the Company's then outstanding voting securities. For purposes of this Section 2(h), the term "Person" shall have the same meaning as when used in Sections 13(d) and 14(d) of the Exchange Act but shall exclude:

(1) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or an Affiliate;

(2) a corporation or other entity owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the Common Stock of the Company;

(3) the Company; and

(4) a corporation or other entity of which at least a majority of its combined voting power is owned directly or indirectly by the Company.

A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transactions. In addition, if any Person (as defined above) is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered to cause a Change in Control. If required for compliance with Section 409A of the Code, in no event will a Change in Control be deemed to have occurred if such transaction is not also a "change in the ownership or effective control of" the Company or "a change in the ownership of a substantial portion of the assets of" the Company as determined under Treasury Regulation Section 1.409A-3(i)(5) (without regard to any alternative definition thereunder).

(i) **"Code"** means the Internal Revenue Code of 1986, as amended. Reference to a specific section of the Code or regulation thereunder shall include (i) such section of the Code, any guidance and regulations promulgated under such section of the Code, including any successor provisions, guidance and regulations thereto, and (ii) any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

(j) **"Committee"** means a committee of Directors or of other individuals satisfying Applicable Laws appointed by the Board in accordance with Section 4 hereof.

(k) **"Common Stock"** means the common stock of the Company.

(l) **"Company"** means AtlasClear Holdings, Inc., a Delaware corporation, or any successor thereto.

(m) **"Determination Date"** means any time when the achievement of the Performance Goals associated with the applicable Performance Period remains substantially uncertain; provided, however, that without limiting the foregoing, that if the Determination Date occurs on or before the date on which 25% of the Performance Period has elapsed, the achievement of such Performance Goals shall be deemed to be substantially uncertain.

(n) **"Director"** means a member of the Board.

(o) **"Disability"** means total and permanent disability as defined in Section 22(e)(3) of the Code in the case of Incentive Stock Options, and for all other Awards, means as determined by the Social Security Administration or the long-term disability plan maintained by the Company; provided however, that if the Participant resides outside of the United States, "Disability" shall have such meaning as is required by Applicable Laws. The Administrator in its discretion may determine whether a total and permanent disability exists in accordance with uniform and non-discriminatory standards adopted by the Administrator from time to time.

(p) **"Effective Date"** means February 9, 2024.

(q) **"Employee"** means any person, including Officers and Directors, employed by the Company or any Affiliate of the Company. Neither service as a Director nor payment of a director's fee by the Company will be sufficient to constitute "employment" by the Company.

(r) **"Exchange Act"** means the Securities Exchange Act of 1934, as amended.

(s) **"Exchange Program"** means a program under which outstanding Awards are amended to provide for a lower exercise price or surrendered or cancelled in exchange for (i) Awards with a lower exercise price, (ii) a different type of Award or awards under a different equity incentive plan, (iii) cash, or (iv) a combination of (i), (ii) and/or (iii). Notwithstanding the preceding, the term Exchange Program does not include (x) any action described in Section 15 or any action taken in connection with a Change in Control transaction nor (y) any transfer or other disposition permitted under Section 14. For the purpose of clarity, each of the actions described in the prior sentence, none of which constitute an Exchange Program, may be undertaken (or authorized) by the Administrator in its sole discretion without approval by the Company's stockholders.

(t) **"Fair Market Value"** means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, its Fair Market Value will be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system on the day of determination, as reported in such source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share will be the mean between the high bid and low asked prices for the Common Stock on the day of determination, as reported in such source as the Administrator deems reliable; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value will be determined in good faith by the Administrator in compliance with Applicable Laws and regulations and in a manner that complies with Section 409A of the Code.

(u) **"Fiscal Year"** means the fiscal year of the Company.

(v) **"Incentive Stock Option"** means an Option that by its terms qualifies and is intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(w) **"Independent Contractor"** means any person, including an advisor, consultant or agent, engaged by the Company or an Affiliate to render services to such entity or who renders, or has rendered, services to the Company, or any Affiliate and is compensated for such services.

(x) **"Insider"** means an Officer or Director or any other person whose transactions in Common Stock are subject to Section 16 of the Exchange Act.

(y) **"Nonstatutory Stock Option"** means an Option that by its terms does not qualify or is not intended to qualify as an Incentive Stock Option.

(z) **"Officer"** means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(aa) **"Option"** means a stock option granted pursuant to the Plan.

(bb) **"Outside Director"** means a Director who is not an Employee.

(cc) **"Parent"** means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company if each of the corporations other than the Company owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Parent on a date after the adoption of the Plan shall be considered a Parent commencing as of such date.

(dd) **"Participant"** means the holder of an outstanding Award.

(ee) "**Performance Goal**" means a formula or standard determined by the Administrator with respect to each Performance Period based on one or more of the following criteria and any adjustment(s) thereto established by the Administrator: (1) sales or non-sales revenue; (2) return on revenues; (3) operating income; (4) income or earnings including operating income; (5) income or earnings before or after taxes, interest, depreciation and/or amortization; (6) income or earnings from continuing operations; (7) net income; (8) pre-tax income or after-tax income; (9) net income excluding amortization of intangible assets, depreciation and impairment of goodwill and intangible assets and/or excluding charges attributable to the adoption of new accounting pronouncements; (10) raising of financing or fundraising; (11) project financing; (12) revenue backlog; (13) gross margin; (14) operating margin or profit margin; (15) capital expenditures, cost targets, reductions and savings and expense management; (16) return on assets (gross or net), return on investment, return on capital, or return on stockholder equity; (17) cash flow, free cash flow, cash flow return on investment (discounted or otherwise), net cash provided by operations, or cash flow in excess of cost of capital; (18) performance warranty and/or guarantee claims; (19) stock price or total stockholder return; (20) earnings or book value per share (basic or diluted); (21) economic value created; (22) pre-tax profit or after-tax profit; (23) strategic business criteria, consisting of one or more objectives based on meeting specified market penetration or market share, completion of strategic agreements such as licenses, joint ventures, acquisitions, and the like, geographic business expansion, objective customer satisfaction or information technology goals, intellectual property asset metrics; (24) objective goals relating to divestitures, joint ventures, mergers, acquisitions and similar transactions; (25) objective goals relating to staff management, results from staff attitude and/or opinion surveys, staff satisfaction scores, staff safety, staff accident and/or injury rates, compliance, headcount, performance management, completion of critical staff training initiatives; (26) objective goals relating to projects, including project completion, timing and/or achievement of milestones, project budget, technical progress against work plans; and (27) enterprise resource planning. Awards issued to Participants may take into account other criteria (including subjective criteria). Performance Goals may differ from Participant to Participant, Performance Period to Performance Period and from Award to Award. Any criteria used may be measured, as applicable, (i) in absolute terms, (ii) in relative terms (including, but not limited to, any increase (or decrease) over the passage of time and/or any measurement against other companies or financial or business or stock index metrics particular to the Company), (iii) on a per share and/or share per capita basis, (iv) against the performance of the Company as a whole or against any Affiliate(s), or a particular segment(s), a business unit(s) or a product(s) of the Company or individual project company, (v) on a pre-tax or after-tax basis, (vi) on a GAAP or non-GAAP basis, and/or (vii) using an actual foreign exchange rate or on a foreign exchange neutral basis.

(ff) "**Performance Period**" means the time period during which the Performance Goals or other vesting provisions must be satisfied for Awards. Performance Periods may be of varying and overlapping duration, at the sole discretion of the Administrator.

(gg) "**Period of Restriction**" means the period during which the transfer of Shares of Restricted Stock is subject to restrictions and therefore, the Shares are subject to a substantial risk of forfeiture. Such restrictions may be based on the passage of time, the achievement of target levels of performance, or the occurrence of other events as determined by the Administrator.

(hh) "**Plan**" means this AtlasClear Holdings, Inc. 2024 Equity Incentive Plan, as may be amended from time to time.

(ii) "**Restricted Stock**" means Shares issued pursuant to a Restricted Stock award under Section 7 of the Plan.

(jj) "**Restricted Stock Unit**" means a bookkeeping entry representing an amount equal to the Fair Market Value of one Share, granted pursuant to Section 8. Each Restricted Stock Unit represents an unfunded and unsecured obligation of the Company.

(kk) "**Rule 16b-3**" means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.

(ll) "**Section 16(b)**" means Section 16(b) of the Exchange Act.

(mm) "**Service Provider**" means an Employee, Director or Independent Contractor.

(nn) "**Share**" means a share of Common Stock, as adjusted in accordance with Section 15 of the Plan.

(oo) "**Stock Appreciation Right**" means an Award, granted alone or in connection with an Option, that pursuant to Section 9 is designated as a Stock Appreciation Right.

(pp) "**Stock Bonus**" or "**Stock Bonus Award**" means an Award granted pursuant to Section 10 of the Plan.

(qq) "**Subsidiary**" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Subsidiary on a date after the adoption of the Plan shall be considered a Subsidiary commencing as of such date.

(rr) "**Tax-Related Items**" means income tax, social insurance or other social contributions, national insurance, social security, payroll tax, fringe benefits tax, payment on account or other tax- related items.

3. Stock Subject to the Plan.

(a) **Stock Subject to the Plan.** Subject to the provisions of Sections 3(b) and 15 of the Plan, the maximum aggregate number of Shares that may be issued under the Plan is 11,800,934. The Shares may be authorized, but unissued, or reacquired Common Stock. Notwithstanding the foregoing, subject to the provisions of Section 15 below, in no event shall the maximum aggregate number of Shares that may be issued under the Plan pursuant to Incentive Stock Options exceed the number set forth in this Section 3(a), plus the number of Shares added to the Plan pursuant to Section 3(b) below, plus, to the extent allowable under Section 422 of the Code and the regulations promulgated thereunder, any Shares that become available for issuance pursuant to Section 3(c).

(b) **Automatic Share Reserve Increase.** The number of Shares available for issuance under the Plan will be increased on the first day of each Fiscal Year beginning with the 2024 Fiscal Year through and including the first day of the 2033 Fiscal Year, in each case, in an amount equal to the lesser of (i) five percent (5%) of the total number of Shares that are issued and outstanding on the first day of the applicable Fiscal Year, (ii) the number of Shares initially reserved for issuance under the Plan pursuant to the first sentence of Section 3(a) above, and (iii) such smaller number of Shares as may be determined by the Board.

(c) **Lapsed Awards.** To the extent any Award expires or is forfeited or becomes unexercisable for any reason without having been exercised in full, or is surrendered pursuant to an Exchange Program, the unissued Shares that were subject thereto shall, unless the Plan shall have been terminated, continue to be available under the Plan for issuance pursuant to future Awards. In addition, any Shares which are retained by the Company upon exercise of an Award in order to satisfy the exercise or purchase price for such Award or any withholding taxes due with respect to such Award shall be treated as not issued and shall continue to be available under the Plan for issuance pursuant to future Awards. Shares issued under the Plan and later forfeited to the Company due to the failure to vest or repurchased by the Company at the original purchase price paid to the Company for the Shares (including, without limitation, upon forfeiture or repurchase by the Company in connection with a Participant ceasing to be a Service Provider) shall again be available for future grant under the Plan. To the extent an Award under the Plan is paid out in cash rather than Shares, such cash payment will not result in reducing the number of Shares available for issuance under the Plan.

(d) **Assumption or Substitution of Awards by the Company.** The Administrator, from time to time, may determine to substitute or assume outstanding awards granted by another company, whether in connection with an acquisition of such other company or otherwise, by either: (a) assuming such award under this Plan or (b) granting an Award under this Plan in substitution of such other company's award. Such assumption or substitution will be permissible if the holder of the substituted or assumed award would have been eligible to be granted an Award under this Plan if the other company had applied the rules of this Plan to such grant. In the event the Administrator elects to assume an award granted by another company, subject to the requirements of Section 409A of the Code, the purchase price or the exercise price, as the case may be, and the number and nature of Shares issuable upon exercise or settlement of any such Award will be adjusted appropriately. In the event the Administrator elects to grant a new Option in substitution rather than assuming an existing option, such new Option may be granted with a similarly adjusted exercise price. Any awards that are assumed or substituted under this Plan shall not reduce the number of Shares authorized for grant under the Plan or authorized for grant to a Participant in any Fiscal Year.

4. Administration of the Plan.

(a) Procedure.

(i) Multiple Administrative Bodies. Different Committees with respect to different groups of Service Providers may administer the Plan.

(ii) Rule 16b-3. To the extent desirable to qualify transactions hereunder as exempt under Rule 16b-3, the transactions contemplated hereunder will be structured to satisfy the requirements for exemption under Rule 16b-3.

(iii) Other Administration. Other than as provided above, the Plan will be administered by (A) the Board or (B) a Committee, which committee will be constituted to satisfy Applicable Laws.

(b) Powers of the Administrator. Subject to the provisions of the Plan, the Administrator will have the authority, in its discretion:

(i) to determine the Fair Market Value in accordance with Section 2(t);

(ii) to select the Service Providers to whom Awards may be granted hereunder;

(iii) to determine the number of Shares to be covered by each Award granted hereunder;

(iv) to approve forms of Award Agreements for use under the Plan;

(v) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder; such terms and conditions may include, but are not limited to, the exercise price, the time or times when Awards may be exercised (which may be based on Performance Goals), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Award or the Shares relating thereto, based in each case on such factors as the Administrator will determine;

(vi) to institute and determine the terms and conditions of an Exchange Program; provided however, that the Administrator shall not implement an Exchange Program without the approval of the holders of a majority of the Shares that are present in person or by proxy and entitled to vote at any annual or special meeting of the Company's stockholders;

(vii) to construe and interpret the terms of the Plan and Awards granted pursuant to the Plan;

(viii) correct any defect, supply any omission or reconcile any inconsistency in this Plan, any Award or any Award Agreement;

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(ix) to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations established for the purpose of satisfying non-U.S. Applicable Laws, for qualifying for favorable tax treatment under non-U.S. Applicable Laws or facilitating compliance with non-U.S. Applicable Laws (sub-plans may be created for any of these purposes);

(x) to modify or amend each Award (subject to Section 22 of the Plan), including but not limited to the discretionary authority to extend the post-termination exercisability period of Awards, to accelerate vesting and to extend the maximum term of an Option (subject to the terms and conditions of the Plan and compliance with all Applicable Laws, including, without limitation, Section 6(b) of the Plan regarding Incentive Stock Options and Section 409A of the Code);

(xi) adjust Performance Goals to take into account changes in Applicable Laws or in accounting or tax rules, or such other extraordinary, unforeseeable, nonrecurring or infrequently occurring events or circumstances as the Administrator deems necessary or appropriate to avoid

windfalls or hardships;

(xii) to allow Participants to satisfy tax withholding obligations in such manner as prescribed in Section 16 of the Plan;

(xiii) to authorize any person to execute on behalf of the Company any instrument required to give effect to the grant of an Award previously granted by the Administrator;

(xiv) to allow a Participant to defer the receipt of the payment of cash or the delivery of Shares that would otherwise be due to such Participant under an Award; and

(xv) to make all other determinations deemed necessary or advisable for administering the Plan.

(c) Effect of Administrator's Decision. The Administrator's decisions, determinations and interpretations will be final and binding on all Participants and any other holders of Awards. Any dispute regarding the interpretation of the Plan or any Award Agreement shall be submitted by the Participant to the Company for review. Any Officer of the Company, including but not limited to Insiders, shall have the authority to review and resolve disputes with respect to Awards held by Participants who are not Insiders, and such resolution shall be final and binding on the Company and the Participant. Only the Committee shall have the authority to review and resolve disputes with respect to Awards held by Participants who are Insiders, and such resolution shall be final and binding on the Company and the Participant.

(d) Delegation. To the extent permitted by Applicable Laws, the Board or Committee, in its sole discretion and on such terms and conditions as it may provide, may delegate all or any part of its authority and powers under the Plan to one or more Directors or Officers.

(e) Administration of Awards Subject to Performance Goals. The Administrator will, in its sole discretion, determine the Performance Goals, if any, applicable to any Award (including any adjustment(s) thereto that will be applied in determining the achievement of such Performance Goals) on or prior to the Determination Date. The Performance Goals may differ from Participant to Participant and from Award to Award. The Administrator shall determine and approve the extent to which such Performance Goals have been timely achieved and the extent to which the Shares subject to such Award have thereby been earned.

(f) Section 16 of the Exchange Act. Awards granted to Participants who are Insiders must be approved by two or more "non-employee directors" of the Board (as defined in the regulations promulgated under Section 16 of the Exchange Act).

5. Award Eligibility. Nonstatutory Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units and Stock Bonus Awards may be granted to Service Providers. Incentive Stock Options may be granted only to Employees.

6. Stock Options.

(a) Limitations. Each Option will be designated in the Award Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds one hundred thousand dollars (\$100,000), such Options will be treated as Nonstatutory Stock Options. For purposes of this Section 6(a), Incentive Stock Options will be taken into account in the order in which they were granted. The Fair Market Value of the Shares will be determined as of the date the Option with respect to such Shares is granted.

(b) Term of Option. The term of each Option will be stated in the Award Agreement. In the case of an Incentive Stock Option, the term will be ten (10) years from the date of grant or such shorter term as may be provided in the Award Agreement. Moreover, in the case of an Incentive Stock Option granted to a Participant who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Incentive Stock Option will be five (5) years from the date of grant or such shorter term as may be provided in the Award Agreement.

(c) Option Exercise Price and Consideration.

(i) Exercise Price. The per share exercise price for the Shares to be issued pursuant to exercise of an Option will be determined by the Administrator, subject to the following:

(1) In the case of an Incentive Stock Option

(A) granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price will be no less than one hundred ten percent (110%) of the Fair Market Value per Share on the date of grant.

(B) granted to any Employee other than an Employee described in paragraph (A) immediately above, the per Share exercise price will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

(2) In the case of a Nonstatutory Stock Option, the per Share exercise price will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

(3) Notwithstanding the foregoing, Options may be granted with a per Share exercise price of less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant pursuant to a transaction described in, and in a manner consistent with, Section 424(a) of the Code.

(ii) Exercisability and Vesting. At the time an Option is granted, the Administrator will fix the period within which the Option may vest and/or be exercised and will determine any conditions that must be satisfied before the Option may vest and/or be exercised. An Option will vest and/or become exercisable at such time, and upon such terms, as are determined by the Administrator, which may include completion of a specified period of service with the Company or an Affiliate and/or based on the achievement of Performance Goals during a Performance Period as set out in advance in the Participant's Award Agreement. If an Option vests and/or becomes exercisable based on the satisfaction of Performance Goals, then the Administrator will: (x) determine the nature, length and starting date of any Performance Period; (y) select the Performance Goals to be used to measure the performance; and (z) determine what additional conditions, if any, should apply.

(iii) Form of Consideration. The Administrator will determine the acceptable form of consideration for exercising an Option, including the method of payment. In the case of an Incentive Stock Option, the Administrator will determine the acceptable form of consideration at the time of grant. Such consideration for both types of Options may consist of: (1) cash; (2) check; (3) promissory note, to the extent permitted by Applicable Laws; (4) other Shares, provided that such Shares have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which such Option will be exercised and provided that accepting such Shares will not result in any adverse accounting consequences to the Company, as the Administrator determines in its sole discretion; (5) consideration received by the Company under a broker-assisted (or other) cashless exercise program (whether through a broker or otherwise) implemented by the Company in connection with the Plan; (6) by net exercise; (7) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws; or (8) any combination of the foregoing methods of payment.

(d) Exercise of Option.

(i) Procedure for Exercise; Rights as a Stockholder. Any Option granted hereunder will be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Award Agreement. An Option may not be exercised for a fraction of a Share.

An Option will be deemed exercised when the Company receives: (i) a notice of exercise (in such form as the Administrator may specify from time to time) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised (together with full payment of any applicable taxes or other amounts required to be withheld or deducted with respect to the Option). Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Award Agreement and the Plan. Shares issued upon exercise of an Option will be issued in the name of the Participant or, if requested by the Participant, in the name of the Participant and his or her spouse. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder will exist with respect to the Shares subject to an Option, notwithstanding the exercise of the Option. The Company will issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 15 of the Plan.

(ii) **Termination of Relationship as a Service Provider.** If a Participant ceases to be a Service Provider, other than upon the Participant's termination as the result of the Participant's death, Disability or Cause, to the extent the Option is vested, the Participant may exercise his or her vested Option within such period of time as is specified in the Award Agreement or, if there is no specified time in the Award Agreement, the Participant may exercise his or her Option for three (3) months following the Participant's termination. Notwithstanding the foregoing, in no event may the vested Option be exercised later than the expiration of the term of such Option as set forth in the Award Agreement. If the Participant does not exercise his or her vested Option within the specified time, the vested Option will terminate, and the Shares covered by such vested Option will revert to the Plan at the end of the time specified for exercise of the Participant's vested Option.

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(iii) **Disability of Participant.** If a Participant ceases to be a Service Provider as a result of the Participant's Disability, to the extent the Option is vested, the Participant may exercise his or her vested Option within such period of time as is specified in the Award Agreement or, if there is no specified time in the Award Agreement, the Participant may exercise his or her vested Option for twelve (12) months following the Participant's termination as a result of Participant's Disability. Notwithstanding the foregoing, in no event may the vested Option be exercised later than the expiration of the term of such Option as set forth in the Award Agreement. If the Participant does not exercise his or her vested Option within the specified time, the vested Option will terminate, and the Shares covered by such vested Option will revert to the Plan. Further, unless otherwise provided by the Administrator, the Shares covered by the unvested portion of the Option will revert to the Plan at the end of the time specified for exercise of the Participant's vested Option.

(iv) **Death of Participant.** If a Participant dies while a Service Provider, the Participant's designated beneficiary (provided such beneficiary has been designated prior to Participant's death in a form acceptable to the Administrator) may exercise the Participant's vested Option within such period of time as is specified in the Award Agreement or, if there is no specified time in the Award Agreement, any such designated beneficiary may exercise Participant's vested Option for twelve (12) months following Participant's death. If no such beneficiary has been designated by the Participant, then such vested Option may be exercised by the personal representative of the Participant's estate or by the person(s) to whom the vested Option is transferred pursuant to the Participant's will or in accordance with the laws of descent and distribution. Notwithstanding the foregoing, in no event may the vested Option be exercised later than the expiration of the term of such Option as set forth in the Award Agreement. If the Participant's designated beneficiary, the personal representative of the Participant's estate or the person(s) to whom the vested Option is transferred pursuant to the Participant's will or in accordance with the laws of descent and distribution, as applicable, does not exercise the Participant's vested Option within the specified time, the vested Option will terminate, and the Shares covered by such vested Option will revert to the Plan. Further, unless otherwise provided by the Administrator, the Shares covered by the unvested portion of the Option will revert to the Plan at the end of the time specified for exercise of the Participant's vested Option.

(v) **Termination for Cause.** If a Participant ceases to be a Service Provider as a result of being terminated for Cause, (i) the Participant may exercise his or her vested Option within such period of time (if any) as is specified in the Award Agreement or, (ii) if there is no specified time in the Award Agreement, any outstanding Option (including any vested portion thereof) held by such Participant shall immediately terminate in its entirety upon the Participant being first notified of his or her termination for Cause and the Participant will be prohibited from exercising his or her vested Option from and after the date of such notification. All the Participant's rights under any Option, including the right to exercise the Option, may be suspended pending an investigation of whether Participant will be terminated for Cause. Notwithstanding the foregoing, in no event may the vested

Option be exercised later than the expiration of the term of such Option as set forth in the Award Agreement. If the Participant does not exercise his or her vested Option within the specified time (if any), the vested Option will terminate, and the Shares covered by such vested Option will revert to the Plan. Further, unless otherwise provided by the Administrator, the Shares covered by the unvested portion of the Option will revert to the Plan at the end of the time specified for exercise of the Participant's vested Option, if any.

7. Restricted Stock

(a) Grant of Restricted Stock. Subject to the terms and provisions of the Plan, the Administrator, at any time and from time to time, may grant Shares of Restricted Stock to Service Providers in such amounts as the Administrator, in its sole discretion, will determine.

(b) Vesting Criteria and Other Terms. Each Award of Restricted Stock will be evidenced by an Award Agreement that will specify the Period of Restriction, the number of Shares granted, and such other terms and conditions as the Administrator, in its sole discretion, will determine. Unless the Administrator determines otherwise, the Company as escrow agent will hold Shares of Restricted Stock until the Period of Restriction has lapsed. The Period of Restriction will lapse at such time, and upon such terms, as are determined by the Administrator, which may include the completion of a specified period of service with the Company or an Affiliate and/or based on the achievement of Performance Goals during a Performance Period as set out in advance in the Participant's Award Agreement. If the Period of Restriction will lapse upon the satisfaction of Performance Goals, then the Administrator will: (x) determine the nature, length and starting date of any Performance Period; (y) select the Performance Goals to be used to measure the performance; and (z) determine what additional conditions, if any, should apply.

(c) Transferability. Except as provided in this Section 7 or the Award Agreement, Shares of Restricted Stock may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction.

(d) Other Restrictions. The Administrator, in its sole discretion, may impose such other restrictions on Shares of Restricted Stock as it may deem advisable or appropriate.

(e) Removal of Restrictions. Except as otherwise provided in this Section 7, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan will be released from escrow as soon as practicable after the last day of the Period of Restriction or at such other time as the Administrator may determine. The Administrator, in its discretion, may accelerate the time at which any restrictions will lapse or be removed.

(f) Voting Rights. During the Period of Restriction, Service Providers holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares, unless the Administrator determines otherwise.

(g) Dividends and Other Distributions. Unless the Administrator provides otherwise, during the Period of Restriction, Service Providers holding Shares of Restricted Stock will be entitled to receive all dividends and other distributions paid with respect to such Shares, and any such dividends or distributions will be subject to the same terms, including, without limitation, vesting and restrictions on transferability and forfeitability, as the Shares of Restricted Stock with respect to which they were paid.

(h) Return of Restricted Stock to Company. On the date set forth in the Award Agreement, the Restricted Stock for which restrictions have not lapsed will be cancelled and returned as unissued Shares to the Company and again will become available for grant under the Plan.

8. Restricted Stock Units

(a) Grant. Restricted Stock Units may be granted at any time and from time to time as determined by the Administrator. After the Administrator determines that it will grant Restricted Stock Units under the Plan, it will advise the Participant in an Award Agreement of the terms, conditions, and restrictions (if any) related to the grant, including the number of Restricted Stock Units.

(b) Vesting Criteria and Other Terms. The Administrator will set vesting criteria and other terms in its discretion, which, depending on the extent to which the vesting criteria and other terms are met, will determine the number of Restricted Stock Units that settle. A Restricted Stock Unit Award will vest at such time, and upon such terms, as are determined by the Administrator, which may include upon completion of a specified period of service with the Company or an Affiliate and/or based on the achievement of Performance Goals during a Performance Period as set out in advance in the Participant's Award Agreement. If Restricted Stock Units vest based upon satisfaction of Performance Goals, then the Administrator will: (x) determine the nature, length and starting date of any Performance Period; (y) select the Performance Goals to be used to measure the performance; and (z) determine what additional conditions, if any, should apply.

(c) Earning Restricted Stock Units. Upon meeting the applicable vesting criteria and any other conditions, the Participant will be entitled to have the Restricted Stock Units settled as determined by the Administrator. Notwithstanding the foregoing, at any time after the grant of Restricted Stock Units, the Administrator, in its sole discretion, may reduce or waive any vesting criteria or other conditions that must be met for the Restricted Stock Units to settle.

(d) Dividend Equivalents. The Administrator may, in its sole discretion, award dividend equivalents in connection with the grant of Restricted Stock Units that may be settled in cash, in Shares of equivalent value, or in some combination thereof. Absent a contrary provision in an Award Agreement, such dividend equivalents shall be subject to the same terms, restrictions and risk of forfeiture as the Restricted Stock Units with respect to which the dividends accrue and shall not be settled unless and until the related Restricted Stock Units have vested and been earned.

(e) Form and Timing of Settlement. Settlement of earned Restricted Stock Units will be made upon the date(s) determined by the Administrator and set forth in the Award Agreement. The Administrator, in its sole discretion, may settle earned Restricted Stock Units in cash, Shares, or a combination of both.

(f) Cancellation. On the date set forth in the Award Agreement, all Shares underlying any unvested, unearned Restricted Stock Units will be forfeited to the Company for future issuance.

9. Stock Appreciation Rights.

(a) Grant of Stock Appreciation Rights. Subject to the terms and conditions of the Plan, a Stock Appreciation Right may be granted to Service Providers at any time and from time to time as will be determined by the Administrator, in its sole discretion.

(b) Number of Shares. The Administrator will have complete discretion to determine the number of Stock Appreciation Rights granted to any Service Provider.

(c) Exercise Price and Other Terms. Each Stock Appreciation Right grant will be evidenced by an Award Agreement that will specify the exercise price, the term of the Stock Appreciation Right, the conditions of exercise, and such other terms and conditions as the Administrator, in its sole discretion, will determine. The per share exercise price for the Shares to be issued pursuant to exercise of a Stock Appreciation Right will be determined by the Administrator and will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant. Otherwise, the Administrator, subject to the provisions of the Plan, will have complete discretion to determine the terms and conditions of Stock Appreciation Rights granted under the Plan.

(d) Exercisability and Vesting. At the time a Stock Appreciation Right is granted, the Administrator will fix the period within which the Stock Appreciation Right may vest and/or be exercised and will determine any conditions that must be satisfied before the Stock Appreciation Right may vest and/or be exercised. A Stock Appreciation Right will vest and/or become exercisable at such time, and upon such terms, as are determined by the Administrator, which may include completion of a specified period of service with the Company or an Affiliate and/or based on the achievement of Performance Goals during a Performance Period as set out in advance in the Participant's Award Agreement. If a Stock Appreciation Right vests and/or becomes exercisable based on the satisfaction of Performance Goals, then the Administrator will: (x) determine the nature, length and starting date of any Performance Period; (y) select the Performance Goals to be used to measure the performance; and (z) determine what additional conditions, if any, should apply.

(e) Expiration of Stock Appreciation Rights. A Stock Appreciation Right granted under the Plan will expire upon the date determined by the Administrator, in its sole discretion, and set forth in the Award Agreement. Notwithstanding the foregoing, the rules of Section 6(b) relating to the maximum term and Section 6(d) relating to exercise also will apply to Stock Appreciation Rights.

(f) Payment of Stock Appreciation Right Amount. Upon exercise of a Stock Appreciation Right, a Participant will be entitled to receive payment from the Company in an amount determined by multiplying:

(i) The difference between the Fair Market Value of a Share on the date of exercise over the exercise price; times

(ii) The number of Shares with respect to which the Stock Appreciation Right is exercised.

At the discretion of the Administrator, the payment upon Stock Appreciation Right exercise may be in cash, in Shares of equivalent value, or in some combination thereof.

10. Stock Bonus Awards.

(a) Awards of Stock Bonuses. A Stock Bonus Award is an award of Shares to an eligible person without a purchase price that is not subject to any restrictions. All Stock Bonus Awards may be made, but are not required to be made, pursuant to an Award Agreement.

(b) Number of Shares. The Administrator will have complete discretion to determine the number of Shares to be awarded to any Participant under a Stock Bonus Award and any other terms applicable to such Stock Bonus Award.

(c) Form and Timing of Payment. Payment of a Stock Bonus Award will be made upon the date(s) determined by the Administrator and set forth in the Award Agreement. Payment may be made in the form of cash, whole Shares, or a combination thereof, based on the Fair Market Value of the Shares subject to the Stock Bonus Award on the date of payment, as determined in the sole discretion of the Administrator.

11. Outside Director Limitations. Stock awards granted during a single Fiscal Year under the Plan or otherwise, taken together with any cash fees paid during such Fiscal Year for services on the Board, shall not exceed \$750,000 in total value for any Outside Director, except with respect to the first year of service in which case any stock awards granted and cash fees paid will not exceed \$1,000,000 in total value (calculating the value of any such stock awards, in each case, based on the grant date fair value of such stock awards for financial reporting purposes). Such applicable limit shall include the value of any stock awards that are received in lieu of all or a portion of any annual committee cash retainers or other similar cash-based payments. Stock awards granted to an individual while he or she was serving in the capacity as an Employee or while he or she was an Independent Contractor but not an Outside Director will not count for purposes of the limitations set forth in this Section 11.

12. Leaves of Absence/Transfer Between Locations. The Administrator shall have the discretion to determine at any time whether and to what extent the vesting of Awards shall be suspended during any leave of absence; provided, however, that in the absence of such determination, vesting of Awards shall continue during any paid leave and shall be suspended during any unpaid leave (unless otherwise required by Applicable Laws). A Participant will not cease to be an Employee in the case of (i) any leave of absence approved by the Participant's employer or (ii) transfers between locations of the Company or between the Company or any Affiliate. If an Employee is holding an Incentive Stock Option and such leave exceeds three (3) months then, for purposes of Incentive Stock Option status only, such Employee's service as an Employee shall be deemed terminated on the first (1st) day following such three (3) month period and the Incentive Stock Option shall thereafter automatically treated for tax purposes as a Nonstatutory Stock Option in accordance with Applicable Laws, unless reemployment upon the expiration of such leave is guaranteed by contract or statute, or unless provided otherwise pursuant to a written Company policy.

13. **Change in Time Commitment.** In the event a Participant's regular level of time commitment in the performance of his or her services for the Company or any Affiliates is reduced (for example, and without limitation, if the Participant is an Employee of the Company and the Employee has a change in status from full-time to part-time), the Administrator, in its sole discretion, may (i) make a corresponding reduction in the number of Shares or cash amount subject to any portion of any outstanding Award that is scheduled to vest, settle and/or become payable after the date of such change in time commitment, and (ii) in lieu of or in combination with such a reduction, extend or otherwise revise the vesting, settlement and/or payment schedule applicable to any outstanding Award (in accordance with all Applicable Laws, including, without limitation, Section 409A of the Code, as applicable). In the event the Administrator takes any action pursuant to this Section 13, the Participant will have no right with respect to any portion of any affected Award.

14. **Transferability of Awards.** Unless determined otherwise by the Administrator, an Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Participant, only by the Participant. If the Administrator makes an Award transferable, such Award will contain such additional terms and conditions as the Administrator deems appropriate provided, however, that in no event may any Award be transferred for consideration to a third-party financial institution.

15. **Adjustments; Dissolution or Liquidation; Merger or Change in Control.**

(a) **Adjustments.** In the event of a stock split, reverse stock split, stock dividend, combination, consolidation, recapitalization (including a recapitalization through a large nonrecurring cash dividend) or reclassification of the Shares, subdivision of the Shares, a rights offering, a reorganization, merger, spin-off, split-up, repurchase, or exchange of Common Stock or other securities of the Company or other significant corporate transaction, or other change affecting the Common Stock occurs, the Administrator, in order to prevent dilution, diminution or enlargement of the benefits or potential benefits intended to be made available under the Plan, will, in such manner as it may deem equitable, adjust the number, kind and class of securities that may be delivered under the Plan and/or the number, class, kind and price of securities covered by each outstanding Award. Notwithstanding the forgoing, all adjustments under this Section 15 shall be made in a manner that does not result in taxation under Section 409A of the Code.

(b) **Dissolution or Liquidation.** In the event of the proposed winding up, dissolution or liquidation of the Company, the Administrator will notify each Participant as soon as practicable prior to the effective date of such proposed transaction. To the extent it has not been previously exercised or settled, an Award will terminate immediately prior to the consummation of such proposed action.

(c) **Corporate Transaction.** In the event of (i) a transfer of all or substantially all of the Company's assets, (ii) a merger, consolidation or other capital reorganization or business combination transaction of the Company with or into another corporation, entity or person, (iii) the consummation of a transaction, or series of related transactions, in which any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of more than 50% of the Company's then outstanding capital stock, or (iv) a Change in Control (each, a **Corporate Transaction**"), each outstanding Award (vested or unvested) will be treated as the Administrator determines, which determination may be made without the consent of any Participant and need not treat all outstanding Awards (or portion thereof) in an identical manner. Such determination, without the consent of any Participant, may provide (without limitation) for one or more of the following in the event of a Corporate Transaction: (A) the continuation of such outstanding Awards by the Company (if the Company is the surviving corporation); (B) the assumption of such outstanding Awards by the surviving corporation or its parent; (C) the substitution by the surviving corporation or its parent of new options or other equity awards for such Awards; (D) the cancellation of such outstanding Awards in exchange for a payment to the Participants equal to the excess of (1) the Fair Market Value of the Shares subject to such Awards as of the closing date of such Corporate Transaction over (2) the exercise price or purchase price paid or to be paid (if any) for the Shares subject to the Awards; provided that, at the discretion of the Administrator and to the extent permissible under all Applicable Laws (including without limitation Section 409A of the Code), such payment may be subject to the same conditions that apply to the consideration that will be paid to holders of Shares in connection with the transaction; (E) the full or partial acceleration of vesting, settlement, payment and/or expiration of such outstanding Awards; (F) the full or partial lapse of forfeiture, repurchase or reacquisition rights with respect to Shares previously acquired pursuant to any Awards; (G) the opportunity for Participants to exercise such outstanding Options and/or Stock Appreciation Rights prior to the occurrence of the Corporate Transaction and the termination of such outstanding, unexercised Options and/or Stock Appreciation Rights upon the consummation of such Corporate Transaction for no consideration; or (H) the cancellation of such outstanding Awards in exchange for no consideration.

(d) **Change in Control.** An Award may be subject to additional acceleration of vesting, settlement, payment and/or expiration upon or after a Change in Control as may be provided in the Award Agreement for such Award or as may be provided in any other written agreement between the Company or any Affiliate and the Participant, but in the absence of such provision, no such acceleration will occur.

16. Tax.

(a) **Withholding Requirements.** Prior to the delivery of any Shares or cash pursuant to an Award (or exercise or settlement thereof) or prior to any time the Award or Shares are subject to taxation or other Tax-Related Items, the Company and/or the Participant's employer will have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy any Tax-Related Items or other items that the Company or any Affiliate is required to withhold or deduct or that is otherwise applicable with respect to such Award.

(b) **Withholding Arrangements.** The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit a Participant to satisfy such withholding or deduction obligations or any other Tax-Related Items, in whole or in part by (without limitation) (i) paying cash, (ii) electing to have the Company withhold otherwise deliverable cash or Shares, (iii) delivering to the Company already-owned Shares, or (iv) such other method as may be set forth in the Award Agreement; provided that, unless specifically permitted by the Company, any proceeds derived from a cashless exercise must be an approved broker-assisted cashless exercise or the cash or Shares withheld or delivered must be limited to avoid financial accounting charges under applicable accounting guidance or Shares must have been previously held for the minimum duration required to avoid financial accounting charges under applicable accounting guidance. The Fair Market Value of the Shares to be withheld or delivered will be determined based on such methodology that the Company deems to be reasonable and in accordance with Applicable Laws.

(c) **Compliance With Section 409A of the Code.** Awards will be designed and operated in such a manner that they are either exempt from the application of, or comply with, the requirements of Section 409A of the Code such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Section 409A of the Code. The Plan and each Award Agreement under the Plan is intended to meet the requirements of Section 409A of the Code (or an exemption therefrom) and will be construed and interpreted in accordance with such intent, except as otherwise determined in the sole discretion of the Administrator. To the extent that an Award or payment, or the settlement or deferral thereof, is subject to Section 409A of the Code the Award will be granted, paid, settled or deferred in a manner that will meet the requirements of Section 409A of the Code (or an exemption therefrom), such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Section 409A of the Code. In no event will the Company be responsible for or reimburse a Participant for any taxes or other penalties incurred as a result of the application of Section 409A of the Code.

17. **No Effect on Employment or Service.** Neither the Plan nor any Award will confer upon a Participant any right with respect to continuing the Participant's relationship as a Service Provider with the Company or any Affiliate, nor will they interfere in any way with the Participant's right or the Company's or any Affiliate's right to terminate such relationship at any time, with or without cause, to the extent permitted by Applicable Laws.

18. **Date of Grant.** The date of grant of an Award will be, for all purposes, the date on which the Administrator makes the determination granting such Award, or such other later date as is determined by the Administrator. Notice of the determination will be provided to each Participant within a reasonable time after the date of such grant.

19. **Corporate Records Control.** In the event that the corporate records (e.g., Board consents, resolutions or minutes) documenting the corporate action constituting the grant contain terms (e.g., exercise price, vesting schedule or number of Shares) that are inconsistent with those in the Award Agreement or

related grant documents as a result of a clerical error in the papering of the Award Agreement or related grant documents, the corporate records will control and the Participant will have no legally binding right to the incorrect term in the Award Agreement or related grant documents.

20. Clawback/Recovery. The Administrator may specify in an Award Agreement that the Participant's rights, payments, and/or benefits with respect to an Award will be subject to reduction, cancellation, forfeiture, and/or recoupment upon the occurrence of certain specified events, in addition to any applicable vesting, performance or other conditions and restrictions of an Award. Notwithstanding any provisions to the contrary under this Plan, an Award granted under the Plan shall be subject to the Company's clawback policy as may be established and/or amended from time to time. The Administrator may require a Participant to forfeit or return to and/or reimburse the Company for all or a portion of the Award and/or Shares issued under the Award, any amounts paid under, or benefits provided pursuant to, the Award, and any payments or proceeds paid or provided upon disposition of the Shares issued under the Award, pursuant to the terms of such Company policy or as necessary or appropriate to comply with Applicable Laws.

21. Term of Plan. Subject to Section 25 of the Plan, the Plan will become effective as of the Effective Date. The Plan will continue in effect for a term of ten (10) years measured from the earlier of the date the Board approves this Plan or the approval of this Plan by the Company's stockholders, unless terminated earlier under Section 22 of the Plan.

22. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Administrator may at any time amend, alter, suspend or terminate the Plan.

(b) Stockholder Approval. The Company will obtain stockholder approval of any Plan amendment to the extent necessary and desirable to comply with Applicable Laws.

(c) Effect of Amendment or Termination. No amendment, alteration, suspension or termination of the Plan will materially impair the rights of any Participant, unless mutually agreed otherwise between the Participant and the Administrator, which agreement must be in writing and signed by the Participant and the Company. Termination of the Plan will not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Awards granted under the Plan prior to the date of such termination.

23. Conditions Upon Issuance of Shares.

(a) Legal Compliance. Shares will not be issued pursuant to the vesting, exercise, settlement or payment (as applicable) of an Award unless the vesting, exercise, settlement or payment of such Award and the issuance and delivery of such Shares or cash will comply with Applicable Laws and will be further subject to the approval of counsel for the Company with respect to such compliance.

(b) Investment Representations. As a condition to the vesting, exercise, settlement or payment of an Award, the Company may require the Participant to represent and warrant at the time of any such vesting, exercise, settlement or payment that the Shares are being purchased or issued only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

24. Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares, or payment of cash, hereunder, will relieve the Company of any liability in respect of the failure to issue or sell such Shares, or pay such cash, as to which such requisite authority will not have been obtained.

25. Stockholder Approval. The Plan will be subject to approval by the stockholders of the Company within twelve (12) months after the date the Plan is adopted by the Board. Such stockholder approval will be obtained in the manner and to the degree required under Applicable Laws.

26. Governing Law. The Plan and all Awards hereunder shall be construed in accordance with and governed by the laws of the State of Delaware, but without regard to its conflict of law provisions.

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, **Robert McBey, John Schaible**, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AtlasClear Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant'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 Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 19, 2025

/s/ **Robert McBey, John Schaible**
Robert McBey, John Schaible
Chief Executive Officer Chairman
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

**PURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Richard Barber, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AtlasClear Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant'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 Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 15, 2024

/s/ Richard Barber

Richard Barber

Chief Financial Officer

(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of AtlasClear Holdings, Inc. (the "Company") on Form 10-Q for the quarterly period ended **September 30, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, **Robert McBey**, **Chief Financial Officer**, Executive Officer Chairman (Principal Executive and Financial Officer) of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 19, 2025

/s/ Robert McBey John Schaible

Robert McBey John Schaible
Chief Executive Officer Chairman
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of AtlasClear Holdings, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard Barber, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 15, 2024

/s/ Richard Barber

Richard Barber
Chief Financial Officer
(Principal Financial Officer)

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