

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: June 30, 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: 001-41368

**1847 HOLDINGS LLC**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**38-3922937**

(I.R.S. Employer  
Identification No.)

**590 Madison Avenue, 21st Floor, New York, NY**

(Address of principal executive offices)

**10022**

(Zip Code)

**(212) 417-9800**

(Registrant's telephone number, including area code)

**N/A**

(Former name, former address and former fiscal year, if changed since last report)

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 Shares	EFSH	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 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 the 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   
Non-accelerated filer

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 comply 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 August 15, 2024, there were 684,813 common shares of the registrant issued and outstanding.

**1847 HOLDINGS LLC**

**Quarterly Report on Form 10-Q  
Period Ended June 30, 2024**

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**PART I  
FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS.**

**1847 HOLDINGS LLC  
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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**1847 HOLDINGS LLC  
CONDENSED CONSOLIDATED BALANCE SHEETS**

	<b>June 30, 2024</b>	<b>December 31, 2023</b>
	<b>(Unaudited)</b>	
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 800,989	\$ 731,944
Receivables, net	7,629,202	7,463,199
Contract assets	66,003	80,398
Inventories, net	6,730,114	7,601,444
Prepaid expenses and other current assets	1,202,508	897,696
Current assets of discontinued operations	-	1,939,951
Total Current Assets	<u>16,428,816</u>	<u>18,714,632</u>
Property and equipment, net	1,349,771	1,810,144
Operating lease right-of-use assets	3,304,287	3,818,498
Long-term deposits	153,735	153,735
Intangible assets, net	4,133,449	4,974,348
Goodwill	9,051,052	9,808,335
Non-current assets of discontinued operations	-	88,505
TOTAL ASSETS	<u>\$ 34,421,110</u>	<u>\$ 39,368,197</u>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 15,423,374	\$ 12,194,676
Contract liabilities	2,136,106	3,308,098
Due to related parties	193,762	193,762
Current portion of operating lease liabilities	1,096,428	1,038,978
Current portion of finance lease liabilities	177,030	178,906
Current portion of notes payable, net	8,880,042	2,545,953
Current portion of convertible notes payable, net	3,198,231	3,614,142
Current portion of revolving line of credit, net	3,691,558	-
Related party note payable	578,290	578,290
Derivative liabilities	2,882,435	1,389,203
Warrant liabilities	265,100	-
Current liabilities of discontinued operations	-	3,097,215
Total Current Liabilities	<u>38,522,356</u>	<u>28,139,223</u>
Operating lease liabilities, net of current portion	2,372,922	2,932,686
Finance lease liabilities, net of current portion	515,490	605,242
Notes payable, net of current portion	213,663	239,181
Convertible notes payable, net of current portion	22,646,688	23,052,078
Revolving line of credit, net of current portion	-	3,647,511
Deferred tax liability, net	674,000	758,000
Non-current liabilities of discontinued operations	-	34,965
TOTAL LIABILITIES	<u>64,945,119</u>	<u>59,408,886</u>

Shareholders' Deficit		
Series A senior convertible preferred shares, no par value, 4,450,460 shares designated; 45,455 and 226,667 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively	38,177	190,377
Series B senior convertible preferred shares, no par value, 583,334 shares designated; 0 and 91,567 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively	-	240,499
Series D senior convertible preferred shares, no par value, 7,292,036 shares designated; 1,966,570 and 0 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively	214,000	-
Allocation shares, 1,000 shares authorized; 1,000 shares issued and outstanding as of June 30, 2024 and December 31, 2023	1,000	1,000
Common shares, \$0.001 par value, 500,000,000 shares authorized; 614,441 and 142,438 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively	614	142
Distribution receivable	(2,000,000)	(2,000,000)
Additional paid-in capital	62,769,531	57,676,965
Accumulated deficit	(90,242,920)	(74,835,392)
TOTAL 1847 HOLDINGS SHAREHOLDERS' DEFICIT	(29,219,598)	(18,726,409)
NON-CONTROLLING INTERESTS	(1,304,411)	(1,314,280)
TOTAL SHAREHOLDERS' DEFICIT	(30,524,009)	(20,040,689)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	\$ 34,421,110	\$ 39,368,197

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

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**1847 HOLDINGS LLC**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenues	\$ 15,501,359	\$ 17,362,093	\$ 30,414,856	\$ 30,327,696
Operating Expenses				
Cost of revenues	8,757,513	11,456,303	18,083,074	19,488,597
Personnel	3,406,902	2,942,810	6,522,258	5,416,230
Depreciation and amortization	421,468	572,194	845,930	1,099,200
General and administrative	2,395,880	2,350,155	4,528,480	3,851,794
Professional fees	1,847,073	485,901	4,872,222	873,722
Impairment of goodwill and intangible assets	1,216,966	-	1,216,966	-
Total Operating Expenses	18,045,802	17,807,363	36,068,930	30,729,543
LOSS FROM OPERATIONS	(2,544,443)	(445,270)	(5,654,074)	(401,847)
Other Income (Expense)				
Other income	47,769	18,696	27,837	51,594
Loss on disposal of property and equipment	(13,815)	-	(13,815)	-
Interest expense	(1,302,599)	(1,231,341)	(2,619,489)	(2,610,777)
Amortization of debt discounts	(2,929,336)	(772,561)	(6,604,925)	(1,185,211)
Loss on extinguishment of debt	(778,875)	-	(1,200,750)	-
Gain on change in fair value of warrant liabilities	3,661,800	-	1,759,600	-
Loss on change in fair value of derivative liabilities	(1,290,563)	-	(1,903,025)	-
Preliminary gain on bargain purchase	-	-	-	2,639,861
Total Other Expense	(2,605,619)	(1,985,206)	(10,554,567)	(1,104,533)
NET LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(5,150,062)	(2,430,476)	(16,208,641)	(1,506,380)
Income tax benefit (expense)	243,250	(931,321)	145,250	(703,321)
NET LOSS FROM CONTINUING OPERATIONS	\$ (4,906,812)	\$ (3,361,797)	\$ (16,063,391)	\$ (2,209,701)
Net loss from discontinued operations	-	(608,239)	(262,577)	(712,854)
Gain on disposition of Asien's	-	-	1,060,095	-
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	-	(608,239)	797,518	(712,854)
NET LOSS	\$ (4,906,812)	\$ (3,970,036)	\$ (15,265,873)	\$ (2,922,555)
NET LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS FROM CONTINUING OPERATIONS	31,583	168,893	49,435	228,715
NET (INCOME) LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS FROM DISCONTINUED OPERATIONS	-	30,412	(59,304)	35,643
NET LOSS ATTRIBUTABLE TO 1847 HOLDINGS	\$ (4,875,229)	\$ (3,770,731)	\$ (15,275,742)	\$ (2,658,197)
NET LOSS FROM CONTINUING OPERATIONS ATTRIBUTABLE TO 1847 HOLDINGS	(4,875,229)	(3,192,904)	(16,013,956)	(1,980,986)
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO 1847 HOLDINGS	-	(577,827)	738,214	(677,211)
NET LOSS ATTRIBUTABLE TO 1847 HOLDINGS	\$ (4,875,229)	\$ (3,770,731)	\$ (15,275,742)	\$ (2,658,197)
PREFERRED SHARE DIVIDENDS DEEMED DIVIDENDS	(8,318)	(165,227)	(130,786)	(328,092)
	-	(534,000)	(1,000)	(2,369,000)
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS'	\$ (4,883,547)	\$ (4,469,958)	\$ (15,407,528)	\$ (5,355,289)
LOSS PER COMMON SHARE FROM CONTINUING OPERATIONS - BASIC AND DILUTED	\$ (9.40)	\$ (863.19)	\$ (41.60)	\$ (1,182.53)
INCOME (LOSS) PER COMMON SHARE FROM DISCONTINUED OPERATIONS - BASIC AND DILUTED	-	(128.15)	1.90	(171.19)

LOSS PER COMMON SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS - BASIC AND DILUTED	\$ (9.40)	\$ (991.34)	\$ (39.70)	\$ (1,353.72)
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING - BASIC AND DILUTED	519,621	4,509	388,136	3,956

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

**1847 HOLDINGS LLC**  
**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT**  
**(UNAUDITED)**

	Series A Senior Convertible Preferred Shares		Series B Senior Convertible Preferred Shares		Series D Senior Convertible Preferred Shares		Allocation Shares	Common Shares		Distribution Receivable	Additional Paid-In Capital	Accumulated Deficit	Non-Controlling Interests	Total Shareholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	Amount					
Balance at December 31, 2023	226,667	\$ 190,377	91,567	\$ 240,499	-	\$ -	1,000	142,438	\$ 142	\$ (2,000,000)	\$57,676,965	\$ (74,835,392)	\$ (1,314,280)	\$ (20,040,689)
Issuance of common shares upon settlement of accrued series A preferred share dividends	-	-	-	-	-	-	-	9,366	10	-	130,958	-	-	130,968
Issuance of common shares upon settlement of accrued series B preferred share dividends	-	-	-	-	-	-	-	757	1	-	13,298	-	-	13,299
Issuance of common shares upon conversion of series A preferred shares	(181,212)	(152,200)	-	-	-	-	-	36,529	36	-	152,164	-	-	-
Issuance of common shares upon conversion of series B preferred shares	-	-	(80,110)	(210,264)	-	-	-	19,568	20	-	210,244	-	-	-
Issuance of common shares upon conversion of convertible notes payable	-	-	-	-	-	-	-	29,759	30	-	1,261,163	-	-	1,261,193
Issuance of common shares and prefunded warrants in connection with a public offering	-	-	-	-	-	-	-	140,457	140	-	4,334,860	-	-	4,335,000
Fair value of warrant liabilities upon exercise of prefunded warrants	-	-	-	-	-	-	-	-	-	-	(4,335,000)	-	-	(4,335,000)
Issuance of common shares upon exercise of prefunded warrants	-	-	-	-	-	-	-	38,847	39	-	(39)	-	-	-
Extinguishment of warrant liabilities upon exercise of prefunded warrants	-	-	-	-	-	-	-	-	-	-	844,500	-	-	844,500
Deemed dividend from down round provision in warrants	-	-	-	-	-	-	-	-	-	-	1,000	(1,000)	-	-
Dividends - series A senior convertible preferred shares	-	-	-	-	-	-	-	-	-	-	-	(119,492)	-	(119,492)
Dividends - series B senior convertible preferred shares	-	-	-	-	-	-	-	-	-	-	-	(2,976)	-	(2,976)
Net loss	-	-	-	-	-	-	-	-	-	-	-	(10,400,513)	41,452	(10,359,061)
Balance at March 31, 2024	45,455	\$ 38,177	11,457	\$ 30,235	-	\$ -	1,000	417,721	\$ 418	\$ (2,000,000)	\$60,290,113	\$ (85,359,373)	\$ (1,272,828)	\$ (28,272,258)

Issuance of common shares upon conversion of series B preferred shares	-	-	(11,457)	(30,235)	-	-	-	3,260	3	-	30,232	-	-	-
Issuance of common shares upon conversion of convertible notes payable	-	-	-	-	-	-	-	58,179	58	-	765,248	-	-	765,306
Issuance of warrants in connection with a private debt offering	-	-	-	-	-	-	-	-	-	-	7,573	-	-	7,573
Issuance of common shares upon exercise of prefunded warrants	-	-	-	-	-	-	-	135,281	135	-	(135)	-	-	-
Extinguishment of warrant liabilities upon exercise of prefunded warrants	-	-	-	-	-	-	-	-	-	-	1,676,500	-	-	1,676,500
Issuance of series D preferred shares in connection with a private debt offering	-	-	-	1,966,570	214,000	-	-	-	-	-	-	-	-	214,000
Dividends - series A senior convertible preferred shares	-	-	-	-	-	-	-	-	-	-	-	(7,953)	-	(7,953)
Dividends - series D senior convertible preferred shares	-	-	-	-	-	-	-	-	-	-	-	(365)	-	(365)
Net loss	-	-	-	-	-	-	-	-	-	-	-	(4,875,229)	(31,583)	(4,906,812)
Balance at June 30, 2024	45,455	\$ 38,177	-	\$ -	1,966,570	\$ 214,000	\$ 1,000	614,441	\$ 614	\$ (2,000,000)	\$62,769,531	\$ (90,242,920)	\$ (1,304,411)	\$ (30,524,009)

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**1847 HOLDINGS LLC**  
**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT**  
**(UNAUDITED)**

	Series A Senior Convertible Preferred Shares		Series B Senior Convertible Preferred Shares		Allocation Shares	Common Shares		Distribution Receivable	Additional Paid-In Capital	Accumulated Deficit	Non-Controlling Interests	Total Shareholders' Equity (Deficit)
	Shares	Amount	Shares	Amount		Shares	Amount					
Balance at December 31, 2022	1,593,940	\$1,338,746	464,899	\$1,214,181	\$ 1,000	76,371	\$ 76	\$ (2,000,000)	\$43,966,609	\$ (41,919,277)	\$ 288,499	\$ 2,889,834
Issuance of common shares upon settlement of accrued series A preferred shares dividends	-	-	-	-	-	77	-	-	152,668	-	-	152,668
Issuance of common shares and warrants in connection with a private debt offering	-	-	-	-	-	320	1	-	1,360,361	-	-	1,360,362
Issuance of common shares upon cashless exercise of warrants	-	-	-	-	-	48	-	-	-	-	-	-
Deemed dividend from issuance of warrants to common shareholders	-	-	-	-	-	-	-	-	618,000	(618,000)	-	-
Deemed dividend from down round provision in warrants	-	-	-	-	-	-	-	-	1,217,000	(1,217,000)	-	-
Dividends - series A senior convertible preferred shares	-	-	-	-	-	-	-	-	-	(110,045)	-	(110,045)
Dividends - series B senior convertible preferred shares	-	-	-	-	-	-	-	-	-	(52,820)	-	(52,820)
Net income	-	-	-	-	-	-	-	-	-	1,112,534	(65,053)	1,047,481
Balance at March 31, 2023	1,593,940	\$1,338,746	464,899	\$1,214,181	\$ 1,000	76,816	\$ 77	\$ (2,000,000)	\$47,314,638	\$ (42,804,608)	\$ 223,446	\$ 5,287,480
Issuance of common shares upon settlement of accrued series A preferred shares dividends	-	-	-	-	-	144	-	-	111,269	-	-	111,269
Issuance of common shares upon cashless exercise of warrants	-	-	-	-	-	954	1	-	(1)	-	-	-
Issuance of common shares upon exercise of warrants	-	-	-	-	-	390	1	-	5,063	-	-	5,064
Issuance of common shares upon conversion of series B preferred shares	-	-	(85,000)	(221,686)	-	332	-	-	221,686	-	-	-
Deemed dividend from down round provision in warrants	-	-	-	-	-	-	-	-	534,000	(534,000)	-	-

Dividends - series A senior convertible preferred shares	-	-	-	-	-	-	-	-	-	(110,051)	-	(110,051)
Dividends - series B senior convertible preferred shares	-	-	-	-	-	-	-	-	-	(55,176)	-	(55,176)
Net income	-	-	-	-	-	-	-	-	-	(3,770,731)	(199,305)	(3,970,036)
Balance at June 30, 2023	<u>1,593,940</u>	<u>\$1,338,746</u>	<u>379,899</u>	<u>\$ 992,495</u>	<u>\$ 1,000</u>	<u>78,636</u>	<u>\$ 79</u>	<u>\$ (2,000,000)</u>	<u>\$48,186,655</u>	<u>\$ (47,274,566)</u>	<u>\$ 24,141</u>	<u>\$ 1,268,550</u>

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

**1847 HOLDINGS LLC**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	Six Months Ended June 30,	
	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (15,265,873)	\$ (2,922,555)
Net loss from discontinued operations	262,577	712,854
Gain on disposition of Asien's	(1,060,095)	-
Adjustments to reconcile net loss to net cash used in operating activities:		
Preliminary gain on bargain purchase	-	(2,639,861)
Loss on disposal of property and equipment	13,815	-
Loss on extinguishment of debt	1,200,750	-
Impairment of goodwill and intangible assets	1,216,966	-
Gain on change in fair value of warrant liabilities	(1,759,600)	-
Loss on change in fair value of derivative liabilities	1,903,025	-
Deferred taxes	(84,000)	660,000
Inventory reserve	45,000	75,000
Depreciation and amortization	845,930	1,099,200
Amortization of debt discounts	6,604,925	1,185,211
Amortization of right-of-use assets	514,211	363,892
Changes in operating assets and liabilities:		
Receivables	(166,003)	(1,680,232)
Contract assets	14,395	26,043
Inventories	826,330	823,522
Prepaid expenses and other current assets	(304,812)	(1,022,568)
Accounts payable and accrued expenses	2,969,233	721,458
Contract liabilities	(1,171,992)	542,680
Customer deposits	-	(20,259)
Operating lease liabilities	(502,314)	(352,530)
Net cash used in operating activities from continuing operations	(3,897,532)	(2,428,145)
Net cash used in operating activities from discontinued operations	(13,462)	(119,822)
Net cash used in operating activities	(3,910,994)	(2,547,967)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash paid for ICU Eyewear, net of cash acquired	-	(3,670,887)
Purchases of property and equipment	-	(224,783)
Net cash used in investing activities from continuing operations	-	(3,895,670)
Net cash used in investing activities from discontinued operations	-	(404)
Net cash used in investing activities	-	(3,896,074)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from notes payable	2,974,900	1,410,000
Net proceeds from issuance of common shares and warrants in connection with a private debt offering	-	3,549,518
Net proceeds from issuance of common shares and warrants in connection with a public offering	4,335,000	-
Net proceeds (repayments) from revolving line of credit	(638,982)	1,715,003
Proceeds from exercise of warrants	-	5,064
Repayments of notes payable and finance lease liabilities	(2,593,933)	(635,394)
Repayments of convertible notes payable	(110,408)	-
Accrued series B preferred share dividends paid	-	(105,671)
Net cash provided by financing activities from continuing operations	3,966,577	5,938,520
Net cash used in financing activities from discontinued operations	(4,836)	(14,184)
Net cash provided by financing activities	3,961,741	5,924,336
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS</b>	<u>69,045</u>	<u>(385,295)</u>
<b>CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS</b>		
Cash from continuing operations at the beginning of the period	\$ 731,944	\$ 868,944
Cash from continuing operations at the end of the period	<u>\$ 800,989</u>	<u>483,649</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 1,427,798	\$ 1,776,635
Cash paid for income taxes	<u>\$ 40,000</u>	<u>\$ 131,500</u>
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Net assets acquired in the acquisition of ICU Eyewear	\$ -	\$ 2,639,861
Net assets from the disposition of Asien's	<u>\$ 1,060,095</u>	<u>\$ -</u>
Deemed dividend from issuance of warrants to common shareholders	\$ -	\$ 618,000
Deemed dividend from down round provision in warrants	<u>\$ 1,000</u>	<u>\$ 1,751,000</u>
Accrued dividends on series A preferred shares	<u>\$ 127,445</u>	<u>\$ 220,096</u>

Accrued dividends on series B preferred shares	\$ 2,976	\$ 107,996
Accrued dividends on series D preferred shares	\$ 365	\$ -
Issuance of common shares upon settlement of accrued series A dividends	\$ 130,968	\$ 263,937
Issuance of common shares upon settlement of accrued series B dividends	\$ 13,299	\$ -
Issuance of common shares upon conversion of series A shares	\$ 152,200	\$ -
Issuance of common shares upon conversion of series B shares	\$ 240,499	\$ 221,686
Issuance of common shares upon cashless exercise of warrants	\$ -	\$ 1
Debt discount on notes payable	\$ 824,767	\$ 2,405,419
Fair value of derivative liabilities recognized upon issuance of promissory notes	\$ 1,338,727	\$ -
Fair value of warrant liabilities recognized upon issuance of prefunded warrants	\$ 4,545,700	\$ -
Issuance of common shares upon exercise of prefunded warrants	\$ 174	\$ -
Extinguishment of warrant liabilities upon exercise of prefunded warrants	\$ 2,521,000	\$ -
Issuance of common shares upon conversion of convertible notes payable and accrued interest	\$ 2,026,499	\$ -
Issuance of warrants in connection with a private debt offering	\$ 7,573	\$ -
Issuance of series D preferred shares in connection with a private debt offering	\$ 214,000	\$ -
Financed purchases of property and equipment	\$ 71,756	\$ -
Fair value of note payable issued for services	\$ 492,000	\$ -
Reclassification of accrued interest to convertible notes payable	\$ 17,954	\$ -

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

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**1847 HOLDINGS LLC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(UNAUDITED)**

**NOTE 1—BASIS OF PRESENTATION AND OTHER INFORMATION**

The accompanying unaudited condensed consolidated financial statements of 1847 Holdings LLC (the “Company,” “we,” “us,” or “our”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with the instructions to Form 10-Q of Regulation S-X. They do not include all the information and footnotes required by GAAP for complete financial statements. The December 31, 2023 consolidated balance sheet data was derived from audited financial statements but do not include all disclosures required by GAAP. The interim unaudited condensed consolidated financial statements should be read in conjunction with those consolidated financial statements included in the Form 10-K, as filed with the Securities and Exchange Commission on April 25, 2024. In the opinion of management, all adjustments considered necessary for a fair presentation of the financial statements, consisting solely of normal recurring adjustments, have been made. Operating results for the three and six months ended June 30, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024.

**Discontinued Operations**

On February 26, 2024, Asien’s Appliance, Inc. (“Asien’s”), a wholly owned subsidiary of 1847 Asien Inc. (“1847 Asien”), entered into a general assignment (the “Assignment Agreement”), for the benefit of its creditors, with SG Service Co., LLC (the “Assignee”). Pursuant to the Assignment Agreement, Asien’s transferred ownership of all or substantially all of its right, title, and interest in, as well as custody and control of, its assets to the Assignee in trust. The results of operations of Asien’s are reported as discontinued operations for the three and six months ended June 30, 2024 and 2023. Unless otherwise noted, amounts and disclosures throughout these notes to condensed consolidated financial statements relate solely to continuing operations and exclude all discontinued operations. See Note 3 for additional information.

The Company evaluates all disposal transactions to determine whether such disposal qualifies for reporting as discontinued operations in accordance with ASC 205-20, “Discontinued Operations.” A disposal of a component or a group of components is reported in discontinued operations if the disposal represents a strategic shift that has or will have a major effect on the Company’s operations and financial results when the following occurs: (1) a component (or group of components) meets the criteria to be classified as held for sale; (2) the component or group of components is disposed of by sale; or (3) the component or group of components is disposed of other than by sale (for example, by abandonment or in a distribution to owners in a spin-off). For any component classified as held for sale or disposed of by sale or other than by sale, qualifying for presentation as a discontinued operation, the Company reports the results of operations of the discontinued operations (including any gain or loss recognized on the disposal or loss recognized on classification as held for sale of a discontinued operation), less applicable income taxes (benefit), as a separate component in the consolidated statement of operations for current and all prior periods presented. The Company also reports assets and liabilities associated with discontinued operations as separate line items on the consolidated balance sheet for prior periods.

**Reverse Share Splits**

On July 8, 2024, the Company effected a 1-for-13 reverse split of its outstanding common shares. All outstanding common shares and warrants were adjusted to reflect the 1-for-13 reverse split, with the respective exercise prices of the warrants proportionately increased. The outstanding convertible notes and preferred shares conversion prices were adjusted to reflect a proportional decrease in the number of common shares to be issued upon conversion.

All share and per share data throughout these condensed consolidated financial statements have been retroactively adjusted to reflect the reverse share split. The total number of authorized common shares did not change. As a result of the reverse common share split, an amount equal to the decreased value of common shares was reclassified from “common shares” to “additional paid-in capital.”

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**1847 HOLDINGS LLC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(UNAUDITED)**

**Reclassifications**

Certain reclassifications within operating expenses have been made to the prior period's financial statements to conform to the current period financial statement presentation. There is no impact in total to the results of operations and cash flows in all periods presented.

#### **Recently Issued Accounting Pronouncements**

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, " *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*," which requires a public entity to disclose significant segment expenses and other segment items on an annual and interim basis and to provide in interim periods all disclosures about reportable segment's profit or loss and assets that are currently required annually. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. These amendments are to be applied retrospectively. The Company is currently evaluating the impact this standard will have on its condensed consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, " *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ," which enhances the transparency and decision usefulness of income tax disclosures by requiring; (1) consistent categories and greater disaggregation of information in the rate reconciliation and (2) income taxes paid disaggregated by jurisdiction. It also includes certain other amendments to improve the effectiveness of income tax disclosures. ASU 2023-09 is effective for fiscal years beginning after December 15, 2025, with early adoption permitted. These amendments are to be applied prospectively, with retrospective application permitted. The Company is currently evaluating the impact this standard will have on its condensed consolidated financial statements.

The Company currently believes there are no other issued and not yet effective accounting standards that are materially relevant to our condensed consolidated financial statements.

**1847 HOLDINGS LLC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(UNAUDITED)**

#### **NOTE 2—LIQUIDITY AND GOING CONCERN ASSESSMENT**

Management assesses liquidity and going concern uncertainty in the Company's condensed consolidated financial statements to determine whether there is sufficient cash on hand and working capital, including available borrowings on loans, to operate for a period of at least one year from the date the financial statements are issued, which is referred to as the "look-forward period," as defined in GAAP. As part of this assessment, based on conditions that are known and reasonably knowable to management, management considered various scenarios, forecasts, projections, estimates and made certain key assumptions, including the timing and nature of projected cash expenditures or programs, its ability to delay or curtail expenditures or programs and its ability to raise additional capital, if necessary, among other factors. Based on this assessment, management made certain assumptions around implementing curtailments or delays in the nature and timing of programs and expenditures to the extent it deems probable those implementations can be achieved and management has the proper authority to execute them within the look-forward period.

As of June 30, 2024, the Company had cash and cash equivalents of \$ 800,989 and total working capital deficit of \$ 22,093,540. For the six months ended June 30, 2024, the Company incurred an operating loss of \$5,654,074 and used cash flows in operating activities from continuing operations of \$ 3,897,532.

The Company has generated operating losses since its inception and has relied on cash on hand, sales of securities, external bank lines of credit, and issuance of third-party and related party debt to support cashflows from operations. The Company expects that within the next twelve months, it will not have sufficient cash and other resources on hand to sustain its current operations or meet its obligations as they become due unless it obtains additional financing. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

An assessment was performed to determine whether there were conditions or events that, considered in the aggregate, raised substantial doubt about the Company's ability to continue as a going concern within one year after the condensed consolidated financial statements are issued. Initially, this assessment did not consider the potential mitigating effect of management's plans that had not been fully implemented. Based on this assessment, substantial doubt exists regarding the Company's ability to continue as a going concern.

Management plans to address these concerns by securing additional financing through debt and equity offerings. Management assessed the mitigating effect of its plans to determine if it is probable that the plans would be effectively implemented within one year after the consolidated financial statements are issued and when implemented, would mitigate the relevant conditions or events that raise substantial doubt about the Company's ability to continue as a going concern. These plans are subject to market conditions and reliance on third parties, and there is no assurance that effective implementation of the Company's plans will result in the necessary funding to continue current operations and satisfy current debt obligations. These conditions raise substantial doubt about the Company's ability to continue as a going concern beyond one year from the date the condensed consolidated financial statements are issued.

The accompanying condensed consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The accompanying condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of assets and their carrying amounts, or the amounts and classification of liabilities that may result should the Company be unable to continue as a going concern. If the Company is unable to obtain adequate capital, it could be forced to cease operations.

**1847 HOLDINGS LLC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(UNAUDITED)**

#### **NOTE 3—DISCONTINUED OPERATIONS**

On February 26, 2024, Asien's entered into an Assignment Agreement, for the benefit of its creditors. Pursuant to the Assignment Agreement, Asien's transferred ownership of all or substantially all of its right, title, and interest in, as well as custody and control of, its assets to the Assignee in trust. The Company received no cash consideration related to the assignment. Following the assignment, the Company retained no financial interest in Asien's.

The assignment of Asien's represents a strategic shift and its results are reported as discontinued operations for the three and six months ended June 30, 2024 and 2023. The Company recognized a gain on disposition of Asien's of \$1,060,095, as a separate line item in discontinued operations in the consolidated statements of operations for the six months ended June 30, 2024.

The following information presents the major classes of line item of assets and liabilities included as part of discontinued operations of Asien's in the consolidated

balance sheet as of December 31, 2023:

	<b>December 31, 2023</b>
<b>Current assets of discontinued operations</b>	
Cash and cash equivalents	\$ 34,470
Investments	278,521
Receivables	88,770
Inventories, net	1,398,088
Prepaid expenses and other current assets	140,102
Total current assets of discontinued operations	<u>1,939,951</u>
<b>Non-current assets of discontinued operations</b>	
Property and equipment, net	<u>88,505</u>
Total assets of discontinued operations	<u>\$ 2,028,456</u>
<b>Current liabilities of discontinued operations</b>	
Accounts payable and accrued expenses	\$ 923,945
Customer deposits	2,143,493
Current portion of notes payable	29,777
Total current liabilities of discontinued operations	<u>3,097,215</u>
<b>Non-current liabilities of discontinued operations</b>	
Notes payable, net of current portion	<u>34,965</u>
Total liabilities of discontinued operations	<u>\$ 3,132,180</u>

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**1847 HOLDINGS LLC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(UNAUDITED)**

The following information presents the major classes of line items constituting the loss from discontinued operations of Asien's in the unaudited consolidated statements of operations for the three and six months ended June 30, 2024 and 2023:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Revenues	\$ -	\$ 2,028,646	\$ 870,952	\$ 4,466,581
<b>Operating Expenses</b>				
Cost of revenues	-	1,672,052	744,706	3,485,835
Personnel	-	264,790	98,213	537,994
Depreciation and amortization	-	46,603	7,702	93,206
General and administrative	-	372,993	203,377	749,158
Professional fees	-	59,038	78,807	108,474
Total Operating Expenses	<u>-</u>	<u>2,415,476</u>	<u>1,132,805</u>	<u>4,974,667</u>
Loss from operations	<u>-</u>	<u>(386,830)</u>	<u>(261,853)</u>	<u>(508,086)</u>
<b>Other Income (Expense)</b>				
Other income	-	104	-	374
Interest expense	-	(221,513)	(724)	(247,142)
Total Other Expense	<u>-</u>	<u>(221,409)</u>	<u>(724)</u>	<u>(246,768)</u>
Net loss from discontinued operations before income taxes	<u>-</u>	<u>(608,239)</u>	<u>(262,577)</u>	<u>(754,854)</u>
Income tax benefit	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,000</u>
Net loss from discontinued operations	<u>\$ -</u>	<u>\$ (608,239)</u>	<u>\$ (262,577)</u>	<u>\$ (712,854)</u>
<b>Net income (loss) attributable to non-controlling interests from discontinued operations</b>				
	<u>-</u>	<u>30,412</u>	<u>(59,304)</u>	<u>35,643</u>
Net loss from discontinued operations attributable to 1847 Holdings	<u>\$ -</u>	<u>(577,827)</u>	<u>(321,881)</u>	<u>(677,211)</u>

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**1847 HOLDINGS LLC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(UNAUDITED)**

The following information presents the major classes of line items constituting significant operating, investing and financing cash flow activities from discontinued operations of Asien's in the unaudited consolidated statements of cash flows for the six months ended June 30, 2024 and 2023:

<b>Six Months Ended June 30,</b>	
<b>2024</b>	<b>2023</b>

Cash flows from operating activities		
Net loss	\$ (262,577)	\$ (712,854)
Adjustments to reconcile net loss to net cash used in operating activities:		
Deferred taxes	-	(42,000)
Depreciation and amortization	7,702	93,206
Changes in operating assets and liabilities:		
Receivables	73,769	92,860
Inventories	213,399	145,381
Prepaid expenses and other current assets	108,686	(175,268)
Accounts payable and accrued expenses	320,362	452,000
Customer deposits	(474,803)	26,853
Net cash used in operating activities from discontinued operations	(13,462)	(119,822)
Cash flows from investing activities		
Investments in certificates of deposit	-	(404)
Net cash used in investing activities from discontinued operations	-	(404)
Cash flows from financing activities		
Repayments of notes payable	(4,836)	(14,184)
Net cash used in financing activities from discontinued operations	(4,836)	(14,184)
Net change in cash and cash equivalents from discontinued operations	\$ (18,298)	\$ (134,410)

#### NOTE 4—DISAGGREGATION OF REVENUES AND SEGMENT REPORTING

Following the divesture of the retail and appliances segment, the Company now has three reportable segments:

The Retail and Eyewear Segment provides a wide variety of eyewear products (non-prescription reading glasses, sunglasses, blue light blocking eyewear, sun readers, outdoor specialty sunglasses and other eyewear-related products) as well as personal protective equipment (face masks and select health and personal care items).

The Construction Segment provides finished carpentry products and services (door frames, base boards, crown molding, cabinetry, bathroom sinks and cabinets, bookcases, built-in closets, fireplace mantles, windows, and custom design and build of cabinetry and countertops).

The Automotive Supplies Segment provides horn and safety products (electric, air, truck, marine, motorcycle, and industrial equipment) and vehicle emergency and safety warning lights (cars, trucks, industrial equipment, and emergency vehicles).

The Company reports all other business activities that are not reportable in the Corporate Services Segment. The Company provides general corporate services to its segments; however, these services are not considered when making operating decisions and assessing segment performance. The Corporate Services Segment includes costs associated with executive management, financing activities and other public company-related costs.

**1847 HOLDINGS LLC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(UNAUDITED)**

The Company's revenues for the three months ended June 30, 2024 and 2023 are disaggregated as follows:

	<b>For the Three Months Ended June 30, 2024</b>			
	<b>Retail and Eyewear</b>	<b>Construction</b>	<b>Automotive Supplies</b>	<b>Total</b>
Revenues				
Eyewear-related	\$ 3,022,361	\$ -	\$ -	\$ 3,022,361
Personal protective equipment and other	54,540	-	-	54,540
Automotive horns	-	-	1,081,191	1,081,191
Automotive lighting	-	-	21,896	21,896
Custom cabinets and countertops	-	2,665,805	-	2,665,805
Finished carpentry	-	8,655,566	-	8,655,566
<b>Total Revenues</b>	<b>\$ 3,076,901</b>	<b>\$ 11,321,371</b>	<b>\$ 1,103,087</b>	<b>\$ 15,501,359</b>

	<b>For the Three Months Ended June 30, 2023</b>			
	<b>Retail and Eyewear</b>	<b>Construction</b>	<b>Automotive Supplies</b>	<b>Total</b>
Revenues				
Eyewear-related	\$ 4,064,791	\$ -	\$ -	\$ 4,064,791
Personal protective equipment and other	429,270	-	-	429,270
Automotive horns	-	-	797,032	797,032
Automotive lighting	-	-	567,105	567,105
Custom cabinets and countertops	-	2,240,625	-	2,240,625
Finished carpentry	-	9,263,270	-	9,263,270
<b>Total Revenues</b>	<b>\$ 4,494,061</b>	<b>\$ 11,503,895</b>	<b>\$ 1,364,137</b>	<b>\$ 17,362,093</b>

The Company's revenues for the six months ended June 30, 2024 and 2023 are disaggregated as follows:

	<b>For the Six Months Ended June 30, 2024</b>			
	<b>Retail and Eyewear</b>	<b>Construction</b>	<b>Automotive Supplies</b>	<b>Total</b>
Revenues				
Eyewear-related	\$ 6,582,903	\$ -	\$ -	\$ 6,582,903
Personal protective equipment and other	390,165	-	-	390,165
Automotive horns	-	-	2,150,625	2,150,625
Automotive lighting	-	-	730,823	730,823

Custom cabinets and countertops	-	4,750,259	-	4,750,259
Finished carpentry	-	15,810,081	-	15,810,081
<b>Total Revenues</b>	<b>\$ 6,973,068</b>	<b>\$ 20,560,340</b>	<b>\$ 2,881,448</b>	<b>\$ 30,414,856</b>

**For the Six Months Ended June 30, 2023**

	<b>Retail and Eyewear</b>	<b>Construction</b>	<b>Automotive Supplies</b>	<b>Total</b>
Revenues				
Eyewear-related	\$ 6,585,603	\$ -	\$ -	\$ 6,585,603
Personal protective equipment and other	701,170	-	-	701,170
Automotive horns	-	-	1,792,449	1,792,449
Automotive lighting	-	-	831,854	831,854
Custom cabinets and countertops	-	4,356,807	-	4,356,807
Finished carpentry	-	16,059,813	-	16,059,813
<b>Total Revenues</b>	<b>\$ 7,286,773</b>	<b>\$ 20,416,620</b>	<b>\$ 2,624,303</b>	<b>\$ 30,327,696</b>

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**1847 HOLDINGS LLC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(UNAUDITED)**

Segment information for the three months ended June 30, 2024 and 2023 are as follows:

**For the Three Months Ended June 30, 2024**

	<b>Retail and Eyewear</b>	<b>Construction</b>	<b>Automotive Supplies</b>	<b>Corporate Services</b>	<b>Total</b>
Revenues	\$ 3,076,901	\$ 11,321,371	\$ 1,103,087	\$ -	\$ 15,501,359
Operating expenses					
Cost of revenues	1,421,597	6,611,425	724,491	-	8,757,513
Personnel	600,763	2,735,068	268,619	(197,548)	3,406,902
Personnel – corporate allocation	-	(405,762)	(49,238)	455,000	-
Depreciation and amortization	104,596	316,803	69	-	421,468
General and administrative	692,267	1,541,675	191,400	(304,462)	2,120,880
General and administrative – management fees	75,000	125,000	75,000	-	275,000
General and administrative – corporate allocation	(187,268)	(361,806)	(51,284)	600,358	-
Professional fees	393,153	74,294	94,113	1,285,513	1,847,073
Impairment of goodwill and intangible assets	1,216,966	-	-	-	1,216,966
Total operating expenses	4,317,074	10,636,697	1,253,170	1,838,861	18,045,802
Income (loss) from operations	\$ (1,240,173)	\$ 684,674	\$ (150,083)	\$ (1,838,861)	\$ (2,544,443)

**For the Three Months Ended June 30, 2023**

	<b>Retail and Eyewear</b>	<b>Construction</b>	<b>Automotive Supplies</b>	<b>Corporate Services</b>	<b>Total</b>
Revenues	\$ 4,494,061	\$ 11,503,895	\$ 1,364,137	\$ -	\$ 17,362,093
Operating expenses					
Cost of revenues	3,430,540	7,200,651	825,112	-	11,456,303
Personnel	792,436	2,009,215	314,509	(173,350)	2,942,810
Personnel – corporate allocation	-	(249,900)	(83,300)	333,200	-
Depreciation and amortization	107,125	413,130	51,939	-	572,194
General and administrative	505,777	1,638,821	226,539	(295,982)	2,075,155
General and administrative – management fees	75,000	125,000	75,000	-	275,000
General and administrative – corporate allocation	-	(343,148)	(88,627)	431,775	-
Professional fees	116,855	42,674	50,727	275,645	485,901
Total operating expenses	5,027,733	10,836,443	1,371,899	571,288	17,807,363
Income (loss) from operations	\$ (533,672)	\$ 667,452	\$ (7,762)	\$ (571,288)	\$ (445,270)

Segment information for the six months ended June 30, 2024 and 2023 are as follows:

**For the Six Months Ended June 30, 2024**

	<b>Retail and Eyewear</b>	<b>Construction</b>	<b>Automotive Supplies</b>	<b>Corporate Services</b>	<b>Total</b>
Revenues	\$ 6,973,068	\$ 20,560,340	\$ 2,881,448	\$ -	\$ 30,414,856
Operating expenses					
Cost of revenues	4,420,530	11,769,691	1,892,853	-	18,083,074
Personnel	1,253,954	4,761,777	569,031	(62,504)	6,522,258
Personnel – corporate allocation	-	(716,278)	(86,918)	803,196	-
Depreciation and amortization	209,192	636,600	138	-	845,930
General and administrative	1,060,132	2,958,670	402,325	(442,647)	3,978,480
General and administrative – management fees	150,000	250,000	150,000	-	550,000
General and administrative – corporate allocation	(217,161)	(682,640)	(88,813)	988,614	-
Professional fees	625,333	140,021	182,134	3,924,734	4,872,222
Impairment of goodwill and intangible assets	1,216,966	-	-	-	1,216,966
Total operating expenses	8,718,946	19,117,841	3,020,750	5,211,393	36,068,930
Income (loss) from operations	\$ (1,745,878)	\$ 1,442,499	\$ (139,302)	\$ (5,211,393)	\$ (5,654,074)

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**1847 HOLDINGS LLC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(UNAUDITED)**

**For the Six Months Ended June 30, 2023**

	<b>Retail and Eyewear</b>	<b>Construction</b>	<b>Automotive Supplies</b>	<b>Corporate Services</b>	<b>Total</b>
Revenues	\$ 7,286,773	\$ 20,416,620	\$ 2,624,303	\$ -	\$ 30,327,696
Operating expenses					
Cost of revenues	5,377,551	12,575,678	1,535,368	-	19,488,597
Personnel	1,319,511	3,781,151	646,829	(331,261)	5,416,230
Personnel – corporate allocation	-	(464,100)	(154,700)	618,800	-
Depreciation and amortization	169,203	826,119	103,878	-	1,099,200
General and administrative	606,087	2,530,992	431,501	(191,786)	3,376,794
General and administrative – management fees	75,000	250,000	150,000	-	475,000
General and administrative – corporate allocation	-	(462,593)	(121,442)	584,035	-
Professional fees	194,348	118,825	107,998	452,551	873,722
Total operating expenses	<u>7,741,700</u>	<u>19,156,072</u>	<u>2,699,432</u>	<u>1,132,339</u>	<u>30,729,543</u>
Income (loss) from operations	<u>\$ (454,927)</u>	<u>\$ 1,260,548</u>	<u>\$ (75,129)</u>	<u>\$ (1,132,339)</u>	<u>\$ (401,847)</u>

Total assets by operating segment as of June 30, 2024 are as follows:

	<b>As of June 30, 2024</b>				
	<b>Retail and Eyewear</b>	<b>Construction</b>	<b>Automotive Supplies</b>	<b>Corporate Services</b>	<b>Total</b>
Assets					
Current assets	\$ 6,359,140	\$ 7,407,355	\$ 1,660,994	\$ 1,001,327	\$ 16,428,816
Long-lived assets	1,767,993	7,059,962	113,287	-	8,941,242
Goodwill	-	9,051,052	-	-	9,051,052
Total assets	<u>\$ 8,127,133</u>	<u>\$ 23,518,369</u>	<u>\$ 1,774,281</u>	<u>\$ 1,001,327</u>	<u>\$ 34,421,110</u>

**NOTE 5—PROPERTY AND EQUIPMENT**

Property and equipment as of June 30, 2024 and December 31, 2023 consisted of the following:

	<b>June 30, 2024</b>	<b>December 31, 2023</b>
Machinery and equipment	\$ 1,402,596	\$ 1,402,596
Office furniture and equipment	143,389	143,389
Transportation equipment	934,397	943,516
Displays	610,960	610,960
Leasehold improvements	<u>156,360</u>	<u>156,360</u>
Total property and equipment	3,247,702	3,256,821
Less: accumulated depreciation	<u>(1,897,931)</u>	<u>(1,446,677)</u>
Total property and equipment, net	<u>\$ 1,349,771</u>	<u>\$ 1,810,144</u>

Depreciation expense for the three and six months ended June 30, 2024 was \$ 230,860 and \$464,714, respectively. Depreciation expense for the three and six months ended June 30, 2023 was \$242,552 and \$439,916, respectively.

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**NOTE 6—INTANGIBLE ASSETS AND GOODWILL**

Intangible assets as of June 30, 2024 and December 31, 2023 consisted of the following:

	<b>June 30, 2024</b>	<b>December 31, 2023</b>
Customer-related	\$ 5,148,500	\$ 5,484,500
Marketing-related	<u>1,099,000</u>	<u>1,338,000</u>
Total intangible assets	6,247,500	6,822,500
Less: accumulated amortization	<u>(2,114,051)</u>	<u>(1,848,152)</u>
Total intangible assets, net	<u>\$ 4,133,449</u>	<u>\$ 4,974,348</u>

Amortization expense for the three and six months ended June 30, 2024 was \$ 190,608 and \$381,216, respectively. Amortization expense for the three and six months ended June 30, 2023 was \$329,642 and \$659,284, respectively.

During the three and six months ended June 30, 2024, the Company recorded impairments of \$ 459,683 related to its customer and marketing-related intangible assets.

Estimated amortization expense for intangible assets for the next five years consists of the following as of June 30, 2024:

<b>Year Ending December 31,</b>	<b>Amount</b>
2024 (remaining)	\$ 340,517
2025	611,856
2026	571,606
2027	450,856
2028	450,856

Thereafter	1,707,758
Total estimated amortization expense	<u>\$ 4,133,449</u>

Below is a table summarizing the changes in the carrying amount of goodwill for the six months ended June 30, 2024:

	<u>Amount</u>
Balance as of December 31, 2023	\$ 9,808,335
Impairments	(757,283)
Balance as of June 30, 2024	<u>\$ 9,051,052</u>

During the three and six months ended June 30, 2024, the Company recorded goodwill impairments of \$ 757,283.

#### NOTE 7—SELECTED ACCOUNT INFORMATION

##### Receivables

Receivables as of June 30, 2024 and December 31, 2023 consisted of the following:

	<u>June 30, 2024</u>	<u>December 31, 2023</u>
Trade accounts receivable	\$ 6,317,057	\$ 6,731,603
Factoring reserve holdback	532,520	-
Retainage	1,122,825	1,075,761
Total receivables	7,972,402	7,807,364
Allowance for expected credit losses	(343,200)	(344,165)
Total receivables, net	<u>\$ 7,629,202</u>	<u>\$ 7,463,199</u>

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##### Inventories

Inventories as of June 30, 2024 and December 31, 2023 consisted of the following:

	<u>June 30, 2024</u>	<u>December 31, 2023</u>
Eyewear	\$ 5,676,332	\$ 5,880,478
Automotive	944,047	1,190,899
Construction	1,600,735	1,976,067
Total inventories	8,221,114	9,047,444
Less reserve for obsolescence	(1,491,000)	(1,446,000)
Total inventories, net	<u>\$ 6,730,114</u>	<u>\$ 7,601,444</u>

##### Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets as of June 30, 2024 and December 31, 2023 consisted of the following:

	<u>June 30, 2024</u>	<u>December 31, 2023</u>
Prepaid expenses	\$ 543,134	\$ 104,156
Prepaid inventory	214,021	282,410
Prepaid taxes	240,788	304,788
Other current assets	204,565	206,342
Total prepaid expenses and other current assets	<u>\$ 1,202,508</u>	<u>\$ 897,696</u>

On February 7, 2024, the Company entered into a consulting agreement with TraDigital Marketing Group for consulting services related to investor relations, digital marketing and advertising, and strategic advisory, totaling \$1,400,000. The term of the agreement is for six months.

On February 8, 2024, the Company entered into a consulting agreement with Alchemy Advisory LLC for consulting services related to business and investor outreach, totaling \$400,000. The term of the agreement is for six months.

On February 8, 2024, the Company entered into a consulting agreement with Reef Digital LLC for consulting services related to investor relations, IT support, and strategic advisory, totaling \$333,000. The term of the agreement for 12 months.

On February 8, 2024, the Company entered into a consulting agreement with SeaPath Advisory, LLC for consulting services related to content marketing and strategic advisory, totaling \$365,000. The term of the agreement is for three months.

The Company prepaid these consulting agreements, totaling \$2,498,000, using the proceeds from the public offering (see Note 11). As of June 30, 2024, the total outstanding prepaid expense relating to these consulting agreements was \$260,917.

##### Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses as of June 30, 2024 and December 31, 2023 consisted of the following:

	<u>June 30, 2024</u>	<u>December 31, 2023</u>
Trade accounts payable	\$ 9,535,819	\$ 7,155,339
Credit cards payable	323,628	318,314
Accrued payroll liabilities	1,133,140	1,241,448

Accrued interest	2,584,603	1,712,991
Accrued dividends	12,724	32,997
Accrued taxes	225,699	371,524
Other accrued liabilities	1,607,761	1,362,063
Total accounts payable and accrued expenses	<u>\$ 15,423,374</u>	<u>\$ 12,194,676</u>

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**NOTE 8—LEASES**

**Operating Leases**

The following was included in the condensed consolidated balance sheets at June 30, 2024 and December 31, 2023:

	June 30, 2024	December 31, 2023
Operating lease right-of-use assets	<u>\$ 3,304,287</u>	<u>\$ 3,818,498</u>
Operating lease liabilities, current portion	1,096,428	1,038,978
Operating lease liabilities, long-term	2,372,922	2,932,686
Total operating lease liabilities	<u>\$ 3,469,350</u>	<u>\$ 3,971,664</u>
Weighted-average remaining lease term (months)	38	43
Weighted average discount rate	9.35%	9.04%

Rent expense for the three and six months ended June 30, 2024 was \$ 380,320 and \$760,401, respectively. Rent expense for the three and six months ended June 30, 2023 was \$350,857 and \$652,413, respectively.

As of June 30, 2024, maturities of operating lease liabilities were as follows:

<b>Year Ending December 31,</b>	<b>Amount</b>
2024 (remaining)	\$ 674,591
2025	1,304,733
2026	1,032,656
2027	766,969
2028	273,660
Total	4,052,609
Less: imputed interest	(583,259)
Total operating lease liabilities	<u>\$ 3,469,350</u>

**Finance Leases**

As of June 30, 2024, maturities of financing lease liabilities were as follows:

<b>Year Ending December 31,</b>	<b>Amount</b>
2024 (remaining)	\$ 105,665
2025	211,332
2026	211,332
2027	210,042
2028	28,833
Total	821,779
Less: amount representing interest	(74,684)
Total finance lease liabilities	<u>\$ 692,520</u>

As of June 30, 2024, the weighted-average remaining lease term for all finance leases is 43 months and the weighted average discount rate is 5.14%.

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**NOTE 9—FAIR VALUE MEASUREMENTS**

**Recurring Fair Value Measurements**

The fair value of financial instruments measured on a recurring basis as of June 30, 2024 consisted of the following:

Description	Fair Value Measurements as of June 30, 2024			
	Level 1	Level 2	Level 3	Total
Derivative liabilities	\$ -	\$ -	\$ 2,882,435	\$ 2,882,435
Warrant liabilities	-	-	265,100	265,100

Total recurring fair value measurements	-	-	\$ 3,147,535	\$ 3,147,535
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The following table provides a roll-forward of changes for financial instruments measured at fair value on a recurring basis for the six months ended June 30, 2024:

	<u>Amount</u>
<b>Derivative Liabilities</b>	
Balance as of December 31, 2023	\$ 1,389,203
Initial fair value of derivative liabilities upon issuance	1,338,727
Loss on change in fair value of derivative liabilities	1,903,025
Extinguishment of derivative liabilities upon conversion or settlement	(1,748,520)
Balance as of June 30, 2024	<u>\$ 2,882,435</u>
<b>Warrant Liabilities</b>	
Balance as of December 31, 2023	\$ -
Fair value of warrant liabilities upon issuance	4,545,700
Gain on change in fair value of warrant liabilities	(1,759,600)
Extinguishment of warrant liabilities upon exercise of prefunded warrants	(2,521,000)
Balance as of June 30, 2024	<u>\$ 265,100</u>

## NOTE 10—DEBT

### Notes Payable

#### Private Placement of 20% OID Promissory Notes and Warrants

On August 11, 2023, the Company entered into a securities purchase agreement in a private placement transaction with certain accredited investors, pursuant to which the Company issued and sold to the investors 20% original issue discount ("OID") subordinated promissory notes in the aggregate principal amount of \$3,125,000. The notes are due and payable on February 11, 2024. During the six months ended June 30, 2024, the Company made principal payments totaling \$1,437,500.

On February 11, 2024, the Company and remaining note holders entered into amendments to the notes issued on August 11, 2023, pursuant to which the parties agreed to extend the maturity date of these remaining notes to April 11, 2024. As additional consideration for the amendments, the Company agreed to increase the outstanding principal by 20% of the outstanding principal amounts of the remaining notes as an amendment fee. As a result, the Company recognized a loss on extinguishment of debt of \$421,875.

On April 11, 2024, the Company and remaining note holders entered into amendments to the notes amended on February 11, 2024, pursuant to which the parties agreed to extend the maturity date of these remaining notes to July 10, 2024. As additional consideration for the amendments, the Company agreed to increase the outstanding principal by 20% of the outstanding principal amounts of the remaining notes as an amendment fee. As a result, the Company recognized a loss on extinguishment of debt of \$421,875.

As of June 30, 2024, the total outstanding principal balance is \$ 2,531,250.

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#### Private Placement of 20% OID Promissory Note

On March 4, 2024, the Company issued a 20% OID subordinated note in the principal amount of \$ 1,250,000 to an accredited investor for net cash proceeds of \$999,900. On March 27, 2024, the note was amended and restated to increase the principal amount to \$ 1,562,500 for additional cash proceeds of \$250,000. This note is due and payable on June 4, 2024. On April 9, 2024, the note was amended and restated to increase the principal amount to \$2,500,000 for additional cash proceeds of \$750,000. This note is due and payable on June 4, 2024.

The Company may voluntarily prepay the note in full at any time. In addition, if the Company consummates any equity or equity-linked or debt securities issuance, or enters into a loan agreement or other financing, other than certain excluded debt (as defined in the note), then the Company must prepay the note in full. The note is unsecured and has priority over all other unsecured indebtedness, except for certain senior indebtedness (as defined in the note). The note contains customary affirmative and negative covenants and events of default for a loan of this type. Upon an event of default, the outstanding balance of the note will be assessed a 50% penalty.

The Company evaluated whether this promissory note contains embedded features that qualify as derivatives pursuant to ASC 815. The Company determined that the note's embedded features, specifically that should the Company default on the note, the note holder will receive a default penalty of 50% constitute a deemed redemption feature as a result of the substantial premium received by the note holder in the event of default. The Company concluded that this redemption feature requires bifurcation from the note and subsequent accounting in the same manner as a freestanding derivative.

The fair value of the embedded redemption derivative liability within this promissory note was calculated using a Probability Weighted Expected Return valuation methodology, considering the likelihood of occurrence. The model used a discount rate of 25-30% and assumptions of a 75% probability related to likelihood of the Company would default. Subsequent changes in the fair value of the redemption feature are measured at each reporting period and recognized in the statement of operations. The OID and issuance costs for the promissory note, along with the fair value of the embedded redemption derivative liability, were collectively recorded as a debt discount. This discount will be amortized to interest expense over the respective term of the convertible notes using the effective interest method.

On June 4, 2024, an event of default occurred, resulting in a \$ 1,250,000 increase to the principal balance. Consequently, the corresponding derivative liability was extinguished. During the six months ended June 30, 2024, the Company recorded \$1,393,100 amortization of debt discount and recognized a loss on extinguishment of \$357,000. As of June 30, 2024, the total outstanding principal balance is \$ 3,750,000.

#### Private Placement of 20% OID Promissory Note and Warrants

On May 8, 2024, the Company entered into securities purchase agreement with an accredited investor, pursuant to which the Company issued to such investor (i) a 20% OID subordinated note in the principal amount of \$ 625,000 and (ii) five-year warrants for the purchase of 7,149 common shares at an adjusted exercise price of \$34.97 per share (subject to standard adjustments as defined in the warrant) for total cash proceeds of \$ 500,000. Additionally, the Company issued a

five-year warrant to the placement agent, Spartan Capital Securities, LLC ("Spartan"), for the purchase of 572 common shares at an adjusted exercise price of \$38.47 per share (subject to standard adjustments as defined in the warrant agreement). The warrants are exercisable at any time six months after the date of issuance.

The note is due and payable on August 8, 2024. The Company may voluntarily prepay the note in full at any time. In addition, if the Company consummates any sale of a material amount of assets of the Company or any of its subsidiaries, then the net proceeds thereof shall be applied to the payment or prepayment of the note. The note is unsecured and has priority over all other unsecured indebtedness of the Company, except for certain senior indebtedness (as defined in the note). The note contains customary affirmative and negative covenants and events of default for a loan of this type. Upon an event of default, the outstanding balance of the note will be assessed a 40% penalty.

The note becomes convertible into common shares at the option of the holder at any time on or following the date that an event of default (as defined in the note agreement) occurs under the note at a conversion price equal to 90% of the lowest volume weighted average price of the Company's common shares on any trading day during the five (5) trading days prior to the conversion date; provided that such conversion price shall not be less than \$ 0.13 per share.

The Company evaluated the embedded features within this note in accordance with ASC 480 and ASC 815. The Company determined that the embedded features, specifically (i) the default penalty of 40% on outstanding principal and accrued interest, and (ii) the conversion option into common shares at 90% of the lowest volume weighted average price in the five days preceding conversion, subject to a \$0.13 floor price, constitute derivative liabilities. These features, arising from default provisions not within the Company's control, including the contingent interest feature and the contingent conversion (deemed redemption) feature, meet the definition of a derivative and do not qualify for derivative accounting exemptions. Consequently, these embedded features are bifurcated from the debt host and recognized as a single derivative liability.

The initial fair value of the derivative liabilities was determined using a Monte Carlo Simulation valuation model, considering various potential outcomes and scenarios. The model used the following assumptions: (i) dividend yield of 0%; (ii) expected volatility of 236.98%; (iii) risk-free interest rate of 5.31%; (iv) term of three months; (v) estimated fair value of the common shares of \$ 31.20 per share; and (vi) various probability assumptions. Subsequent changes in fair value are recognized in the statement of operations each reporting period. The issuance costs for the promissory note, along with the allocated fair values of both the warrants and the bifurcated embedded derivative liability, have been collectively treated as a debt discount. This discount is being amortized to interest expense over the term of the promissory note using the effective interest method.

As of June 30, 2024, the total outstanding principal balance is \$ 157,406, net of debt discount of \$ 467,594.

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*Private Placement of 12% Promissory Note for Services*

On May 9, 2024, the Company entered into a securities purchase agreement with an accredited investor, pursuant to which the Company issued to such investor a promissory note in the principal amount of \$500,000 in a private placement transaction in consideration for the holder entering into a lock up agreement to not execute any conversions of a secured convertible note issued to the holder on October 8, 2021 into common shares of the Company (subject to certain exceptions). The note accrues interest at a rate of 12% per annum and is due and payable on May 9, 2025; provided that upon an event of default (as defined in the note), such rate shall increase to 16% per annum. The Company may voluntarily prepay the note in full at any time prior to the date that an event of default occurs.

In addition, if, at any time prior to the full repayment of the note, the Company receives cash proceeds from any source or series of related or unrelated sources, including but not limited to, from payments from customers, the issuance of equity or debt, the issuance of securities pursuant to an equity line of credit (as defined in the note) or the sale of assets, the investor will have the right in its sole discretion to require the Company to immediately apply up to 100% of such proceeds to repay all or any portion of the outstanding principal amount and interest (including any default interest) then due under the note. The note is unsecured and has priority over all other unsecured indebtedness. The note contains customary affirmative and negative covenants and events of default for a loan of this type. Upon an event of default, the outstanding balance of the note will be assessed a 50% penalty.

The fair value of the 12% promissory note issued for services was recorded at fair value. The fair value of the note was calculated at the present value of the cash flows using the market interest rate of 13.76%, resulting in a fair value of \$492,000. The initial fair value of the promissory note issued for services was recognized in the statement of operations. A discount of \$8,000 was recorded for difference between the par value and present value of the promissory note and will be amortized to interest expense over the respective term of the promissory note using the effective interest method.

The Company evaluated whether this promissory note contains embedded features that qualify as derivatives pursuant to ASC 815. The Company determined that the note's embedded features, specifically should the Company default on the note, the note holder will receive a default penalty of 50% constitute a deemed redemption feature as a result of the substantial premium received by the note holder in the event of default. The Company concluded that this redemption feature requires bifurcation from the note and subsequent accounting in the same manner as a freestanding derivative.

The fair value of the embedded redemption derivative liability within this promissory note was calculated using a Probability Weighted Expected Return valuation methodology, considering the likelihood of occurrence. The model used a discount rate of 25% and assumptions of a 75% probability related to likelihood of the Company would default. The initial fair value of the bifurcated embedded redemption derivative liability was recognized in the statement of operations. Subsequent changes in the fair value of the redemption feature are measured at each reporting period and recognized in the statement of operations.

As of June 30, 2024, the total outstanding principal balance is \$ 493,133, net of debt discount of \$ 6,867.

*Private Placement of OID Promissory Note and Series D Preferred Shares*

On June 28, 2024, the Company's subsidiaries 1847 Cabinet Inc., High Mountain Door & Trim Inc., Sierra Homes, LLC d/b/a Innovative Cabinets & Design and Kyle's Custom Wood Shop, Inc. (the "Borrowers") issued an OID promissory note in the principal amount of up to \$2,472,000, to be advanced in one or more tranches, to Breadcrumbs Capital LLC ("Breadcrumbs"). On June 28, 2024, the parties executed tranche No. 1 in the principal amount of \$666,667 for total cash proceeds of \$475,000.

The note bears interest at a rate per annum equal to the greater of (i) 8% plus the U.S. Prime Rate that appears in The Wall Street Journal from time to time or (ii) 14%; provided that, upon an event of default (as defined in the note), such rate shall increase to 36% or the maximum legal rate. Each tranche of the note is due and payable three months after issuance. The note is secured by all assets of the Borrowers pursuant to a security agreement; provided that such security interest is subordinate to the rights of the senior lender, Leonite Capital LLC. The note contains customary affirmative and negative covenants and events of default for a loan of this type. Upon an event of default, the outstanding balance of the note will be assessed a 35% penalty.

In connection with the issuance of the note, the Company entered into a memorandum of understanding with the Breadcrumbs, pursuant to which the Company agreed to issue to Breadcrumbs upon the closing of each tranche under the note and (ii) series D senior convertible preferred shares with a stated value equal to the principal amount of such each such tranche (see Note 11 for further details).

The Company evaluated whether this promissory note contains embedded features that qualify as derivatives pursuant to ASC 815. The Company determined

that the note's embedded features, specifically that should the Company default on the note, the note holder will receive a default penalty of 35% constitute a deemed redemption feature as a result of the substantial premium received by the note holder in the event of default. The Company concluded that this redemption feature requires bifurcation from the note and subsequent accounting in the same manner as a freestanding derivative.

The fair value of the embedded redemption derivative liability within this promissory note was calculated using a Probability Weighted Expected Return valuation methodology, considering the likelihood of occurrence. The model used a discount rate of 30% and assumptions of a 75% probability related to likelihood of the Company would default. Subsequent changes in the fair value of the redemption feature are measured at each reporting period and recognized in the statement of operations. The OID and issuance costs for the note, along with the allocated fair value of both the series D senior convertible preferred shares and the bifurcated embedded redemption derivative liability, were collectively recorded as a debt discount. This discount will be amortized to interest expense over the respective term of the promissory note using the effective interest method.

As of June 30, 2024, the total outstanding principal balance is \$ 108,134, net of debt discount of \$ 558,533.

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**NOTE 11—SHAREHOLDERS' DEFICIT**

***Series A Senior Convertible Preferred Shares***

During the six months ended June 30, 2024, the Company accrued dividends of \$ 127,445 for the series A senior convertible preferred shares and settled \$130,968 of previously accrued dividends through the issuance of 9,366 common shares.

During the six months ended June 30, 2024, an aggregate of 181,212 series A senior convertible preferred shares were converted into an aggregate of 36,530 common shares.

As of June 30, 2024 and December 31, 2023, the Company had 45,455 and 226,667 series A senior convertible preferred shares issued and outstanding, respectively.

***Series B Senior Convertible Preferred Shares***

During the six months ended June 30, 2024, the Company accrued dividends of \$ 2,976 for the series B senior convertible preferred shares and settled \$ 13,299 of previously accrued dividends through the issuance of 757 common shares.

During the six months ended June 30, 2024, an aggregate of 91,567 series B senior convertible preferred shares were converted into an aggregate of 22,829 common shares.

As of June 30, 2024 and December 31, 2023, the Company had 0 and 91,567 series B senior convertible preferred shares issued and outstanding, respectively.

***Series D Senior Convertible Preferred Shares***

On June 27, 2024, the Company executed a share designation to designate 7,292,036 of its shares as series D senior convertible preferred shares. The following is a description of the rights of the series D senior convertible preferred shares.

**Ranking.** The series D senior convertible preferred shares rank, with respect to the payment of dividends and the distribution of assets upon liquidation, (i) senior to all common shares, allocation shares, and each other class or series that is not expressly made senior to or on parity with the series D senior convertible preferred shares; (ii) on parity with each other class or series that is not expressly subordinated or made senior to the series D senior convertible preferred shares; and (iii) junior to the Series A senior convertible preferred shares, all indebtedness and other liabilities with respect to assets available to satisfy claims against the Company and each other class or series that is expressly made senior to the series D senior convertible preferred shares.

**Dividend Rights.** Holders of series D senior convertible preferred shares are entitled to dividends at a rate per annum of 10% of the stated value (\$0.339 per share, subject to adjustment). Dividends shall accrue from day to day, whether or not declared, and shall be cumulative. Dividends shall be payable only upon the liquidation of the Company or conversion (as defined in the share designation).

**Liquidation Rights.** Subject to the rights of creditors and the holders of any senior securities or parity securities (in each case, as defined in the share designation), upon any liquidation of the Company or its subsidiaries, before any payment or distribution of the assets of the Company (whether capital or surplus) shall be made to or set apart for the holders of securities that are junior to the series D senior convertible preferred shares as to the distribution of assets on any liquidation of the Company, including the common shares and allocation shares, each holder of outstanding series D senior convertible preferred shares shall be entitled to receive an amount of cash equal to 100% of the stated value plus an amount of cash equal to all accumulated accrued and unpaid dividends thereon (whether or not declared) to, but not including the date of final distribution to such holders. If, upon any liquidation, the assets, or proceeds thereof, distributable among the holders of the series D senior convertible preferred shares shall be insufficient to pay in full the preferential amount payable to the holders of the series D senior convertible preferred shares and liquidating payments on any other shares of any class or series of parity securities as to the distribution of assets on any liquidation, then such assets, or the proceeds thereof, shall be distributed among the holders of series D senior convertible preferred shares and any such other parity securities ratably in accordance with the respective amounts that would be payable on such series D senior convertible preferred shares and any such other parity securities if all amounts payable thereon were paid in full.

**Voting Rights.** The series D senior convertible preferred shares do not have any voting rights; provided that, so long as any series D senior convertible preferred shares are outstanding, the affirmative vote of holders of a majority of series D senior convertible preferred shares, voting as a separate class, shall be necessary for approving, effecting or validating any amendment, alteration or repeal of any of the provisions of the share designation.

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**Conversion Rights.** Each series D senior convertible preferred share, plus all accrued and unpaid dividends thereon, shall be convertible, at the option of the holder thereof, at any time and from time to time, into such number of fully paid and nonassessable common shares determined by dividing the stated value (\$0.339 per share), plus the value of the accrued, but unpaid, dividends thereon, by the conversion price of \$ 4.407 per share (subject to standard adjustments in the event of any share splits, share combinations, share reclassifications, dividends paid in common shares, sales of substantially all of the Company's assets,

mergers, consolidations or similar transactions); provided that in no event shall the holder of any series D senior convertible preferred shares be entitled to convert any number of series D senior convertible preferred shares that upon conversion the sum of (i) the number of common shares beneficially owned by the holder and its affiliates and (ii) the number of common shares issuable upon the conversion of the series D senior convertible preferred shares with respect to which the determination of this proviso is being made, would result in beneficial ownership by the holder and its affiliates of more than 4.99% of the then outstanding common shares. This limitation may be waived (up to a maximum of 9.99%) by the holder and in its sole discretion, upon not less than sixty-one (61) days' prior notice to the Company.

*Redemption Rights.* Not redeemable.

On June 28, 2024, the issued 1,966,570 series D senior convertible preferred shares for total cash proceeds of \$ 475,000 in connection with the closing of the first tranche under the OID promissory note described above (Note 10). The \$475,000 net proceeds were allocated on a relative fair value basis of \$ 214,000 to the series D senior preferred shares.

During the six months ended June 30, 2024, the Company accrued dividends of \$ 365 for the series D senior convertible preferred shares. As of June 30, 2024, the Company had 1,966,570 series D senior convertible preferred shares issued and outstanding.

#### **Common Shares**

On February 9, 2024, the Company entered into a securities purchase agreement with certain purchasers and a placement agency agreement with Spartan, pursuant to which the Company agreed to issue and sell to such purchasers an aggregate of 140,457 common shares and prefunded warrants for the purchase of 244,161 common shares at an offering price of \$ 13.00 per common share and \$ 12.87 per prefunded warrant, pursuant to the Company's effective registration statement on Form S-1 (File No. 333-276670). On February 14, 2024, the closing of this offering was completed. At the closing, the purchasers prepaid the exercise price of the prefunded warrants in full. Therefore, the Company received total gross proceeds of \$5,000,000. Pursuant to the placement agency agreement, Spartan received a cash transaction fee equal to 8% of the aggregate gross proceeds and reimbursement of certain out-of-pocket expenses. After deducting these and other offering expenses, the Company received net proceeds of approximately \$4,335,000. During the six months ended June 30, 2024, the Company issued an aggregate of 174,126 common shares upon the exercise of prefunded warrants.

During the six months ended June 30, 2024, the Company issued an aggregate of 87,938 common shares upon the conversions of convertible promissory notes and accrued interest totaling \$1,170,979.

During the six months ended June 30, 2024, the Company issued an aggregate of 10,123 common shares to the holders of the series A and B senior convertible preferred shares in settlement of \$144,267 of accrued dividends. Pursuant to the series A and B senior convertible preferred shares designations, dividends payable in common shares shall be calculated based on a price equal to eighty percent (80%) of the volume weighted average price for the common shares on the Company's principal trading market during the five (5) trading days immediately prior to the applicable dividend payment date.

During the six months ended June 30, 2024, the Company issued an aggregate of 36,530 common shares upon the conversion of an aggregate of 181,212 series A senior convertible preferred shares.

During the six months ended June 30, 2024, the Company issued an aggregate of 22,829 common shares upon the conversion of an aggregate of 91,567 series B senior convertible preferred shares.

#### *Potential Common Stock Equivalents*

As of June 30, 2024, there were 204,849,768 potential common share equivalents from series A and D senior convertible preferred shares, convertible notes, and warrants excluded from the diluted loss per share calculations as their effect is anti-dilutive.

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**1847 HOLDINGS LLC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(UNAUDITED)**

#### **Warrants**

##### *Warrants Issued in Public Equity Offering*

On February 14, 2024 (as described above), the Company closed on a securities purchase agreement with certain purchasers and a placement agency agreement with Spartan, pursuant to which the Company agreed to issue and sell to such purchasers prefunded warrants for the purchase of 244,161 common shares at an exercise price of \$0.13 per common share.

The Company evaluated the prefunded warrants as either equity-classified or liability-classified instruments based on an assessment of the specific terms of the prefunded warrants and applicable authoritative guidance from ASC 480 and ASC 815-40. The Company determined the prefunded warrants issued failed the indexation guidance under ASC 815-40, specifically, the prefunded warrants provide for a Black-Scholes value calculation in the event of certain transactions ("Fundamental Transactions"), which includes a floor on volatility utilized in the value calculation at 100% or greater. The Company has determined that this provision introduces leverage to the holders of the warrants that could result in a value that would be greater than the settlement amount of a fixed-for-fixed option on the Company's own equity shares. Accordingly, pursuant to ASC 815-40, the Company recorded the fair value of the warrants as a liability upon issuance and marked to market each reporting period in the Company's condensed consolidated statement of operations until their exercise or expiration (see Note 9).

The fair value of the warrants deemed to be a liability, due to certain contingent put features, was determined using the Black-Scholes option pricing model, which was deemed to be an appropriate model due to the terms of the warrants issued, including a fixed term and exercise price. The assumptions used in the model were as follows: (i) dividend yield of 0%; (ii) expected volatility of 149.05%; (iii) risk-free interest rate of 4.86%; (iv) expected life of one year; (v) estimated fair value of the common shares of \$25.35 per share; (vi) exercise price of \$0.13.

##### *Warrants Issued in Private Placement with 20% OID Promissory Note*

On May 8, 2024, the Company issued five-year warrants for the purchase of 7,149 common shares at an adjusted exercise price of \$ 34.97 per share (subject to standard adjustments as defined in the warrant agreement). Additionally, the Company issued a five-year warrant to the placement agent, Spartan, for the purchase of 572 common shares at an adjusted exercise price of \$ 38.47 per share (subject to standard adjustments as defined in the warrant agreement). The warrants are exercisable at any time six months after the date of issuance.

The Company evaluated the warrants as either equity-classified or liability-classified instruments based on an assessment of the specific terms of the warrants and applicable authoritative guidance from ASC 480 and ASC 815-40. The Company determined the warrants issued failed the indexation guidance under ASC 815-40, specifically, the warrants provide for a Black-Scholes value calculation in the event of certain transactions ("Fundamental Transactions"), which includes a floor on volatility utilized in the value calculation at 100% or greater. The Company has determined that this provision introduces leverage to the holders of the warrants that could result in a value that would be greater than the settlement amount of a fixed-for-fixed option on the Company's own equity shares.

Accordingly, pursuant to ASC 815-40, the Company recorded the fair value of the warrants as a liability upon issuance and marked to market each reporting period in the Company's condensed consolidated statement of operations until their exercise or expiration (see Note 9). The warrants issued to the placement agent were classified as equity.

The fair value of the warrants deemed to be a liability, due to certain contingent put features, was determined using the Black-Scholes option pricing model, which was deemed to be an appropriate model due to the terms of the warrants issued, including a fixed term and exercise price. The assumptions used in the model were as follows: (i) dividend yield of 0%; (ii) expected volatility of 160.8%; (iii) risk-free interest rate of 4.5%; (iv) expected life of 5.5 years; (v) estimated fair value of the common shares of \$31.20 per share; (vi) exercise price of \$34.97.

The remaining proceeds were allocated to the placement agent warrants and note based on their relative fair value using the Black-Scholes option pricing model. The assumptions used in the model were as follows: (i) dividend yield of 0%; (ii) expected volatility of 160.8%; (iii) risk-free interest rate of 4.5%; (iv) expected life of 5.5 years; (v) estimated fair value of the common shares of \$31.20 per share; (vi) exercise price of \$38.47. The fair value of the placement agent warrants was \$16,800, resulting in the amount allocated to the warrants, based on their relative fair value of \$7,573, which was recorded as additional paid-in capital.

**1847 HOLDINGS LLC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(UNAUDITED)**

*Exercise Price Adjustments to Warrants*

As a result of the issuance of common shares in the offering on February 14, 2024, the exercise price of certain of the Company's outstanding warrants was adjusted to \$0.13 pursuant to certain antidilution provisions of such warrants (down round feature). As a result, the Company recognized a deemed dividend of \$1,000, which was calculated using a Black-Scholes pricing model.

Below is a table summarizing the changes in warrants outstanding during the six months ended June 30, 2024:

	Warrants	Weighted-Average Exercise Price
Outstanding at December 31, 2023	10,441	\$ 285.01
Granted	251,882	1.21
Exercised/settled	(174,126)	(0.13)
Outstanding at June 30, 2024	88,197	\$ 55.29
Exercisable at June 30, 2024	80,476	\$ 57.21

As of June 30, 2024, the outstanding warrants have a weighted average remaining contractual life of 1.30 years and a total intrinsic value of \$243,721.

**NOTE 12—SUBSEQUENT EVENTS**

***OID Note Extensions***

On July 10, 2024, the Company and the holders of the 20% OID subordinated promissory notes originally issued on August 11, 2023 (see Note 10) entered into amendments to the notes, pursuant to which the parties agreed to extend the maturity date of these notes to October 10, 2024. As additional consideration for the amendments, the Company agreed to increase the outstanding principal by 25% of the outstanding principal amounts of the notes as an amendment fee.

***Private Placements of OID Promissory Note and Series D Preferred Shares***

On July 3, 2024, the Borrowers and Breadcrumbs executed tranche No. 2 to the OID promissory note issued on June 28, 2024 (see Note 10) in the principal amount of \$466,667 for total cash proceeds of \$350,000. In connection with such tranche, the Company issued 1,376,599 series D senior convertible preferred shares to Breadcrumbs.

On July 16, 2024, the Borrowers and Breadcrumbs executed tranche No. 3 to the OID promissory note issued on June 28, 2024 (see Note 10) in the principal amount of \$233,333 for total cash proceeds of \$175,000. In connection with such tranche, the Company issued 688,298 series D senior convertible preferred shares Breadcrumbs.

On August 12, 2024, the Borrowers and Breadcrumbs executed tranche No. 4 to the OID promissory note issued on June 28, 2024 (see Note 10) in the principal amount of \$466,667 for total cash proceeds of \$350,000. In connection with such tranche, the Company issued 1,376,599 series D senior convertible preferred shares to Breadcrumbs.

***ICU Eyewear Foreclosure Sale***

The Company is a limited guarantor of an Amended and Restated Credit and Security Agreement (the "Loan Agreement") that was entered into on September 11, 2023, between AB Lending SPV I LLC d/b/a Mountain Ridge Capital (the "ICU Lender"), ICU Eyewear, Inc. ("ICU Eyewear"), ICU Eyewear Holdings, Inc., and 1847 ICU Holdings Inc. (the "ICU Parties"). Pursuant to the Loan Agreement, the ICU Lender had a security interest in all the assets of ICU Eyewear. ICU Eyewear was in default under the Loan Agreement and, with the approval of the other ICU Parties, consented to a foreclosure by the ICU Lender and private sale of substantially all of its assets in an Article 9 sale process, pursuant to Section 9-610 of the Uniform Commercial Code as in effect in the State of New York and Section 9-610 of the Uniform Commercial Code as in effect in the State of California (the "Asset Sale"). On August 5, 2024, ICU Eyecare Solutions Inc. ("ICU Solutions"), an entity that is not affiliated with the Company, was the successful bidder of the Asset Sale with a cash bid of \$4,250,000 (the "Purchase Price"). Pursuant to an agreement dated August 5, 2024 and in consideration for the Purchase Price, the ICU Lender having foreclosed on its security interest in all of the assets of ICU Eyewear then conveyed all of its rights, title, and interest in all of such assets to ICU Solutions.

In connection with the Asset Sale, the Company and the ICU Parties entered into a non-competition agreement pursuant to which the Company and each other ICU Party agreed that, from and after August 5, 2024 and ending on August 5, 2029, it will not own, manage, control, participate in, or in any manner engage in the sale at wholesale or retail of (i) eyewear products, including eyeglasses, sunglasses, reading glasses, frames for eyeglasses, sunglasses, and reading glasses, and (ii) eyewear accessories, including cases, chains, cords and lanyards.

*The following management's discussion and analysis of financial condition and results of operations provides information that management believes is relevant to an assessment and understanding of our plans and financial condition. The following financial information is derived from our financial statements and should be read in conjunction with such financial statements and notes thereto set forth elsewhere herein.*

## **Use of Terms**

Except as otherwise indicated by the context and for the purposes of this report only, references in this report to "we," "us," "our" and "our company" refer to 1847 Holdings LLC, a Delaware limited liability company, and its consolidated subsidiaries. References to "our manager" refer to 1847 Partners LLC, a Delaware limited liability company.

## **Special Note Regarding Forward Looking Statements**

This report contains forward-looking statements that are based on our management's beliefs and assumptions and on information currently available to us. All statements other than statements of historical facts are forward-looking statements. These statements relate to future events or to our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Forward-looking statements include, but are not limited to, statements about:

- our ability to effectively integrate and operate the businesses that we acquire;
- our ability to successfully identify and acquire additional businesses;
- our organizational structure, which may limit our ability to meet our dividend and distribution policy;
- our ability to service and comply with the terms of indebtedness;
- our cash flow available for distribution and our ability to make distributions to our common shareholders;
- our ability to pay the management fee, profit allocation and put price to our manager when due;
- labor disputes, strikes or other employee disputes or grievances;
- the regulatory environment in which our businesses operate under;
- trends in the industries in which our businesses operate;
- the competitive environment in which our businesses operate;
- changes in general economic or business conditions or economic or demographic trends in the United States including changes in interest rates and inflation;
- our and our manager's ability to retain or replace qualified employees of our businesses and our manager;
- casualties, condemnation or catastrophic failures with respect to any of our business' facilities;
- costs and effects of legal and administrative proceedings, settlements, investigations and claims; and
- extraordinary or force majeure events affecting the business or operations of our businesses.

In some cases, you can identify forward-looking statements by terms such as "may," "could," "will," "should," "would," "expect," "plan," "intend," "anticipate," "believe," "estimate," "predict," "potential," "project" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which are, in some cases, beyond our control and which could materially affect results. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under Item 1A "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2023 and elsewhere in this report. If one or more of these risks or uncertainties occur, or if our underlying assumptions prove to be incorrect, actual events or results may vary significantly from those implied or projected by the forward-looking statements. No forward-looking statement is a guarantee of future performance.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this report, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

The forward-looking statements made in this report relate only to events or information as of the date on which the statements are made in this report. Except as expressly required by the federal securities laws, there is no undertaking to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason.

## **Overview**

We are an acquisition holding company focused on acquiring and managing a group of small businesses, which we characterize as those that have an enterprise value of less than \$50 million, in a variety of different industries headquartered in North America.

On May 28, 2020, our subsidiary 1847 Asien Inc., or 1847 Asien, acquired Asien's Appliance, Inc., a California corporation, or Asien's. Asien's has been in business since 1948 serving the North Bay area of Sonoma County, California. It provides a wide variety of appliance services, including sales, delivery/installation, in-home service and repair, extended warranties, and financing. Its main focus is delivering personal sales and exceptional service to its customers at competitive prices.

On February 26, 2024, Asien's entered into a general assignment, for the benefit of its creditors, with SG Service Co., LLC, or the Assignee. Pursuant to the Assignment Agreement, Asien's transferred ownership of all or substantially all of its right, title, and interest in, as well as custody and control of, its assets to the Assignee in trust. Following the assignment, we retained no financial interest in Asien's. Accordingly, the results of operations of Asien's are reported as discontinued operations for the three and six months ended June 30, 2024 and 2023.

On September 30, 2020, our subsidiary 1847 Cabinet Inc., or 1847 Cabinet, acquired Kyle's Custom Wood Shop, Inc., an Idaho corporation, or Kyle's. Kyle's is a leading custom cabinetry maker servicing contractors and homeowners since 1976 in Boise, Idaho and the surrounding area. Kyle's focuses on designing, building, and installing custom cabinetry primarily for custom and semi-custom builders.

On March 30, 2021, our subsidiary 1847 Wolo Inc., or 1847 Wolo, acquired Wolo Mfg. Corp., a New York corporation, and Wolo Industrial Horn & Signal, Inc., a New York corporation (which we collectively refer to as Wolo). Headquartered in Deer Park, New York and founded in 1965, Wolo designs and sells horn and safety products (electric, air, truck, marine, motorcycle and industrial equipment), and offers vehicle emergency and safety warning lights for cars, trucks, industrial equipment and emergency vehicles.

On October 8, 2021, our subsidiary 1847 Cabinet acquired High Mountain Door & Trim Inc., a Nevada corporation, or High Mountain, and Sierra Homes, LLC d/b/a Innovative Cabinets & Design, a Nevada limited liability company, or Innovative Cabinets. Headquartered in Reno, Nevada and founded in 2014, High Mountain specializes in all aspects of finished carpentry products and services, including doors, door frames, base boards, crown molding, cabinetry, bathroom sinks and cabinets, bookcases, built-in closets, and fireplace mantles, among others, working primarily with large homebuilders of single-family homes and commercial and multi-family developers. Innovative Cabinets is headquartered in Reno, Nevada and was founded in 2008. It specializes in custom cabinetry and countertops for a client base consisting of single-family homeowners, builders of multi-family homes, as well as commercial clients.

On February 9, 2023, our subsidiary 1847 ICU Holdings Inc., or 1847 ICU, acquired ICU Eyewear Holdings, Inc., a California corporation, and its subsidiary ICU Eyewear, Inc., a California corporation, which we collectively refer to as ICU Eyewear. Headquartered in Hollister, California and founded in 1956, ICU Eyewear specializes in the sale and distribution of reading eyewear and sunglasses, blue light blocking eyewear, sun readers, and other outdoor specialty sunglasses, as well as select health and personal care items, including face masks.

Through our structure, we offer investors an opportunity to participate in the ownership and growth of a portfolio of businesses that traditionally have been owned and managed by private equity firms, private individuals or families, financial institutions or large conglomerates. We believe that our management and acquisition strategies will allow us to achieve our goals to make and grow regular distributions to our common shareholders and increase common shareholder value over time.

We seek to acquire controlling interests in small businesses that we believe operate in industries with long-term macroeconomic growth opportunities, and that have positive and stable earnings and cash flows, face minimal threats of technological or competitive obsolescence and have strong management teams largely in place. We believe that private company operators and corporate parents looking to sell their businesses will consider us to be an attractive purchaser of their businesses. We make these businesses our majority-owned subsidiaries and actively manage and grow such businesses. We expect to improve our businesses over the long term through organic growth opportunities, add-on acquisitions and operational improvements.

## **Recent Developments**

### ***OID Note Extension***

On July 10, 2024, we and the holders of the 20% OID subordinated promissory notes originally issued on August 11, 2023, entered into amendments to the notes, pursuant to which the parties agreed to extend the maturity date of these notes to October 10, 2024. As additional consideration for the amendments, we agreed to increase the outstanding principal by 25% of the outstanding principal amounts of the notes as an amendment fee.

### ***Private Placements of OID Promissory Note and Series D Preferred Shares***

On June 28, 2024, our subsidiaries 1847 Cabinet, High Mountain, Innovative Cabinets and Kyle's issued an original issue discount, or OID, promissory note in the principal amount of up to \$2,472,000, to be advanced in one or more tranches, to Breadcrumbs Capital LLC, or the Lender. In connection with the issuance of the note, we entered into a memorandum of understanding with the Lender, pursuant to which we agreed to issue to the Lender upon the closing of each tranche under the note series D senior convertible preferred shares with a stated value equal to the principal amount of each such tranche.

On June 28, 2024, the parties executed tranche No. 1 in the principal amount of \$666,667 for total cash proceeds of \$475,000. In connection with such tranche, we issued 1,966,570 series D senior convertible preferred shares to the Lender.

On July 3, 2024, the parties executed tranche No. 2 in the principal amount of \$466,667 for total cash proceeds of \$350,000. In connection with such tranche, we issued 1,376,599 series D senior convertible preferred shares to the Lender.

On July 16, 2024, the parties executed tranche No. in the principal amount of \$233,333 for total cash proceeds of \$175,000. In connection with such tranche, we issued 688,298 series D senior convertible preferred shares to the Lender.

On August 12, 2024, the parties executed tranche No. 4 in the principal amount of \$466,667 for total cash proceeds of \$350,000. In connection with such tranche, we issued 1,376,599 series D senior convertible preferred shares to the Lender.

### ***ICU Eyewear Foreclosure Sale***

Our company is a limited guarantor of an Amended and Restated Credit and Security Agreement, or the Loan Agreement, that was entered into on September 11, 2023, between AB Lending SPV I LLC d/b/a Mountain Ridge Capital, or the Lender, ICU Eyewear and 1847 ICU. Pursuant to the Loan Agreement, the Lender had a security interest in all the assets of ICU Eyewear. ICU Eyewear was in default under the Loan Agreement and consented to a foreclosure by the Lender and private sale of substantially all of its assets in an Article 9 sale process, pursuant to Section 9-610 of the Uniform Commercial Code as in effect in the State of New York and Section 9-610 of the Uniform Commercial Code as in effect in the State of California (which we refer to as the Asset Sale). On August 5, 2024, ICU Eyecare Solutions Inc., an entity that is not affiliated with our company, was the successful bidder of the Asset Sale with a cash bid of \$4,250,000. Pursuant to an agreement dated August 5, 2024 and in consideration for such purchase price, the Lender having foreclosed on its security interest in all of the assets of ICU Eyewear then conveyed all of its rights, title, and interest in all of such assets to ICU Solutions Inc.

In connection with the Asset Sale, we entered into a non-competition agreement pursuant to which we agreed that, from and after August 5, 2024 and ending on August 5, 2029, we will not own, manage, control, participate in, or in any manner engage in the sale at wholesale or retail of (i) eyewear products, including eyeglasses, sunglasses, reading glasses, frames for eyeglasses, sunglasses, and reading glasses, and (ii) eyewear accessories, including cases, chains, cords and lanyards.

## **Management Fees**

On April 15, 2013, we and our manager entered into a management services agreement, pursuant to which we are required to pay our manager a quarterly management fee equal to 0.5% of our adjusted net assets for services performed (which we refer to as the parent management fee). The amount of the parent management fee with respect to any fiscal quarter is (i) reduced by the aggregate amount of any management fees received by our manager under any offsetting management services agreements with respect to such fiscal quarter, (ii) reduced (or increased) by the amount of any over-paid (or under-paid) parent management fees received by (or owed to) our manager as of the end of such fiscal quarter, and (iii) increased by the amount of any outstanding accrued and unpaid parent management fees. We did not expense any parent management fees for the three and six months ended June 30, 2024 and 2023.

Following the assignment of Asien's assets to the Assignee in trust on February 26, 2024, our manager ceased to provide services to 1847 Asien for quarterly management fees. 1847 Asien expensed management fees of \$0 and \$75,000 for the three months ended June 30, 2024 and 2023, respectively, and \$50,000 and \$150,000 for the six months ended June 30, 2024 and 2023, respectively, which is included in discontinued operations.

On August 21, 2020, 1847 Cabinet entered into an offsetting management services agreement with our manager, which was amended on October 8, 2021.

Pursuant to the amended management services agreement, our manager will provide certain services to 1847 Cabinet in exchange for a quarterly management fee. This fee will be the greater of \$125,000 or 2% of adjusted net assets (as defined within the amended management services agreement). 1847 Cabinet expensed management fees of \$125,000 for the three months ended June 30, 2024 and 2023 and \$250,000 for the six months ended June 30, 2024 and 2023.

On March 30, 2021, 1847 Wolo entered into an offsetting management services agreement with our manager. Pursuant to the management services agreement, our manager will provide certain services to 1847 Wolo in exchange for a quarterly management fee. This fee will be the greater of \$75,000 or 2% of adjusted net assets (as defined within the management services agreement). 1847 Wolo expensed management fees of \$75,000 for the three months ended June 30, 2024 and 2023 and \$150,000 for the six months ended June 30, 2024 and 2023.

On February 9, 2023, 1847 ICU entered into an offsetting management services agreement with our manager. Pursuant to the management services agreement, our manager will provide certain services to 1847 ICU in exchange for a quarterly management fee. This fee will be the greater of \$75,000 or 2% of adjusted net assets (as defined within the management services agreement). 1847 ICU expensed management fees of \$75,000 for the three months ended June 30, 2024 and 2023 and \$150,000 and \$75,000 for the six months ended June 30, 2024 and 2023, respectively.

In addition, if the aggregate amount of management fees paid or to be paid to our manager under the offsetting management services agreements, exceeds, or is expected to exceed, 9.5% of our gross income in any fiscal year or the parent management fee in any fiscal quarter, then the management fee to be paid by such entities shall be reduced, on a pro rata basis determined by reference to the other management fees to be paid to our manager under other offsetting management services agreements.

On a consolidated basis, our company expensed total management fees from continued operations and discontinued operations of \$275,000 and \$0 for the three months ended June 30, 2024, respectively, and \$275,000 and \$75,000 for the three months ended June 30, 2023, respectively. Our company expensed total management fees from continued operations and discontinued operations of \$550,000 and \$50,000 for the six months ended June 30, 2024, respectively, and \$475,000 and \$150,000 for the six months ended June 30, 2023, respectively.

## Segments

Following the divestiture of the 1847 Asien retail and appliances segment, we now have three reportable segments:

- The retail and eyewear segment provides a wide variety of eyewear products (non-prescription reading glasses, sunglasses, blue light blocking eyewear, sun readers, outdoor specialty sunglasses and other eyewear-related products) as well as personal protective equipment (face masks and select health and personal care items).
- The construction segment provides finished carpentry products and services (door frames, base boards, crown molding, cabinetry, bathroom sinks and cabinets, bookcases, built-in closets, fireplace mantles, windows, and custom design and build of cabinetry and countertops).
- The automotive supplies segment provides horn and safety products (electric, air, truck, marine, motorcycle, and industrial equipment) and vehicle emergency and safety warning lights (cars, trucks, industrial equipment, and emergency vehicles).

We report all other business activities that are not reportable in the corporate services segment. We provide general corporate services to our segments; however, these services are not considered when making operating decisions and assessing segment performance. The corporate services segment includes costs associated with executive management, financing activities and other public company-related costs.

## Results of Operations

### Comparison of the Three Months Ended June 30, 2024 and 2023

The following table sets forth key components of our results of continued operations during the three months ended June 30, 2024 and 2023, both in dollars and as a percentage of our revenues.

	For the Three Months Ended June 30,			
	2024		2023	
	Amount	% of Revenues	Amount	% of Revenues
Revenues	\$ 15,501,359	100.0%	\$ 17,362,093	100.0%
Operating expenses				
Cost of revenues	8,757,513	56.5%	11,456,303	66.0%
Personnel	3,406,902	22.0%	2,942,810	16.9%
Depreciation and amortization	421,468	2.7%	572,194	3.3%
General and administrative	2,395,880	15.5%	2,350,155	13.5%
Professional fees	1,847,073	11.9%	485,901	2.8%
Impairment of goodwill and intangible assets	1,216,966	7.9%	-	-
Total operating expenses	18,045,802	116.4%	17,807,363	102.6%
Loss from operations	(2,544,443)	(16.4)%	(445,270)	(2.6)%
Other income (expense)				
Other income	47,769	0.3%	18,696	0.1%
Loss on disposal of property and equipment	(13,815)	(0.1)%	-	-
Interest expense	(1,302,599)	(8.4)%	(1,231,341)	(7.1)%
Amortization of debt discounts	(2,929,336)	(18.9)%	(772,561)	(4.4)%
Loss on extinguishment of debt	(778,875)	(5.0)%	-	-
Gain on change in fair value of warrant liabilities	3,661,800	23.6%	-	-
Loss on change in fair value of derivative liabilities	(1,290,563)	(8.3)%	-	-
Total other expense	(2,605,619)	(16.8)%	(1,985,206)	(11.4)%
Net loss before income taxes	(5,150,062)	(33.2)%	(2,430,476)	(14.0)%
Income tax benefit (expense)	243,250	1.6%	(931,321)	(5.4)%
Net loss	\$ (4,906,812)	(31.7)%	\$ (3,361,797)	(19.4)%

**Revenues.** Our total revenues were \$15,501,359 for the three months ended June 30, 2024, as compared to \$17,362,093 for the three months ended June 30, 2023.

The retail and eyewear segment generates revenue through sales of eyewear products, including non-prescription reading glasses, sunglasses, blue light blocking eyewear, sun readers and outdoor specialty sunglasses. Revenues from the retail and eyewear segment decreased by \$1,417,160, or 31.5%, to \$3,076,901 for the three months ended June 30, 2024 from \$4,494,061 for the three months ended June 30, 2023. The decline in revenues was primarily attributed to supply chain delays with manufacturers and decreased customer demand.

The construction segment generates revenue through the sale of finished carpentry products and services, including doors, door frames, base boards, crown molding, cabinetry, bathroom sinks and cabinets, bookcases, built-in closets, and fireplace mantles, among others, as well as kitchen countertops. Revenues from the construction segment decreased by \$182,524, or 1.6%, to \$11,321,371 for the three months ended June 30, 2024 from \$11,503,895 for the three months ended June 30, 2023. The decrease in revenues was primarily attributed to skilled labor shortages and supply chain delays within cabinetry projects.

The automotive supplies segment generates revenue through the design and sale of horn and safety products (electric, air, truck, marine, motorcycle and industrial equipment), including vehicle emergency and safety warning lights for cars, trucks, industrial equipment and emergency vehicles. Revenues from the automotive supplies segment decreased by \$261,050, or 19.1%, to \$1,103,087 for the three months ended June 30, 2024 from \$1,364,137 for the three months ended June 30, 2023. The decline in revenues was primarily attributed to inventory challenges within the supply chain to meet customer demands.

Cost of revenues. Our total cost of revenues was \$8,757,513 for the three months ended June 30, 2024, as compared to \$11,456,303 for the three months ended June 30, 2023.

Cost of revenues for the retail and eyewear segment consists of the costs of purchased finished goods plus freight and tariff costs. Cost of revenues for the retail and eyewear segment decreased by \$2,008,943, or 58.6%, to \$1,421,597 for the three months ended June 30, 2024 from \$3,430,540 for the three months ended June 30, 2023. Such decrease was primarily attributed to the corresponding decrease in revenues and fulfillment costs. As a percentage of retail and eyewear revenues, cost of revenues for the retail and eyewear segment was 46.2% and 76.3% for the three months ended June 30, 2024 and 2023, respectively.

Cost of revenues for the construction segment consists of finished goods, lumber, hardware and materials and plus direct labor and related costs, net of any material discounts from vendors. Cost of revenues for the construction segment decreased by \$589,226, or 8.2%, to \$6,611,425 for the three months ended June 30, 2024 from \$7,200,651 for the three months ended June 30, 2023. Such decrease was primarily attributed to the corresponding decrease in revenues and improved supply chain negotiations leading to better pricing and more efficient procurement. As a percentage of construction revenues, cost of revenues for the construction segment was 58.4% and 62.6% for the three months ended June 30, 2024 and 2023, respectively.

Cost of revenues for the automotive supplies segment consists of the costs of purchased finished goods plus freight and tariff costs. Cost of revenues for the automotive supplies segment decreased by \$100,621, or 12.2%, to \$724,491 for the three months ended June 30, 2024 from \$825,112 for the three months ended June 30, 2023. Such decrease was primarily attributed to the corresponding decrease in revenues, offset by increased product costs. As a percentage of automotive supplies revenues, cost of revenues for the automotive supplies segment was 65.7% and 60.5% for the three months ended June 30, 2024 and 2023, respectively.

Personnel costs. Personnel costs include employee salaries and bonuses plus related payroll taxes. It also includes health insurance premiums, 401(k) contributions, and training costs. Our total personnel costs were \$3,406,902 for the three months ended June 30, 2024, as compared to \$2,942,810 for the three months ended June 30, 2023.

Personnel costs for the retail and eyewear segment decreased by \$191,673, or 24.2%, to \$600,763 for the three months ended June 30, 2024 from \$792,436 for the three months ended June 30, 2023. Such decrease was primarily attributed to the corresponding decrease in revenues, offset by the implementation of revised compensation policies aimed at enhancing cost efficiency. As a percentage of retail and eyewear revenue, personnel costs for the retail and eyewear segment were 19.5% and 17.6% for the three months ended June 30, 2024 and 2023, respectively.

Personnel costs for the construction segment increased by \$569,991, or 32.4%, to \$2,329,306 for the three months ended June 30, 2024 from \$1,759,315 for the three months ended June 30, 2023. Such increase was primarily attributed to increased employee headcount and corporate wage allocations. As a percentage of construction revenue, personnel costs for the construction segment were 20.6% and 15.3% for the three months ended June 30, 2024 and 2023, respectively.

Personnel costs for the automotive supplies segment decreased by \$11,828, or 5.1%, to \$219,381 for the three months ended June 30, 2024 from \$231,209 for the three months ended June 30, 2023. Such decrease was primarily attributed to the corresponding decrease in revenues, offset by the implementation of revised compensation policies aimed at enhancing cost efficiency. As a percentage of automotive supplies revenue, personnel costs for the automotive supplies segment were 19.9% and 16.9% for the three months ended June 30, 2024 and 2023, respectively.

Personnel costs for our holding company increased by \$97,602, or 61.1%, to \$257,452 for the three months ended June 30, 2024 from \$159,850 for the three months ended June 30, 2023. Such increase was primarily attributed to accrued management bonuses and wages.

Depreciation and amortization. Our total depreciation and amortization expense decreased by \$150,726, or 26.3%, to \$421,468 for the three months ended June 30, 2024 from \$572,194 for the three months ended June 30, 2023. Such decrease was primarily as a result of the impairment of intangible assets during the current and prior periods.

General and administrative expenses. Our general and administrative expenses consist primarily of insurance expense, rent expense, management fees, advertising, bank fees, bad debt allowances, and other general expenses incurred in connection with general operations. Our total general and administrative expenses were \$2,395,880 for the three months ended June 30, 2024, as compared to \$2,350,155 for the three months ended June 30, 2023.

General and administrative expenses for the retail and eyewear segment decreased by \$778, or 0.1%, to \$579,999 for the three months ended June 30, 2024 from \$580,777 for the three months ended June 30, 2023. General and administrative costs remained consistent period over period. As a percentage of retail and eyewear revenue, general and administrative expenses for the retail and eyewear segment were 18.9% and 12.9% for the three months ended June 30, 2024 and 2023, respectively.

General and administrative expenses for the construction segment decreased by \$115,804, or 8.2%, to \$1,304,869 for the three months ended June 30, 2024 from \$1,420,673 for the three months ended June 30, 2023. Such decrease was primarily attributed to decreased revenues and office expenditures. As a percentage of construction revenue, general and administrative expenses for the construction segment were 11.5% and 12.3% for the three months ended June 30, 2024 and 2023, respectively.

General and administrative expenses for the automotive supplies segment increased by \$2,204, or 1.0%, to \$215,116 for the three months ended June 30, 2024 from \$212,912 for the three months ended June 30, 2023. Such increase was primarily attributed to increased office expenditures and insurance costs, offset by decreased rent expense. As a percentage of automotive supplies revenue, general and administrative expenses for the automotive supplies segment were 19.5% and 15.6% for the three months ended June 30, 2024 and 2023, respectively.

General and administrative expenses for our holding company increased by \$160,103, or 117.9%, to \$295,896 for the three months ended June 30, 2024 from \$135,793 for the three months ended June 30, 2023. Such increase was primarily attributed to increased insurance expenses and board fees.

Professional fees. Our total professional fees were \$1,847,073 for the three months ended June 30, 2024, as compared to \$485,901 for the three months ended June 30, 2023.

Professional fees for the retail and eyewear segment increased by \$276,298, or 236.4%, to \$393,153 for the three months ended June 30, 2024 from \$116,855 for the three months ended June 30, 2023. Such increase was primarily attributed to increased consulting fees and shared service costs. As a percentage of retail and eyewear revenue, professional fees for the retail and eyewear segment were 12.8% and 2.6% for the three months ended June 30, 2024 and 2023, respectively.

Professional fees for the construction segment increased by \$31,620, or 74.1%, to \$74,294 for the three months ended June 30, 2024 from \$42,674 for the three months ended June 30, 2023. Such increase was primarily attributed to increased consulting fees. As a percentage of construction revenue, professional fees for the construction segment were 0.7% and 0.4% for the three months ended June 30, 2024 and 2023, respectively.

Professional fees for the automotive supplies segment increased by \$43,386, or 85.5%, to \$94,113 for the three months ended June 30, 2024 from \$50,727 for the three months ended June 30, 2023. Such increase was primarily attributed to increased consulting fees. As a percentage of automotive supplies revenue, professional fees for the automotive supplies segment were 8.5% and 3.7% for the three months ended June 30, 2024 and 2023, respectively.

Professional fees for our holding company increased by \$1,009,868, or 366.4%, to \$1,285,513 for the three months ended June 30, 2024 from \$275,645 for the three months ended June 30, 2023. Such increase was primarily attributed to increased consulting fees, investor relations, and other public company related fees.

Impairment of goodwill and intangible assets. For the three months ended June 30, 2024, we recorded goodwill impairments of \$757,283 and intangible asset impairments of \$459,683, as compared to no impairments for the three months ended June 30, 2023.

Total other income (expense). We had total other expense, net of \$2,605,619 for the three months ended June 30, 2024, as compared to \$1,985,206 for the three months ended June 30, 2023. Other expense, net, for the three months ended June 30, 2024 consisted of interest expense of \$1,302,599, amortization of debt discounts of \$2,929,336, loss on extinguishment of debt of \$778,875, loss on change in fair value of derivative liabilities of \$1,290,563, and a loss on disposal of property of equipment of \$13,815, offset by a gain on change in fair value of warrant liabilities of \$3,661,800 and other income of \$47,769. Other expense, net, for the three months ended June 30, 2023, consisted of interest expense of \$1,231,341 and amortization of debt discounts of \$772,561, offset by other income of \$18,696.

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Income tax benefit (expense). We had an income tax benefit of \$243,250 and an income tax expense of \$931,321 for the three months ended June 30, 2024 and 2023, respectively.

Net loss from continuing operations. As a result of the cumulative effect of the factors described above, we had a net loss of \$4,906,812 for the three months ended June 30, 2024, as compared to \$3,361,797 for the three months ended June 30, 2023.

#### Comparison of the Six Months Ended June 30, 2024 and 2023

The following table sets forth key components of our results of continued operations during the six months ended June 30, 2024 and 2023, both in dollars and as a percentage of our revenues.

	For the Six Months Ended June 30,			
	2024		2023	
	Amount	% of Revenues	Amount	% of Revenues
Revenues	\$ 30,414,856	100.0%	\$ 30,327,696	100.0%
Operating expenses				
Cost of revenues	18,083,074	59.5%	19,488,597	64.3%
Personnel	6,522,258	21.4%	5,416,230	17.9%
Depreciation and amortization	845,930	2.8%	1,099,200	3.6%
General and administrative	4,528,480	14.9%	3,851,794	12.7%
Professional fees	4,872,222	16.0%	873,722	2.9%
Impairment of goodwill and intangible assets	1,216,966	4.0%	-	-
Total operating expenses	36,068,930	118.6%	30,729,543	101.3%
Loss from operations	(5,654,074)	(18.6)%	(401,847)	(1.3)%
Other income (expense)				
Other income	27,837	0.1%	51,594	0.2%
Loss on disposal of property and equipment	(13,815)	(0.0)%	-	-
Interest expense	(2,619,489)	(8.6)%	(2,610,777)	(8.6)%
Amortization of debt discounts	(6,604,925)	(21.7)%	(1,185,211)	(3.9)%
Loss on extinguishment of debt	(1,200,750)	(3.9)%	-	-
Gain on change in fair value of warrant liabilities	1,759,600	5.8%	-	-
Loss on change in fair value of derivative liabilities	(1,903,025)	(6.3)%	-	-
Preliminary gain on bargain purchase	-	-	2,639,861	8.7%
Total other expense	(10,554,567)	(34.7)%	(1,104,533)	(3.6)%
Net loss before income taxes	(16,208,641)	(53.3)%	(1,506,380)	(5.0)%
Income tax benefit (expense)	145,250	0.5%	(703,321)	(2.3)%
Net loss	\$ (16,063,391)	(52.8)%	\$ (2,209,701)	(7.3)%

Revenues. Our total revenues were \$30,414,856 for the six months ended June 30, 2024, as compared to \$30,327,696 for the six months ended June 30, 2023.

Revenues from the retail and eyewear segment were \$6,973,068 for the six months ended June 30, 2024 and \$7,286,773 for the period from February 9, 2023 (date of acquisition) to June 30, 2023.

Revenues from the construction segment increased by \$143,720, or 0.7%, to \$20,560,340 for the six months ended June 30, 2024 from \$20,416,620 for the six months ended June 30, 2023. The increase in revenues was primarily attributed to an increase in new multi-family projects and an increase in the average customer contract value.

Revenues from the automotive supplies segment increased by \$257,145, or 9.8%, to \$2,881,448 for the six months ended June 30, 2024 from \$2,624,303 for the six months ended June 30, 2023. The increase in revenues was primarily attributed to an improved supply chain with manufacturers, although inventory challenges within the supply chain to meet customer demands persist.

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Cost of revenues. Our total cost of revenues was \$18,083,074 for the six months ended June 30, 2024, as compared to \$19,488,597 for the six months ended June 30, 2023.

Cost of revenues for the retail and eyewear segment were \$4,420,530, or 63.4% of retail and eyewear revenues, for the six months ended June 30, 2024 and \$5,377,551, or 73.8% of retail and eyewear revenues, for the period from February 9, 2023 (date of acquisition) to June 30, 2023.

Cost of revenues for the construction segment decreased by \$805,987, or 6.4%, to \$11,769,691 for the six months ended June 30, 2024 from \$12,575,678 for the six months ended June 30, 2023. Such decrease was primarily attributed improved supply chain negotiations leading to better pricing and more efficient procurement, offset an increase in revenues. As a percentage of construction revenues, cost of revenues for the construction segment was 57.2% and 61.6% for the six months ended June 30, 2024 and 2023, respectively.

Cost of revenues for the automotive supplies segment increased by \$357,485, or 23.3%, to \$1,892,853 for the six months ended June 30, 2024 from \$1,535,368 for the six months ended June 30, 2023. Such increase was primarily attributed to the corresponding increase in revenues, offset by increased product costs. As a percentage of automotive supplies revenues, cost of revenues for the automotive supplies segment was 65.7% and 58.5% for the six months ended June 30, 2024 and 2023, respectively.

Personnel costs. Our total personnel costs were \$6,522,258 for the six months ended June 30, 2024, as compared to \$5,416,230 for the six months ended June 30, 2023.

Personnel costs for the retail and eyewear segment were \$1,253,954, or 18.0% of retail and eyewear revenues, for the six months ended June 30, 2024 and \$1,319,511, or 18.1% of retail and eyewear revenues, for the period from February 9, 2023 (date of acquisition) to June 30, 2023.

Personnel costs for the construction segment increased by \$728,448, or 22.0%, to \$4,045,499 for the six months ended June 30, 2024 from \$3,317,051 for the six months ended June 30, 2023. Such increase was primarily attributed to increased employee headcount as a result of increased revenues and corporate wage allocations. As a percentage of construction revenue, personnel costs for the construction segment were 19.7% and 16.2% for the six months ended June 30, 2024 and 2023, respectively.

Personnel costs for the automotive supplies segment decreased by \$10,016, or 2.0%, to \$482,113 for the six months ended June 30, 2024 from \$492,129 for the six months ended June 30, 2023. Personnel costs remained consistent period over period. As a percentage of automotive supplies revenue, personnel costs for the automotive supplies segment were 16.7% and 18.8% for the six months ended June 30, 2024 and 2023, respectively.

Personnel costs for our holding company increased by \$453,153, or 157.6%, to \$740,692 for the six months ended June 30, 2024 from \$287,539 for the six months ended June 30, 2023. Such increase was primarily attributed to accrued management bonuses and wages.

Depreciation and amortization. Our total depreciation and amortization expense decreased by \$253,270, or 23.0%, to \$845,930 for the six months ended June 30, 2024 from \$1,099,200 for the six months ended June 30, 2023. Such decrease was primarily as a result of the impairment of intangible assets during the current and prior periods.

General and administrative expenses. Our total general and administrative expenses were \$4,528,480 for the six months ended June 30, 2024, as compared to \$3,851,794 for the six months ended June 30, 2023.

General and administrative expenses for the retail and eyewear segment were \$992,971, or 14.2% of retail and eyewear revenues, for the six months ended June 30, 2024 and \$681,087, or 9.3% of retail and eyewear revenues, for the period from February 9, 2023 (date of acquisition) to June 30, 2023.

General and administrative expenses for the construction segment increased by \$207,631, or 9.0%, to \$2,526,030 for the six months ended June 30, 2024 from \$2,318,399 for the six months ended June 30, 2023. Such increase was primarily attributed to increased revenues, along with increases in rent and office expenditures. As a percentage of construction revenue, general and administrative expenses for the construction segment were 12.3% and 11.4% for the six months ended June 30, 2024 and 2023, respectively.

General and administrative expenses for the automotive supplies segment increased by \$3,453, or 0.8%, to \$463,512 for the six months ended June 30, 2024 from \$460,059 for the six months ended June 30, 2023. General and administrative costs remained consistent period over period. As a percentage of automotive supplies revenue, general and administrative expenses for the automotive supplies segment were 16.1% and 17.5% for the six months ended June 30, 2024 and 2023, respectively.

General and administrative expenses for our holding company increased by \$153,718, or 39.2%, to \$545,967 for the six months ended June 30, 2024 from \$392,249 for the six months ended June 30, 2023. Such increase was primarily attributed to increased insurance expenses and board fees.

Professional fees. Our total professional fees were \$4,872,222 for the six months ended June 30, 2024, as compared to \$873,722 for the six months ended June 30, 2023.

Professional fees for the retail and eyewear segment were \$625,333, or 9.0% of retail and eyewear revenues, for the six months ended June 30, 2024 and \$194,348, or 2.7% of retail and eyewear revenues, for the period from February 9, 2023 (date of acquisition) to June 30, 2023.

Professional fees for the construction segment increased by \$21,196, or 17.8%, to \$140,021 for the six months ended June 30, 2024 from \$118,825 for the six months ended June 30, 2023. Such increase was primarily attributed to increased consulting fees. As a percentage of construction revenue, professional fees for the construction segment were 0.7% and 0.6% for the six months ended June 30, 2024 and 2023, respectively.

Professional fees for the automotive supplies segment increased by \$74,136, or 68.6%, to \$182,134 for the six months ended June 30, 2024 from \$107,998 for the six months ended June 30, 2023. Such increase was primarily attributed to increased consulting fees. As a percentage of automotive supplies revenue, professional fees for the automotive supplies segment were 6.3% and 4.1% for the six months ended June 30, 2024 and 2023, respectively.

Professional fees for our holding company increased by \$3,472,183, or 767.2%, to \$3,924,734 for the six months ended June 30, 2024 from \$452,551 for the six months ended June 30, 2023. Such increase was primarily attributed to increased consulting fees, investor relations, and other public company related fees. Additionally, during the period, we prepaid \$2.5 million in non-recurring consulting and investor relations fees using the proceeds from the public offering described below. Of this amount, \$2.4 million was expensed to professional fees for the six months ended June 30, 2024.

Impairment of goodwill and intangible assets. For the six months ended June 30, 2024, we recorded goodwill impairments of \$757,283 and intangible asset impairments of \$459,683, as compared to no impairments for the six months ended June 30, 2023.

Total other income (expense). We had total other expense, net of \$10,554,567 for the six months ended June 30, 2024, as compared to \$1,104,533 for the six months ended June 30, 2023. Other expense, net, for the six months ended June 30, 2024 consisted of interest expense of \$2,619,489, amortization of debt discounts of \$6,604,925, loss on extinguishment of debt of \$1,200,750, loss on change in fair value of derivative liabilities of \$1,903,025, and a loss on disposal of property of equipment of \$13,815, offset by a gain on change in fair value of warrant liabilities of \$1,759,600 and other income of \$27,837. Other expense, net, for the six months ended June 30, 2023, consisted of interest expense of \$2,610,777 and amortization of debt discounts of \$1,185,211, offset by a preliminary gain

on bargain purchase of \$2,639,861 related to the acquisition of ICU Eyewear and other income of \$51,594.

Income tax benefit (expense). We had an income tax benefit of \$145,250 and an income tax expense of \$703,321 for the six months ended June 30, 2024 and 2023, respectively.

Net loss from continuing operations. As a result of the cumulative effect of the factors described above, we had a net loss of \$16,063,391 for the six months ended June 30, 2024, as compared to \$2,209,701 for the six months ended June 30, 2023.

### Liquidity and Capital Resources

As of June 30, 2024, we had cash and cash equivalents of \$800,989. To date, we have financed our operations primarily through revenue generated from operations, cash proceeds from financing activities, borrowings, and equity contributions by our shareholders.

Management plans to address the above as needed by, securing additional bank lines of credit, and obtaining additional financing through debt or equity transactions. Management has implemented tight cost controls to conserve cash.

The ability of our company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and to eventually attain profitable operations. The accompanying consolidated financial statements do not include any adjustments that might be necessary if our company is unable to continue as a going concern. If our company is unable to obtain adequate capital, it could be forced to cease operations.

We believe additional funds are required to execute our business plan and our strategy of acquiring additional businesses. The funds required to execute our business plan will depend on the size, capital structure and purchase price consideration that the seller of a target business deems acceptable in a given transaction. The amount of funds needed to execute our business plan also depends on what portion of the purchase price of a target business the seller of that business is willing to take in the form of seller notes or our equity or equity in one of our subsidiaries. We will seek growth as funds become available from cash flow, borrowings, additional capital raised privately or publicly, or seller retained financing.

Our primary use of funds will be for future acquisitions, public company expenses including regular distributions to our shareholders, investments in future acquisitions, payments to our manager pursuant to the management services agreement, potential payment of profit allocation to our manager and potential put price to our manager in respect of the allocation shares it owns. The management fee, expenses, potential profit allocation and potential put price are paid before distributions to shareholders and may be significant and exceed the funds we hold, which may require us to dispose of assets or incur debt to fund such expenditures. See Item 1. "Business—Our Manager" included in our Annual Report on Form 10-K for the year ended December 31, 2023 for more information concerning the management fee, the profit allocation and put price.

The amount of management fee paid to our manager by us is reduced by the aggregate amount of any offsetting management fees, if any, received by our manager from any of our businesses. As a result, the management fee paid to our manager may fluctuate from quarter to quarter. The amount of management fee paid to our manager may represent a significant cash obligation. In this respect, the payment of the management fee will reduce the amount of cash available for distribution to shareholders.

Our manager, as holder of 100% of our allocation shares, is entitled to receive a twenty percent (20%) profit allocation as a form of preferred equity distribution, subject to an annual hurdle rate of eight percent (8%), as follows. Upon the sale of a subsidiary, our manager will be paid a profit allocation if the sum of (i) the excess of the gain on the sale of such subsidiary over a high-water mark plus (ii) the subsidiary's net income since its acquisition by us exceeds the 8% hurdle rate. The 8% hurdle rate is the product of (i) a 2% rate per quarter, multiplied by (ii) the number of quarters such subsidiary was held by us, multiplied by (iii) the subsidiary's average share (determined based on gross assets, generally) of our consolidated net equity (determined according to U.S. generally accepted accounting principles, or GAAP, with certain adjustments). In certain circumstances, after a subsidiary has been held for at least 5 years, our manager may also trigger a profit allocation with respect to such subsidiary (determined based solely on the subsidiary's net income since its acquisition). The amount of profit allocation may represent a significant cash payment and is senior in right to payments of distributions to our shareholders. Therefore, the amount of profit allocation paid, when paid, will reduce the amount of cash available to us for our operating and investing activities, including future acquisitions. See Item 1. "Business—Our Manager—Our Manager as an Equity Holder—Manager's Profit Allocation" included in our Annual Report on Form 10-K for the year ended December 31, 2023 for more information on the calculation of the profit allocation.

The last occurrence of profit allocation distribution to our manager by our company was during the fourth quarter of 2020, concurrent with the spin-off of a former subsidiary. Following the profit allocation distribution to our manager, our board of directors identified a need to adjust the distribution to our manager, which resulted in the recognition of a \$2 million distribution receivable from our manager within shareholders' equity, with repayment anticipated upon the occurrence of the next qualified profit allocation distribution event.

On April 23, 2024, we and our manager entered into a letter agreement regarding the timing of payment of the distribution receivable, pursuant to which the parties agreed to treat the distribution receivable as a \$2,000,000, plus interest accrued thereon at a non-compounding rate equal to the applicable federal rate, unqualified obligation of our manager to be repaid as a credit against all future profit allocations resulting from both a sale event and a holding event payable to our manager, all until the distribution receivable is fully paid, provided that, if the distribution receivable is not fully paid by the application of such credit or otherwise by the first to occur of (i) December 31, 2024 and (ii) the date of the sale of all or substantially all the assets (in a transaction of any form) or the liquidation, dissolution or winding up, voluntary or involuntary, of either party, then upon such date the unpaid balance shall be immediately due, payable and paid by our manager.

Our operating agreement also contains a supplemental put provision, which gives our manager the right, subject to certain conditions, to cause us to purchase the allocation shares then owned by our manager upon termination of the management services agreement. The amount of put price under the supplemental put provision is determined by assuming all of our subsidiaries are sold at that time for their fair market value and then calculating the amount of profit allocation would be payable in such a case. If the management services agreement is terminated for any reason other than our manager's resignation, the payment to our manager could be as much as twice the amount of such hypothetical profit allocation. As is the case with profit allocation, the calculation of the put price is complex and based on many factors that cannot be predicted with any certainty at this time. See Item 1. "Business—Our Manager—Our Manager as an Equity Holder—Supplemental Put Provision" included in our Annual Report on Form 10-K for the year ended December 31, 2023 for more information on the calculation of the put price. The put price obligation, if our manager exercises its put right, will represent a significant cash payment and is senior in right to payments of distributions to our shareholders. Therefore, the amount of put price will reduce the amount of cash available to us for our operating and investing activities, including future acquisitions.

### Summary of Cash Flow

The following table provides detailed information about our net cash flows from continuing operations for the periods indicated:

	Six Months Ended June 30,	
	2024	2023
Net cash used in operating activities	\$ (3,897,532)	\$ (2,428,145)
Net cash used in investing activities	-	(3,895,670)
Net cash provided by financing activities	3,966,577	5,938,520
Net change in cash and cash equivalents	69,045	(385,295)
Cash and cash equivalents at the beginning of period	731,944	868,944
Cash and cash equivalents at the end of period	\$ 800,989	\$ 483,649

Net cash used in operating activities was \$3,897,532 for the six months ended June 30, 2024, as compared to \$2,428,145 for the six months ended June 30, 2023. Significant factors affecting the increase in net cash used in operating activities were primarily a result of the net loss during the six months ended June 30, 2024, decreased contract liabilities, inventories and prepaid expenses, partially offset by decreased receivables and prepaid expenses, and increased account payable and accrued expenses.

Net cash used in investing activities was \$0 for the six months ended June 30, 2024, as compared to \$3,895,670 for the six months ended June 30, 2023. The decrease in the net cash used in investing activities was primarily a result of the cash paid for the acquisition of ICU Eyewear during the six months ended June 30, 2023.

Net cash provided by financing activities was \$3,966,577 for the six months ended June 30, 2024, as compared to \$5,938,520 for the six months ended June 30, 2023. The decrease in the net cash provided by financing activities was primarily a result of decreased proceeds in private placements and revolving loans, increased debt repayments, offset by increased proceeds from public offerings.

#### Public Offering

On February 9, 2024, we entered into a securities purchase agreement with certain purchasers and a placement agency agreement with Spartan Capital Securities, LLC, or Spartan, pursuant to which we agreed to issue and sell to such purchasers an aggregate of 140,457 common shares and prefunded warrants for the purchase of 244,161 common shares at an offering price of \$13.00 per common share and \$12.87 per prefunded warrant, pursuant to our effective registration statement on Form S-1 (File No. 333-276670). On February 14, 2024, the closing of this offering was completed. At the closing, the purchasers prepaid the exercise price of the prefunded warrants in full. Therefore, we received total gross proceeds of \$5,000,000. Pursuant to the placement agency agreement, Spartan received a cash transaction fee equal to 8% of the aggregate gross proceeds and reimbursement of certain out-of-pocket expenses. After deducting these and other offering expenses, we received net proceeds of approximately \$4,335,000. During the six months ended June 30, 2024, we issued an aggregate of 174,126 common shares upon the exercise of prefunded warrants.

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#### Debt

The following table shows aggregate figures for our total debt that is coming due in the short and long term as of June 30, 2024. For a complete description of the terms of our outstanding debt, please see Note 10 to our condensed consolidated financial statements above and Notes 10, 12, 13 and 14 to our consolidated financial statements for the years ended December 31, 2023 and 2022 included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 filed with the Securities and Exchange Commission, or the SEC, on April 25, 2024.

	Short-Term	Long-Term	Total Debt
<b>Notes Payable</b>			
Vehicle loans	\$ 85,972	\$ 213,663	\$ 299,635
6% Amortizing promissory note	562,411	-	562,411
6% Subordinated promissory note	500,000	-	500,000
Purchase and sale of future revenues loan	786,000	-	786,000
12% subordinated promissory note for services	500,000	-	500,000
20% OID subordinated promissory notes	6,906,250	-	6,906,250
25% OID subordinated promissory note	666,667	-	666,667
Total notes payable	10,007,300	213,663	10,220,963
Less: debt discounts	(1,127,258)	-	(1,127,258)
Total notes payable, net	8,880,042	213,663	9,093,705
<b>Related Party Notes Payable</b>			
Related party promissory note	578,290	-	578,290
<b>Convertible Notes Payable</b>			
Secured convertible promissory notes	-	24,110,000	24,110,000
6% subordinated convertible promissory notes	2,520,346	-	2,520,346
Promissory notes issued in private placements	724,281	-	724,281
Total convertible notes payable	3,244,627	24,110,000	27,354,627
Less: debt discounts	(46,396)	(1,463,312)	(1,509,708)
Total convertible notes payable, net	3,198,231	22,646,688	25,844,919
<b>Revolving Line of Credit</b>			
Revolving loan	3,691,558	-	3,691,558
Less: debt discounts	-	-	-
Total revolving line of credit	3,691,558	-	3,691,558
<b>Finance Leases</b>			
Financing leases	177,030	515,490	692,520
Combined total debt	\$ 17,698,805	\$ 24,839,153	\$ 42,537,958
Less: combined debt discounts	(1,173,654)	(1,463,312)	(2,636,966)
Combined total debt, net	\$ 16,525,151	\$ 23,375,841	\$ 39,900,992

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## Contractual Obligations

Our principal commitments consist mostly of obligations under the loans described above and other contractual commitments described below.

We have engaged our manager to manage our day-to-day operations and affairs. Our relationship with our manager will be governed principally by the following agreements:

- the management services agreement and offsetting management services agreements relating to the management services our manager will perform for us and the businesses we own and the management fee to be paid to our manager in respect thereof; and
- our operating agreement setting forth our manager's rights with respect to the allocation shares it owns, including the right to receive profit allocations from us, and the supplemental put provision relating to our manager's right to cause us to purchase the allocation shares it owns.

## Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

## Critical Accounting Policies and Estimates

The preparation of the unaudited condensed consolidated financial statements requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On a regular basis, we evaluate these estimates. These estimates are based on management's historical industry experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

For a description of the accounting policies that, in management's opinion, involve the most significant application of judgment or involve complex estimation and which could, if different judgment or estimates were made, materially affect our reported financial position, results of operations, or cash flows, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 filed with the SEC on April 25, 2024.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

## ITEM 4. CONTROLS AND PROCEDURES.

### Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of June 30, 2024, as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended, or the Exchange Act. As a result of this evaluation, our chief executive officer and chief financial officer have concluded that, as of June 30, 2024, our disclosure controls and procedures were not effective due to the material weaknesses described below. Notwithstanding the identified material weaknesses, management, including our chief executive officer and chief financial officer, believes the consolidated financial statements included in this report fairly represent, in all material respects, our financial condition, results of operations and cash flows as of and for the periods presented in accordance with GAAP.

Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the 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, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

## Changes in Internal Control Over Financial Reporting

We regularly review our system of internal control over financial reporting and make changes to our processes and systems to improve controls and increase efficiency, while ensuring that we maintain an effective internal control environment. Changes may include such activities as implementing new, more efficient systems, consolidating activities, and migrating processes.

During its evaluation of the effectiveness of our internal control over financial reporting as of June 30, 2024, our management identified the following material weaknesses:

- we do not have written documentation of our internal control policies and procedures, including written policies and procedures to ensure the correct application of accounting and financial reporting with respect to the current requirements of GAAP and SEC disclosure requirements;
- we failed to maintain a sufficient complement of personnel in our accounting and reporting department to ensure adequate segregation of duties such that appropriate review and monitoring of its financial records are executed; and
- we did not design and maintain effective internal controls related to our information technology general controls in the areas of user access and program change-management over certain information technology systems that support our financial reporting processes.

As disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, our management has identified the steps necessary to address the material weaknesses, and in the second quarter of 2024, we continued to implement the following remedial procedures:

- increasing personnel resources and technical accounting expertise within the accounting function;
- until we have sufficient technical accounting resources, we have engaged external consultants to provide support and to assist us in our evaluation of more complex applications of GAAP;
- engaging internal control consultants to assist us in performing a financial reporting risk assessment as well as identifying and designing our system of internal controls necessary to mitigate the risks identified; and
- preparation of written documentation of our internal control policies and procedures.

We continue to enhance corporate oversight over process-level controls and structures to ensure that there is appropriate assignment of authority, responsibility, and accountability to enable remediation of our material weaknesses. We believe that our remediation plan will be sufficient to remediate the identified material

weaknesses and strengthen our internal control over financial reporting. As we continue to evaluate, and work to improve, our internal control over financial reporting, management may determine that additional measures to address control deficiencies or modifications to the remediation plan are necessary.

Other than in connection with the implementation of the remedial measures described above, there were no changes in our internal controls over financial reporting during the second quarter of 2024 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.**

From time to time, we may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these, or other matters, may arise from time to time that may harm our business. We are currently not aware of any such legal proceedings or claims that we believe will have a material adverse effect on our business, financial condition or operating results.

**ITEM 1A. RISK FACTORS.**

Not applicable.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

Except as set forth below, we have not sold any equity securities during the three months ended June 30, 2024 that were not previously disclosed in a current report on Form 8-K that was filed during the quarter.

On June 28, 2024, our subsidiaries 1847 Cabinet, High Mountain, Innovative Cabinets and Kyle's issued an original issue discount, or OID, promissory note in the principal amount of up to \$2,472,000, to be advanced in one or more tranches, to the Lender. In connection with the issuance of the note, we entered into a memorandum of understanding with the Lender, pursuant to which we agreed to issue to the Lender upon the closing of each tranche under the note series D senior convertible preferred shares with a stated value equal to the principal amount of each such tranche. On June 28, 2024, the parties executed tranche No. 1 in the principal amount of \$666,667 for total cash proceeds of \$475,000. In connection with such tranche, we issued 1,966,570 series D senior convertible preferred shares to the Lender.

We did not repurchase any of our common shares during the three months ended June 30, 2024.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

None.

**ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.

**ITEM 5. OTHER INFORMATION.**

None.

**ITEM 6. EXHIBITS.**

<b>Exhibit No.</b>	<b>Description of Exhibit</b>
3.1	<a href="#">Certificate of Formation of 1847 Holdings LLC (incorporated by reference to Exhibit 3.1 to the Registration Statement on Form S-1 filed on February 7, 2014)</a>
3.2	<a href="#">Second Amended and Restated Operating Agreement of 1847 Holdings LLC, dated January 19, 2018 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on January 22, 2018)</a>
3.3	<a href="#">Amendment No. 1 to Second Amended and Restated Operating Agreement (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on August 11, 2021)</a>
3.4	<a href="#">Amendment No. 2 to Second Amended and Restated Operating Agreement of 1847 Holdings LLC, dated October 16, 2023 (incorporated by reference to Exhibit 3.3 to the Current Report on Form 8-K filed on October 16, 2023)</a>
3.5	<a href="#">Amendment No. 3 to Second Amended and Restated Operating Agreement of 1847 Holdings LLC, dated December 19, 2023 (incorporated by reference to Exhibit 3.5 to the Registration Statement on Form S-1 filed on January 24, 2024)</a>
4.1	<a href="#">Amended and Restated Share Designation of Series A Senior Convertible Preferred Shares (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on April 1, 2021)</a>
4.2	<a href="#">Amendment No. 1 to Amended and Restated Share Designation of Series A Senior Convertible Preferred Shares (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed on October 5, 2021)</a>
4.3	<a href="#">Share Designation of Series D Senior Convertible Preferred Shares</a>
4.4	<a href="#">Form of Common Share Purchase Warrant issued by 1847 Holdings LLC on May 8, 2024 (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on May 14, 2024)</a>
4.5	<a href="#">Common Share Purchase Warrant issued by 1847 Holdings LLC to Spartan Capital Securities, LLC on May 8, 2024 (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed on May 14, 2024)</a>
4.6	<a href="#">Form of Pre-Funded Common Share Purchase Warrant, dated February 14, 2024 (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on February 15, 2024)</a>
4.7	<a href="#">Warrant Agency Agreement, dated August 11, 2023, between 1847 Holdings LLC and VStock Transfer, LLC and Form of Warrant (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on August 14, 2023)</a>
4.8	<a href="#">Common Share Purchase Warrant issued by 1847 Holdings LLC to Spartan Capital Securities, LLC on August 11, 2023 (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed on August 14, 2023)</a>
4.9	<a href="#">Common Share Purchase Warrant issued by 1847 Holdings LLC to J.H. Darbie &amp; Co., Inc. on February 22, 2023 (incorporated by reference to Exhibit 4.6 to Amendment No. 1 to Registration Statement on Form S-3 filed on April 28, 2023)</a>
4.10	<a href="#">Common Share Purchase Warrant issued by 1847 Holdings LLC to J.H. Darbie &amp; Co., Inc. on February 9, 2023 (incorporated by reference to Exhibit 4.10 to Amendment No. 1 to Registration Statement on Form S-3 filed on April 28, 2023)</a>
4.11	<a href="#">Common Share Purchase Warrant issued by 1847 Holdings LLC to J.H. Darbie &amp; Co., Inc. on February 3, 2023 (incorporated by reference to Exhibit 4.13 to Amendment No. 1 to Registration Statement on Form S-3 filed on April 28, 2023)</a>

- 4.12 [Warrant Agent Agreement, dated January 3, 2023, between 1847 Holdings LLC and VStock Transfer, LLC and form of Warrant \(incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on January 9, 2023\)](#)
- 4.13 [Common Share Purchase Warrant issued to Craft Capital Management LLC on August 5, 2022 \(incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on August 8, 2022\)](#)
- 4.14 [Common Share Purchase Warrant issued to R.F. Lafferty & Co. Inc. on August 5, 2022 \(incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed on August 8, 2022\)](#)
- 4.15 [Warrant for Common Shares issued by 1847 Holdings LLC to J.H. Darbie & Co., Inc. on July 8, 2022 \(incorporated by reference to Exhibit 4.18 to the Registration Statement on Form S-3 filed on February 1, 2023\)](#)
- 4.16 [Warrant for Common Shares issued by 1847 Holdings LLC to Leonite Capital LLC on October 8, 2021 \(incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed on October 13, 2021\)](#)

- 10.1 [Promissory Note issued by 1847 Cabinets Inc., High Mountain Door & Trim Inc., Sierra Homes, LLC d/b/a Innovative Cabinets & Design and Kyle's Custom Wood Shop, Inc. to Breadcrumbs Capital LLC on June 28, 2024](#)
- 10.2 [Security Agreement, dated June 28, 2024, among 1847 Cabinets Inc., High Mountain Door & Trim Inc., Sierra Homes, LLC d/b/a Innovative Cabinets & Design, Kyle's Custom Wood Shop, Inc. and Breadcrumbs Capital LLC](#)
- 10.3 [Assignment and Assumption of Accounts Receivable Agreement, dated June 28, 2024, among 1847 Cabinets Inc., High Mountain Door & Trim Inc., Sierra Homes, LLC d/b/a Innovative Cabinets & Design, Kyle's Custom Wood Shop, Inc. and Breadcrumbs Capital LLC](#)
- 10.4 [Memorandum of Understanding, dated June 28, 2024, between 1847 Holdings LLC and Breadcrumbs Capital LLC](#)
- 10.5 [Securities Purchase Agreement, dated May 9, 2024, between 1847 Holdings LLC and Leonite Capital LLC](#)
- 10.6 [Promissory Note issued by 1847 Holdings LLC to Leonite Capital LLC on May 9, 2024](#)
- 10.7 [Memorandum of Understanding, dated May 9, 2024, between 1847 Holdings LLC and Leonite Capital LLC](#)
- 10.8 [Form of Securities Purchase Agreement, dated May 8, 2024 \(incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on May 14, 2024\)](#)
- 10.9 [Form of Registration Rights Agreement, dated May 8, 2024 \(incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on May 14, 2024\)](#)
- 10.10 [Form of 20% OID Subordinated Promissory Note, dated May 8, 2024 \(incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed on May 14, 2024\)](#)
- 10.11 [Form of Note Extension Agreement for 20% OID Subordinated Promissory Note, dated July 10, 2024](#)
- 31.1\* [Certifications of Principal Executive Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 31.2\* [Certifications of Principal Financial and Accounting Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 32.1\*\* [Certifications of Principal Executive Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 32.2\*\* [Certifications of Principal Financial and Accounting Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 101.INS\* [Inline XBRL Instance Document](#)
- 101.SCH\* [Inline XBRL Taxonomy Extension Schema Document](#)
- 101.CAL\* [Inline XBRL Taxonomy Extension Calculation Linkbase Document](#)
- 101.DEF\* [Inline XBRL Taxonomy Extension Definition Linkbase Document](#)
- 101.LAB\* [Inline XBRL Taxonomy Extension Label Linkbase Document](#)
- 101.PRE\* [Inline XBRL Taxonomy Extension Presentation Linkbase Document](#)
- 104\* [Cover Page Interactive Data File \(formatted as Inline XBRL and contained in Exhibit 101\)](#)

\* Filed herewith  
 \*\* Furnished herewith

### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 19, 2024

**1847 HOLDINGS LLC**

/s/ Ellery W. Roberts  
 Name: Ellery W. Roberts  
 Title: Chief Executive Officer  
*(Principal Executive Officer)*

/s/ Vernice L. Howard  
 Name: Vernice L. Howard  
 Title: Chief Financial Officer  
*(Principal Financial and Accounting Officer)*

**1847 HOLDINGS LLC**  
**SHARE DESIGNATION**  
**OF**  
**SERIES D SENIOR CONVERTIBLE PREFERRED SHARES**  
**(no par value per share)**

The undersigned duly authorized officer of 1847 Holdings LLC, a Delaware limited liability company (the “**Company**”), hereby certifies, pursuant to the authority conferred upon the board of directors of the Company (the “**Board**”) by Section 3.3(b) of the Second Amended and Restated Operating Agreement of the Company, dated January 19, 2018 (as such may be amended, modified or restated from time to time, the “**Operating Agreement**”), that the Board adopted a resolution effective as of June 28, 2024 which creates a series of preferred shares of the Company as follows:

**RESOLVED**, that pursuant to the authority vested in the Board in accordance with the provisions Section 3.3(b) of the Operating Agreement, a series of preferred shares is hereby created and that the designation and number of shares of such series and the voting powers, designations, preferences, and relative, participating, optional or other rights and the qualifications, limitations, and restrictions thereof, are as set forth in the Operating Agreement and this Share Designation, as it may be amended from time to time, as follows:

1. Definitions. For the purposes hereof, the following terms shall have the following meanings:

“**Allocation Shares**” means any of the Company’s Allocation Shares, as defined in the Operating Agreement.

“**Business Day**” means a day on which the New York Stock Exchange is open for trading and which is not a Saturday, Sunday, or other day on which banks in New York City are authorized or required by law to close.

“**Common Shares**” means any of the Company’s Common Shares, as defined in the Operating Agreement.

“**Liquidation**” means any liquidation, dissolution or winding up of the Company’s affairs, whether voluntary or involuntary; provided, however, that none of (i) a consolidation or merger of the Company with one or more Persons, individually or in a series of transactions, (ii) a sale, lease or transfer of all or substantially all of the Company’s assets or (iii) a statutory share exchange shall be deemed to be a Liquidation.

“**Person**” means natural persons, companies, limited liability companies, unlimited liability companies, limited partnerships, general partnerships, limited liability partnerships, joint ventures, trusts, land trusts, business trusts, or other organizations, irrespective of whether they are legal entities, and governments and agencies and political subdivisions thereof.

“**Requisite Holders**” means the holders of a majority of Series D Preferred Shares.

“**Series A Preferred Shares**” means the Company’s Series A Senior Convertible Preferred Shares.

“**Series C Preferred Shares**” means the Company’s Series C Senior Convertible Preferred Shares.

2. Designation and Number of Shares; Admission as Member.

(a) There is hereby created a new series of shares of the Company that are designated as the “Series D Senior Convertible Preferred Shares” (the “**Series D Preferred Shares**”). The number of shares constituting such series shall be 7,292,036. Each Series D Preferred Share shall have a stated value of \$0.339 per share, subject to adjustments as described herein (the “**Stated Value**”). Each Series D Preferred Share shall be identical in all respects to every other Series D Preferred Share.

(b) A Person shall be admitted as a Member (as defined in the Operating Agreement) and shall become bound by the terms of the Operating Agreement, including this Share Designation if such Person purchases or otherwise lawfully acquires any Series D Preferred Shares and becomes the record holder of such shares in accordance with the provisions of this Share Designation and the Operating Agreement. A Person may become a record holder without the consent or approval of any of the Members of the Company.

3. Ranking. The Series D Preferred Shares shall, with respect to the payment of dividends and the distribution of assets upon Liquidation of the Company, be deemed to rank:

(a) senior to all Common Shares, Allocation Shares, and to each other class or series of Additional Securities (as defined in the Operating Agreement) of the Company that is established in accordance with the Operating Agreement after the date of this Share Designation and that is not expressly made senior to or on parity with the Series D Preferred Shares as to the payment of dividends and as to the distribution of assets upon Liquidation of the Company (the “**Junior Securities**”);

(b) on parity with the Series C Preferred Shares and to each other class or series of Additional Securities of the Company that is established in accordance with the Operating Agreement after the date of this Share Designation and that is not expressly subordinated or made senior to the Series D Preferred Shares as to the payment of dividends and as to the distribution of assets upon Liquidation of the Company, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share thereof differ from those of the Series D Preferred Shares (the “**Parity Securities**”); and

(c) junior to the Series A Preferred Shares, all of the Company’s indebtedness and other liabilities with respect to assets available to satisfy claims against the Company and to each other class or series of Additional Securities of the Company that is expressly made senior to the Series D Preferred Shares as to the payment of dividends and as to the distribution of assets upon Liquidation of the Company (“**Senior Securities**”).

4. Dividends. From and after the date of the issuance of any Series D Preferred Share, dividends at the rate per annum of 10% of the Stated Value, subject to adjustment as provided herein (the “**Stated Dividend Rate**”) shall accrue on such Series D Preferred Share (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series D Preferred Shares) (the “**Accruing Dividends**”). Accruing Dividends shall accrue from day to day, whether or not declared, and shall be cumulative. Accruing Dividends shall be payable only upon (i) liquidation of the Company in accordance with the Operating Agreement; or (ii) conversion in accordance with Section 5 hereof (each, a “**Dividend Payment Date**”). Any calculation of the amount of Accruing Dividends shall be made based on a 365-day year, the actual number of days elapsed, to the extent permitted by law.

## 5. Conversion.

(a) Each Series D Preferred Share, plus all accrued and unpaid dividends thereon, shall be convertible, at the option of the holder thereof or the Company, at any time and from time to time after the issuance of such share, into such number of fully paid and nonassessable Common Shares (calculated as to each conversion to the whole share) determined by dividing the aggregate Stated Value of the shares for which conversion is being requested, plus the value of the Accruing Dividends on such shares, by the Conversion Price. The "**Conversion Price**" is \$0.339, subject to adjustments described herein.

(b) The holders of any Series D Preferred Shares may exercise their conversion rights as to all such shares or any part thereof by delivering to the Company during regular business hours at the office of any transfer agent of the Company for the Series D Preferred Shares, if any, or at the principal office of the Company, or at such other place as may be designated by the Company, the certificate or certificates for the shares to be converted, if any, duly endorsed for transfer to the Company (if required by the Company), accompanied by written notice stating that the holder elects to convert such shares. Conversion shall be deemed to have been effected on the date when such delivery is made, and such date is referred to herein as the "**Conversion Date**." As promptly as practicable after the Conversion Date, but not later than three (3) Business Days thereafter, the Company shall issue the Common Shares to which such holder is entitled and deliver to such holder an account statement from the Company's transfer agent evidencing such issuance. The holder shall be deemed to have become a shareholder of record on the Conversion Date. Provided the Company is participating in the Depository Trust Company ("**DTC**") Fast Automated Securities Transfer program, upon request of any holder of outstanding Series D Preferred Shares, the Company shall use its best efforts to cause its transfer agent to electronically transmit the Common Shares issuable upon conversion to such holder by crediting the account of such holder's Prime Broker with DTC through its Deposit Withdrawal Agent Commission system.

(c) No fractional Common Shares or scrip shall be issued upon conversion of Series D Preferred Shares. The number of full Common Shares issuable upon conversion thereof shall be computed on the basis of the aggregate number of Series D Preferred Shares. Any fractional Common Shares that would otherwise be issuable upon conversion of the Series D Preferred Shares will be rounded up to the next whole share.

(d) The Company shall pay any and all issuance, delivery, and transfer taxes in respect of the issuance or delivery of Common Shares on conversion of the Series D Preferred Shares pursuant hereto.

(e) If the Company at any time after the date of issue of the Series D Preferred Shares (i) declares a dividend or makes a distribution on Common Shares payable in Common Shares, (ii) subdivides or splits the outstanding Common Shares, (iii) combines or reclassifies the outstanding Common Shares into a smaller number of shares, (iv) issues any shares of its capital stock in a reclassification of Common Shares (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing corporation), (v) effects any sale of all or substantially all of its assets in one transaction or a series of related transactions, or (vi) consolidates with, merges with or into or is converted into any other Person, the Conversion Price in effect at the time of the record date for such dividend or distribution or of the effective date of such subdivision, split, combination, consolidation, conversion, sale, merger or reclassification shall be adjusted so that the conversion of the Series D Preferred Shares after such time shall entitle the holder to receive the aggregate number of Common Shares or other securities of the Company (or shares of any security into which such Common Shares have been combined, consolidated, converted, merged or reclassified) which, if the Series D Preferred Shares had been converted immediately prior to such time, such holder would have owned upon such conversion and been entitled to receive by virtue of such dividend, distribution, subdivision, split, combination, consolidation, conversion, merger or reclassification. Such adjustment shall be made successively whenever any event listed above shall occur.

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(f) The Company shall not, through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, including amending this Share Designation, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Section 5 and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the holders of Series D Preferred Shares against impairment.

(g) All Common Shares which may be issued upon conversion of the Series D Preferred Shares will, upon issuance by the Company, be validly issued, fully paid and nonassessable, and free from all taxes, liens, and charges with respect to the issuance thereof.

(h) The Company shall at all times reserve and keep available, free from preemptive rights, such number of its authorized but unissued Common Shares as may be required to effect conversions of the Series D Preferred Shares.

(i) In no event shall the holder of any Series D Preferred Shares be entitled to convert any number of Series D Preferred Shares, that upon conversion the sum of (1) the number of Common Shares beneficially owned by the holder and its affiliates (other than Common Shares which may be deemed beneficially owned through the ownership of any unconverted Series D Preferred Shares, or the unexercised or unconverted portion of any other security of the Company subject to a limitation on conversion or exercise analogous to the limitations contained herein) and (2) the number of Common Shares issuable upon the conversion of the Series D Preferred Shares with respect to which the determination of this proviso is being made, would result in beneficial ownership by the holder and its affiliates of more than 4.99% of the then outstanding Common Shares of the Company. For purposes of the proviso set forth in the immediately preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and Regulations 13D-G thereunder. However, the limitations on conversion or exercise detailed herein may be waived (up to a maximum of 9.99%) by the holder and in its sole discretion, not less than sixty-one (61) days prior notice to the Company, and the provisions of the limitations herein shall continue to apply until such 61<sup>st</sup> day (or such later date, as determined by the holder, as may be specified in such notice of waiver).

## 6. Liquidation Preference.

(a) Subject to the rights of the Company's creditors and the holders of any Senior Securities or Parity Securities, upon any Liquidation of the Company or its subsidiaries, before any payment or distribution of the assets of the Company (whether capital or surplus) shall be made to or set apart for the holders of Junior Securities as to the distribution of assets on any Liquidation of the Company, each holder of outstanding Series D Preferred Shares shall be entitled to receive an amount of cash equal to one hundred percent (100%) of the Stated Value, plus an amount of cash equal to all accumulated accrued and unpaid dividends thereon (whether or not declared) to, but not including the date of final distribution to such holders. If, upon any Liquidation of the Company, the assets of the Company, or proceeds thereof, distributable among the holders of the Series D Preferred Shares shall be insufficient to pay in full the preferential amount payable to the holders of the Series D Preferred Shares as described in this Section 6(a) and liquidating payments on any other shares of any class or series of Parity Securities as to the distribution of assets on any Liquidation of the Company, then such assets, or the proceeds thereof, shall be distributed among the holders of Series D Preferred Shares and any such other Parity Securities ratably in accordance with the respective amounts that would be payable on such Series D Preferred Shares and any such other Parity Securities if all amounts payable thereon were paid in full.

(b) Subject to the rights of the Company's creditors and the holders of any Senior Securities or Parity Securities, upon any Liquidation of the Company, after payment shall have been made in full to the holders of the Series D Preferred Shares in accordance with this Section 5, the holders of any other series or class or classes of Junior Securities shall, subject to the respective terms and provisions (if any) applying thereto, be entitled to receive any and all assets remaining to be paid or distributed, and the holders of the Series D Preferred Shares shall not be entitled to share therein or have any other right or claim to such assets.

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(c) Written notice of any such Liquidation of the Company, stating the payment date or dates when, and the place or places where, the amounts distributable in such circumstances shall be payable, shall be given by first class mail, postage prepaid, not less than twenty (20) nor more than sixty (60) days prior to the payment date stated therein, to each record holder of the Series D Preferred Shares at the respective address of such holders as the same shall appear on the stock transfer records of the Company.

7. Voting Rights.

(a) The Series D Preferred Shares shall not have any relative, participating, optional or other voting rights or powers of any type, and the consent of the holders thereof shall not be required for the taking of any corporate action, except as set forth in this Section 7 or as otherwise provided by the Operating Agreement of the Company or the Delaware Limited Liability Company Act.

(b) Notwithstanding the foregoing, so long as any Series D Preferred Shares are outstanding, the affirmative vote of the Requisite Holders at the time outstanding, voting as a separate class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for approving, effecting or validating any amendment, alteration or repeal of any of the provisions of this Share Designation.

(c) For purposes of this Section 7, with respect to any matter as to which the holders of Series D Preferred Shares are entitled to vote as a class, such holders shall be entitled to one vote per share.

8. Record Holders. The Company and its transfer agent shall deem and treat the record holder of any Series D Preferred Shares as the true and lawful owner thereof for all purposes, and neither the Company nor its transfer agent shall be affected by any notice to the contrary.

9. No Sinking Fund. The holders of Series D Preferred Shares shall not be entitled to (i) payment of a principal amount at any particular date, (ii) the benefits of any retirement or sinking fund, or (iii) require the Company to set aside funds to secure the Company's obligations under the Series D Preferred Shares.

10. Additional Issuances. The Board may only authorize and issue additional Series D Preferred Shares from time to time in one or more series with the written consent of the Requisite Holders.

11. Miscellaneous.

(a) Any and all notices or other communications or deliveries to be provided by the holders of Series D Preferred Shares hereunder shall be in writing and delivered by facsimile, by electronic mail, or sent by a nationally recognized overnight courier service, addressed to the Company at 590 Madison Avenue, 21st Floor, New York, NY 10022, attention: Chief Financial Officer, e-mail address vhoward@1847holdings.com, or such other facsimile number, e-mail address or address as the Company may specify for such purposes by notice to the holders delivered in accordance with this Section 11(a). Any and all notices or other communications or deliveries to be provided by the Company hereunder shall be in writing and delivered by facsimile, by electronic mail, or sent by a nationally recognized overnight courier service, addressed to each holder of Series D Preferred Shares at the facsimile number, e-mail address or address of such holder appearing on the books of the Company, or if no such facsimile number, email address or address appears on the books of the Company, at the principal place of business of such holder. Any notice or other communication or deliveries hereunder shall be deemed given and effective on the earliest of (i) the date of transmission if such notice or communication is delivered via facsimile or electronic mail prior to 5:30 p.m. (New York City time) on any date, (ii) the next Business Day after the date of transmission, if such notice or communication is delivered via facsimile or electronic mail on a day that is not a Business Day or later than 5:30 p.m. (New York City time) on any Business Day, (iii) the second Business Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given.

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(b) All questions concerning the construction, validity, enforcement, and interpretation of this Share Designation shall be governed by and construed and enforced in accordance with the internal laws of the State of Delaware, without regard to the principles of conflict of laws thereof.

(c) This Share Designation may be amended, or any provision of this Share Designation may be waived by the Company solely with the affirmative vote at a duly held meeting or written consent of the Requisite Holders. Any waiver by the Company or a holder of Series D Preferred Shares of a breach of any provision of this Share Designation shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Share Designation or a waiver by any other holders, except that a waiver by the Requisite Holders will constitute a waiver of all holders. The failure of the Company or a holder to insist upon strict adherence to any term of this Share Designation on one or more occasions shall not be considered a waiver or deprive that party (or any other holder) of the right thereafter to insist upon strict adherence to that term or any other term of this Share Designation on any other occasion. Any waiver by the Company or a holder must be in writing.

(d) If any provision of this Share Designation is invalid, illegal, or unenforceable, the balance of this Share Designation shall remain in effect, and if any provision is inapplicable to any Person or circumstance, it shall nevertheless remain applicable to all other Persons and circumstances. If it shall be found that any interest or other amount deemed interest due hereunder violates the applicable law governing usury, the applicable rate of interest due hereunder shall automatically be lowered to equal the maximum rate of interest permitted under applicable law.

(e) The headings contained herein are for convenience only, do not constitute a part of this Share Designation, and shall not be deemed to limit or affect any of the provisions hereof.

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IN WITNESS WHEREOF, this Share Designation, which shall be made effective pursuant to Article III of the Operating Agreement, is executed by the undersigned effective as of the 28th day of June 2024.

**1847 HOLDINGS LLC**

By: /s/ Ellery W. Roberts  
Name: Ellery W. Roberts  
Title: Chief Executive Officer

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Principal Amount: \$2,472,000.00  
 Actual Amount of Purchase Price: \$1,854,000.00  
 Original Issue Discount: \$618,000.00

Issue Date: June 28, 2024

#### ORIGINAL ISSUE DISCOUNT PROMISSORY NOTE

FOR VALUE RECEIVED, **1847 Cabinets Inc.**, a Delaware corporation ("1847 Cabinets"), **High Mountain Door & Trim Inc.**, a corporation organized under the laws of the State of Nevada, **Sierra Homes LLC**, a limited liability company organized under the laws of the State of Nevada, and **Kyle's Custom Wood Shop, Inc.**, a corporation organized under the laws of the State of Idaho (collectively referred to hereinafter as the "Borrower" or the "Company") hereby promises to pay to the order of **BREADCRUMBS CAPITAL LLC**, a Delaware Limited Liability Company, or registered assigns (the "Holder"), in the form of lawful money of the United States of America, the principal sum of up to \$2,472,000.00, or so much as has been advanced in one or more tranches plus the OID (defined below) as applicable (subject to adjustment herein) (the "Principal Amount") and to pay interest on the Principal Amount hereof on a monthly basis or upon acceleration or otherwise, as set forth herein (or as may be amended, extended, renewed and refinanced, collectively, this "Note"), accruing at the rate, which shall reset daily, equal to the greater of (i) the Prime Rate plus eight percent (8%) per annum, or (ii) fourteen percent (14%) per annum (the "Interest Rate"). The "Prime Rate" shall mean that variable rate of interest published from time to time by the Wall Street Journal as the prime rate of interest. In no event shall the Interest Rate exceed the maximum rate allowed by law; any interest payment which would for any reason be unlawful under applicable law shall be applied to the Principal Amount.

This Note may not be prepaid or repaid in whole or in part except as otherwise explicitly set forth herein.

The consideration to the Borrower for this Note is one million five hundred thousand Dollars (\$1,854,000.00) (the "Consideration") to be paid in one or more tranches (each, a "Tranche"). The first Tranche shall consist of a payment by Holder to Borrower on the Issue Date of no less than five hundred thousand Dollars (\$500,000), from which the Holder shall retain twenty-five thousand Dollars (\$25,000) to cover its legal fees. The remainder of the Tranches shall be distributed at Holder's sole discretion.

The maturity date ("Maturity Date") for each Tranche shall be at the end of the period that begins from the date each Tranche is advanced and ends three (3) months thereafter (such periods each referred to herein as a "Tranche Term"). Notwithstanding the foregoing, the Maturity Date for this Note, and all Tranches advanced hereunder, shall be no later than the date upon which the receives payment on the assigned receivables.

Any amount of principal, interest, other amounts due hereunder or penalties on this Note, which is not paid by the due date as specified herein, shall bear interest at the lesser of the rate of thirty six percent (36%) per annum or the maximum legal amount permitted by law ("Default Interest Rate"), from the due date thereof until the same is paid in full, including following the entry of a judgment in favor of Holder ("Default Interest").

All payments due hereunder (to the extent not converted into shares of common stock, \$0.001 par value per share, of the Borrower (the "Common Stock") in accordance with the terms hereof) shall be made in lawful money of the United States of America. All payments shall be made at such address as the Holder shall hereafter give to the Borrower by written notice made in accordance with the provisions of this Note. Whenever any amount expressed to be due by the terms of this Note is due on any day which is not a business day, the same shall instead be due on the next succeeding day which is a business day.

This Note carries an original issue discount of up to five hundred thousand Dollars (\$500,000) (the "OID"), to cover the Holder's accounting fees, due diligence fees, monitoring, and/or other transactional costs incurred in connection with the purchase and sale of the Note, which is included in the principal balance of this Note. Thus, the purchase price of this Note shall be two million Dollars (\$2,000,000), computed as follows: the Principal Amount minus the OID. The OID shall be earned upon each Tranche on a pro rata basis of their proportion of the total Consideration. For example, upon the advance of the first Tranche, two hundred sixteen thousand six hundred sixty-six and 67/100 Dollars (\$216,666.67) shall be added to the principal amount of the outstanding Note in addition to the amount advanced, and the total amount owed, or the total principal amount, shall be eight hundred sixty six thousand six hundred sixty six and 67/100 Dollars (\$866,666.67).

It is further acknowledged and agreed that the Principal Amount owed by Borrower under this Note shall be increased by the amount of all reasonable expenses incurred by the Holder in connection with the collection of amounts due, or enforcement of any terms pursuant to, this Note. All such expenses shall be deemed added to the Principal Amount hereunder to the extent such expenses are paid or incurred by the Holder.

Each capitalized term used herein, and not otherwise defined, shall have the meaning ascribed thereto in that certain Security Agreement, dated as of the Issue Date, by and between the Borrower and the Holder, pursuant to which this Note was originally issued (the "Security Agreement"). As used in this Note, the term "business day" shall mean any day other than a Saturday, Sunday or a day on which commercial banks in the city of New York, New York are authorized or required by law or executive order to remain closed.

This Note is free from all taxes, liens, claims and encumbrances with respect to the issue thereof and shall not be subject to preemptive rights or other similar rights of shareholders of the Borrower and will not impose personal liability upon the holder thereof.

The following terms shall also apply to this Note:

#### ARTICLE I. INTENTIONALLY OMITTED

#### ARTICLE II. RANKING AND CERTAIN COVENANTS

**2.1 Ranking and Security.** This Note shall have priority over all unsecured indebtedness of the Borrower. As a condition precedent to the Holder advancing funds to the Borrower hereunder, the Borrower shall assign specific accounts receivable to the Holder, and Borrower hereby agrees to remit payments received on such assigned receivables directly to Lender and shall provide viewer account access on all of Borrower's bank accounts to a designee of Lender's choosing. The obligations of the Borrower under this Note are secured pursuant to the terms of the Security Agreement (collectively with the Note, and other related ancillary documents and agreements executed in connection thereto, the "Transaction Documents").

**2.2 Other Indebtedness.** So long as the Borrower shall have any obligation under this Note, the Borrower shall not (directly or indirectly through any Subsidiary or affiliate) incur or suffer to exist or guarantee any unsecured indebtedness that is senior to or pari passu with (in priority of payment and performance) the Borrower's obligations hereunder.

**2.3 Distributions on Capital Stock.** So long as the Borrower shall have any obligation under this Note, the Borrower shall not without the Holder's written consent (a) pay, declare or set apart for such payment, any dividend or other distribution (whether in cash, property or other securities) on shares of capital stock other than dividends on shares of Common Stock solely in the form of additional shares of Common Stock or (b) directly or indirectly or through any subsidiary make any other payment or distribution in respect of its capital stock except for distributions pursuant to any shareholders' rights plan which is approved by a majority of the Borrower's disinterested directors.

**2.4 Restriction on Stock Repurchases and Debt Repayments.** So long as the Borrower shall have any obligation under this Note, the Borrower

shall not without the Holder's written consent redeem, repurchase or otherwise acquire (whether for cash or in exchange for property or other securities or otherwise) in any one transaction or series of related transactions any shares of capital stock of the Borrower or any warrants, rights or options to purchase or acquire any such shares, or repay any pari passu or subordinated indebtedness of the Borrower.

**2.5 Sale of Assets.** So long as the Borrower shall have any obligation under this Note, the Borrower shall not, without the Holder's written consent, sell, lease or otherwise dispose of any significant portion of its assets outside the ordinary course of business. Any consent by the Holder to the disposition of any assets may be conditioned on a specified use of the proceeds of disposition.

**2.6 Advances and Loans; Affiliate Transactions.** So long as the Borrower shall have any obligation under this Note, the Borrower shall not, without the Holder's written consent, lend money, give credit, make advances to or enter into any transaction with any person, firm, joint venture or corporation, including, without limitation, officers, directors, employees, subsidiaries and affiliates of the Borrower, except loans, credits or advances (a) in existence or committed on the Issue Date and which the Borrower has informed Holder in writing prior to the Issue Date, (b) in regard to transactions with unaffiliated third parties, made in the ordinary course of business or (c) in regard to transactions with unaffiliated third parties, not in excess of \$100,000. So long as the Borrower shall have any obligation under this Note, the Borrower shall not, without the Holder's written consent, repay any affiliate (as defined in Rule 144) of the Borrower in connection with any indebtedness or accrued amounts owed to any such party.

**2.7 Intentionally Omitted.**

**2.8 Preservation of Business and Existence, etc.** So long as the Borrower shall have any obligation under this Note, the Borrower shall not, without the Holder's written consent, (a) change the nature of its business; (b) sell, divest, change the structure of any material assets other than in the ordinary course of business; or (c) enter into any merchant cash advance transactions other than the ones exist as of the date of this Agreement. Outstanding merchant cash advance transactions will not be refinanced. In addition, so long as the Borrower shall have any obligation under this Note, the Borrower shall maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, its existence, rights and privileges, and become or remain, and cause each of its Subsidiaries (other than dormant Subsidiaries that have no or minimum assets) to become or remain, duly qualified and in good standing in each jurisdiction in which the character of the properties owned or leased by it or in which the transaction of its business makes such qualification necessary.

**2.9 Noncircumvention.** The Company hereby covenants and agrees that the Company will not, by amendment of its Certificate or Articles of Formation or Bylaws, or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Note, and will at all times in good faith carry out all the provisions of this Note and take all action as may be required to protect the rights of the Holder.

**2.10 Lost, Stolen or Mutilated Note.** Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Note, and, in the case of loss, theft or destruction, of any indemnification undertaking by the Holder to the Company in customary form and, in the case of mutilation, upon surrender and cancellation of this Note, the Company shall execute and deliver to the Holder a new Note.

**2.11 Use of Proceeds.** Borrower agrees to use the proceeds of this Note solely for the general working capital of 1847 Cabinets and the subsidiaries of 1847 Cabinets. Funds that are advanced hereunder, that are intended to be used to pay outstanding accounts payables of 1847 Cabinets or its subsidiaries, will be funded by the Holder directly to the payees of such accounts payables based on information provided by the Borrower on a flow of funds memorandum.

**2.12 Transfers to Parent Company Prohibited.** So long as a balance remains due on this Note, 1847 Cabinets shall be prohibited from making any distributions to 1847 HOLDINGS LLC, a Delaware limited liability company (Trading Symbol: EFSH) ("EFSH") and any such distribution shall be deemed an event of default under this Note.

**2.13 Intentionally Omitted.**

**2.14 Intentionally Omitted.**

**2.15 Terms of Future Financings.** So long as any balance under this Note is outstanding, upon any issuance of (or announcement of intent to effect an issuance of) any security, or amendment to (or announcement of intent to effect an amendment to) any security that was originally issued before the Issue Date, by the Borrower or any Subsidiary, with any term that is more favorable to the holder of such security than to the Holder in the Transaction Documents, or with a term in favor of the holder of such security that was not similarly provided to the Holder in the Transaction Documents, then (i) the Borrower shall notify the Holder of such additional or more favorable term within three (3) business days of the issuance and/or amendment (as applicable) of the respective security, and (ii) such term, at Holder's option, shall become a part of the transaction documents with the Holder (regardless of whether the Borrower complied with the notification provision of this Section 3.12). The types of terms contained in another security that may be more favorable to the holder of such security include, but are not limited to, terms addressing conversion price, conversion price discounts and adjustments, prepayment rate, conversion lookback periods, interest rates, original issue discounts, stock sale price, private placement price per share, commitment shares, and warrant coverage. If Holder elects to have the term become a part of the transaction documents with the Holder, then the Borrower shall deliver acknowledgment of such adjustment in form and substance reasonably satisfactory to the Holder (the "Acknowledgment") within three (3) business days of Borrower's receipt of request from Holder, provided that Borrower's failure to timely provide the Acknowledgment shall not affect the automatic amendments contemplated hereby.

**2.16 Intentionally Omitted.**

**2.17 Intentionally Omitted.**

**2.18 Right of First Refusal.** So long as the Borrower shall have any obligation under this Note, but in any event, for a period beginning on the Issue Date, and ending no less than eighteen (18) months following the last Tranche advanced hereunder, if the Borrower or any Subsidiary has a bona fide offer of capital or financing from any third party that the Borrower or any Subsidiary intends to act upon, other than an underwritten initial public offering of the Ordinary Shares, then the Borrower must first offer such opportunity to the Holder to provide such capital or financing to the Borrower or Subsidiary on the same terms as each respective third party's terms. Should the Holder be unwilling or unable to provide such capital or financing to the Borrower or Subsidiary within 10 Trading Days from Holder's receipt of written notice of the offer (the "Offer Notice") from the Borrower, then the Borrower or Subsidiary may obtain such capital or financing from that respective third party upon the exact same terms and conditions offered by the Borrower to the Holder, which transaction must be completed within 60 days after the date of the Offer Notice. If the Borrower or Subsidiary does not receive the capital or financing from the respective 3rd party within 60 days after the date of the respective Offer Notice, then the Borrower must again offer the capital or financing opportunity to the Holder as described above, and the process detailed above shall be repeated. The Offer Notice must be sent via electronic mail to dberger@bergerlawpllc.com.

**2.19 Audit Rights.** Holder to have right to inspect the books and records of the Borrower up to twice per calendar year at Borrower's expense, at reasonable business hours, at Holder's sole discretion, provided however, that after the occurrence of an Event of Default, there shall be no limit to the number of

times per calendar year that the Holder may exercise these Audit Rights.

2.20 Intentionally Omitted.

2.21 Restrictions on Other Certain Transactions. So long as the Borrower shall have any obligation under this Note and unless approved in writing by the Holder (which such approval not to be unreasonably withheld), the Borrower shall not directly or indirectly: (a) change the nature of its business; (b) sell, divest, change the structure of any material assets of the Borrower or any Subsidiary other than in the ordinary course of business (c) accept Merchant-Cash-Advances in which it sells future receivables at a discount, any other factoring transactions, or similar financing instruments or financing transactions; or (d) Enter into a borrowing arrangement where the Company pays an effective APR greater than 20%.

2.22 Additional Consideration. As a material inducement for the Holder to purchase this Note and to advance the loan pursuant to the terms hereunder, the Borrower agrees (i) to induce EFSH, with respect to each Tranche advanced by the Holder to the Borrower hereunder, to issue to the Holder non convertible preferred shares of EFSH, with a stated value equal to the Principal Amount of such Tranche, and shall induce EFSH to execute any documents necessary to effect such issuance, and provide the Holder with any documents necessary to show ownership of such shares, and (ii) to assign certain accounts receivables to the Holder pursuant to an Assignment and Assumption of Accounts Receivables Agreement entered into between the Borrower and the Holder concurrently herewith.

### ARTICLE III. EVENTS OF DEFAULT

It shall be considered an event of default if any of the following events listed in this Article III (each, an “ **Event of Default**”) shall occur:

3.1 Failure to Pay Principal or Interest. The Borrower fails to pay the Principal Amount hereof or interest thereon when due on this Note, whether at maturity, upon acceleration or otherwise, or fails to fully comply with Section 1.10 of this Note.

3.2 Intentionally Omitted.

3.3 Breach of Agreements and Covenants. The Borrower breaches any covenant, agreement, or other term or condition contained in the Transaction Documents, or in any agreement, statement or certificate given in writing pursuant hereto or in connection herewith or therewith.

3.4 Breach of Representations and Warranties. Any representation or warranty of the Borrower made in the Transaction Documents, or in any agreement, statement or certificate given in writing pursuant hereto or in connection herewith or therewith shall be false or misleading in any material respect when made.

3.5 Receiver or Trustee. The Borrower or any subsidiary of the Borrower shall make an assignment for the benefit of creditors, or apply for or consent to the appointment of a receiver or trustee for it or for a substantial part of its property or business, or such a receiver or trustee shall otherwise be appointed.

3.6 Judgments. Any money judgment, writ or similar process shall be entered or filed against the Borrower or any subsidiary of the Borrower or any of its property or other assets for more than \$500,000, and shall remain unvacated, unbonded or unstayed for a period of twenty (20) days unless otherwise consented to by the Holder, which consent will not be unreasonably withheld.

3.7 Bankruptcy. Bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings, voluntary or involuntary, for relief under any bankruptcy law or any law for the relief of debtors shall be instituted by or against the Borrower or any subsidiary of the Borrower.

3.8 Intentionally Omitted.

3.9 Liquidation. Any dissolution, liquidation, or winding up of Borrower or any substantial portion of its business.

3.10 Cessation of Operations. Any cessation of operations by Borrower or Borrower admits it is otherwise generally unable to pay its debts as such debts become due, provided, however, that any disclosure of the Borrower’s ability to continue as a “going concern” shall not be an admission that the Borrower cannot pay its debts as they become due.

3.11 Maintenance of Assets. The failure by Borrower to maintain any material intellectual property rights, personal, real property or other assets which are necessary to conduct its business (whether now or in the future).

3.12 Financial Statement Restatement. The restatement of any financial statements relating to the Borrower filed by the Borrower’s parent company with the SEC for any date or period from two years prior to the Issue Date of this Note and until this Note is no longer outstanding.

3.13 Intentionally Omitted.

3.14 Cross-Default. The declaration of an event of default and acceleration of the underlying debt by any lender or other extender of credit to the Company under any notes, loans, agreements or other instruments of the Company evidencing any indebtedness of the Company (including those filed as exhibits to or described in the Company’s filings with the SEC), after the passage of all applicable notice and cure or grace periods.

3.15 Intentionally Omitted.

3.16 Intentionally Omitted.

3.17 Intentionally Omitted.

3.18 Intentionally Omitted.

3.19 Intentionally Omitted.

3.20 Intentionally Omitted.

3.21 Intentionally Omitted.

3.22 Rights and Remedies Upon an Event of Default.

(a) Upon the occurrence of any Event of Default specified in this Article III, this Note shall become immediately due and payable, and the Borrower shall pay to the Holder, in full satisfaction of its obligations hereunder, an amount equal to the Principal Amount then outstanding plus accrued interest (including any Default Interest) through the date of full repayment multiplied by 135% (collectively the "Default Amount"), as well as all costs, including, without limitation, legal fees and expenses, of collection, all without demand, presentment or notice, all of which hereby are expressly waived by the Borrower. Holder may, in its sole discretion, determine to accept payment part in Common Stock and part in cash. For purposes of payments in Common Stock, the conversion formula set forth in Section 1.2 shall apply as well as all other provisions of this Note. The Holder shall be entitled to exercise all other rights and remedies available at law or in equity.

(b) Upon the occurrence and during the continuation of an Event of Default, Borrower shall incur a monthly monitoring fee ("Monitoring Fee") in the amount of ten thousand Dollars (\$10,000) per month commencing in the month in which the Event of Default occurs and continuing until the Event of Default is cured in order to cover the Holder's costs of monitoring and legal expenses and other expenses incurred by Holder.

#### ARTICLE IV. MISCELLANEOUS

4.1 Failure or Indulgence Not Waiver. No failure or delay on the part of the Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privileges. All rights and remedies of the Holder existing hereunder are cumulative to, and not exclusive of, any rights or remedies otherwise available.

4.2 Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, e-mail or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by e-mail or facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

If to the Borrower, to:

**1847 Cabinets Inc.**  
590 Madison Avenue, 21st Floor  
New York, NY 10022  
Attention: Ellery Roberts  
e-mail: info@1847holdings.com

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If to the Holder:

Breadcrumbs Capital LLC  
c/o Interstate Agent Services, LLC,  
501 Silverside Road, Suite 102,  
Wilmington, DE 19809  
e-mail: dberger@bergerlawpllc.com

4.3 Amendments. This Note and any provision hereof may only be amended by an instrument in writing signed by the Borrower and the Holder. The term "Note" and all reference thereto, as used throughout this instrument, shall mean this instrument as originally executed, or if later amended or supplemented, then as so amended or supplemented.

4.4 Assignability. This Note shall be binding upon the Borrower and its successors and assigns, and shall inure to be the benefit of the Holder and its successors and assigns. The Borrower shall not assign this Note or any rights or obligations hereunder without the prior written consent of the Holder. The Holder may assign its rights hereunder to any "accredited investor" (as defined in Rule 501(a) of the 1933 Act) in a private transaction from the Holder or to any of its "affiliates", as that term is defined under the 1934 Act, without the consent of the Borrower. Notwithstanding anything in this Note to the contrary, this Note may be pledged as collateral in connection with a bona fide margin account or other lending arrangement. The Holder and any assignee, by acceptance of this Note, acknowledge and agree that following conversion of a portion of this Note, the unpaid and unconverted principal amount of this Note represented by this Note may be less than the amount stated on the face hereof.

4.5 Cost of Collection. If default is made in the payment of this Note, the Borrower shall pay the Holder hereof costs of collection, including reasonable attorneys' fees.

4.6 Governing Law; Venue; Attorney's Fees. This Note shall be governed by and construed in accordance with the laws of the State of Delaware without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Note or any other agreement, certificate, instrument or document contemplated hereby shall be brought only in the state courts located in the Court of Chancery of the State of Delaware or, to the extent such court does not have subject matter jurisdiction, the United States District Court for the District of Delaware or, to the extent that neither of the foregoing courts has jurisdiction, the Superior Court of the State of Delaware. The Borrower hereby irrevocably waives any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon *forum non conveniens*. **THE BORROWER HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS NOTE OR ANY TRANSACTIONS CONTEMPLATED HEREBY.** Each party hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding in connection with this Note or any other agreement, certificate, instrument or document contemplated hereby or thereby by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Note and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law. The prevailing party in any action or dispute brought in connection with this the Note or any other agreement, certificate, instrument or document contemplated hereby or thereby shall be entitled to recover from the other party its reasonable attorney's fees and costs.

4.7 Certain Amounts. Whenever pursuant to this Note the Borrower is required to pay an amount in excess of the outstanding Principal Amount (or the portion thereof required to be paid at that time) plus accrued and unpaid interest plus Default Interest on such interest, the Borrower and the Holder agree that the actual damages to the Holder from the receipt of cash payment on this Note may be difficult to determine and the amount to be so paid by the Borrower represents stipulated damages and not a penalty and is intended to compensate the Holder in part for loss of the opportunity to convert this Note and to earn a return from the sale of shares of Common Stock acquired upon conversion of this Note at a price in excess of the price paid for such shares pursuant to this Note. The Borrower and the Holder hereby agree that such amount of stipulated damages is not plainly disproportionate to the possible loss to the Holder from the receipt of a cash payment without the opportunity to convert this Note into shares of Common Stock.

4.8 Transaction Documents. The Company and the Holder shall be bound by the applicable terms of the Transaction Documents entered into in connection herewith and therewith.

4.9 Intentionally Omitted.

4.10 Remedies. The Borrower acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder, by vitiating the intent and purpose of the transaction contemplated hereby. Accordingly, the Borrower acknowledges that the remedy at law for a breach of its obligations under this Note will be inadequate and agrees, in the event of a breach or threatened breach by the Borrower of the provisions of this Note, that the Holder shall be entitled, in addition to all other available remedies at law or in equity, and in addition to the penalties assessable herein, to an injunction or injunctions restraining, preventing or curing any breach of this Note and to enforce specifically the terms and provisions thereof, without the necessity of showing economic loss and without any bond or other security being required.

4.11 Construction: Headings. This Note shall be deemed to be jointly drafted by the Company and all the Holder and shall not be construed against any person as the drafter hereof. The headings of this Note are for convenience of reference and shall not form part of, or affect the interpretation of, this Note.

4.12 Usury. To the extent it may lawfully do so, the Company hereby agrees not to insist upon or plead or in any manner whatsoever claim, and will resist any and all efforts to be compelled to take the benefit or advantage of, usury laws wherever enacted, now or at any time hereafter in force, in connection with any action or proceeding that may be brought by the Holder in order to enforce any right or remedy under this Note. Notwithstanding any provision to the contrary contained in this Note, it is expressly agreed and provided that the total liability of the Company under this Note for payments which under the applicable law are in the nature of interest shall not exceed the maximum lawful rate authorized under applicable law (the "Maximum Rate"), and, without limiting the foregoing, in no event shall any rate of interest or default interest, or both of them, when aggregated with any other sums which under the applicable law in the nature of interest that the Company may be obligated to pay under this Note exceed such Maximum Rate. It is agreed that if the maximum contract rate of interest allowed by applicable law and applicable to this Note is increased or decreased by statute or any official governmental action subsequent to the Issue Date, the new maximum contract rate of interest allowed by law will be the Maximum Rate applicable to this Note from the effective date thereof forward, unless such application is precluded by applicable law. If under any circumstances whatsoever, interest in excess of the Maximum Rate is paid by the Company to the Holder with respect to indebtedness evidenced by this the Note, such excess shall be applied by the Holder to the unpaid principal balance of any such indebtedness or be refunded to the Company, the manner of handling such excess to be at the Holder's election.

4.13 Severability. In the event that any provision of this Note is invalid or unenforceable under any applicable statute or rule of law (including any judicial ruling), then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of this Note.

4.14 Dispute Resolution. In the case of a dispute as to the determination of the Conversion Price, Conversion Amount, any prepayment amount or Default Amount, Issue, Closing or Maturity Date, the closing bid price, or fair market value (as the case may be) or the arithmetic calculation of the Conversion Price or the applicable prepayment amount(s) (as the case may be), the Borrower or the Holder shall submit the disputed determinations or arithmetic calculations via facsimile (i) within one (1) Trading Day after receipt of the applicable notice giving rise to such dispute to the Borrower or the Holder or (ii) if no notice gave rise to such dispute, at any time after the Holder learned of the circumstances giving rise to such dispute. If the Holder and the Borrower are unable to agree upon such determination or calculation within one (1) Trading Day of such disputed determination or arithmetic calculation (as the case may be) being submitted to the Borrower or the Holder, then the Borrower shall, within one (1) Trading Day, submit (a) the disputed determination of the Conversion Price, the closing bid price, the or fair market value (as the case may be) to an independent, reputable investment bank selected by the Borrower and approved by the Holder or (b) the disputed arithmetic calculation of the Conversion Price, Conversion Amount, any prepayment amount or Default Amount, to an independent, outside accountant selected by the Holder that is reasonably acceptable to the Borrower. The Borrower shall cause at its expense the investment bank or the accountant to perform the determinations or calculations and notify the Borrower and the Holder of the results no later than one (1) Trading Day from the time it receives such disputed determinations or calculations. Such investment bank's or accountant's determination or calculation shall be binding upon all parties absent demonstrable error.

[signature page follows]

IN WITNESS WHEREOF, the Parties have caused this Note to be signed in its name by its duly authorized officer on June 28, 2024.

**BORROWER**

**1847 CABINET INC.**

By: /s/ Ellery W. Roberts  
Name: Ellery W. Roberts  
Title: Executive Chairman

**HIGH MOUNTAIN DOOR & TRIM INC.**

By: /s/ Ellery W. Roberts  
Name: Ellery W. Roberts  
Title: Executive Chairman

**SIERRA HOMES LLC**

By: /s/ Ellery W. Roberts  
Name: Ellery W. Roberts  
Title: Executive Chairman

**KYLE'S CUSTOM WOOD SHOP, INC.**

By: /s/ Ellery W. Roberts  
Name: Ellery W. Roberts  
Title: Executive Chairman

**LENDER**

**BREADCRUMBS CAPITAL LLC**

By: /s/ Yechiel Kopelowitz

Name: Yechiel Kopelowitz

Title: Officer

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## SECURITY AGREEMENT

This SECURITY AGREEMENT (the "**Agreement**") is made and entered into on June 28, 2024, by and between **1847 Cabinets Inc.**, a corporation organized under the laws of the State of Delaware, **High Mountain Door & Trim Inc.**, a corporation organized under the laws of the State of Nevada, **Sierra Homes LLC**, a limited liability company organized under the laws of the State of Nevada, and **Kyle's Custom Wood Shop, Inc.**, a corporation organized under the laws of the State of Idaho (collectively, the "**Debtor**") and **Breadcrumbs Capital LLC**, a limited liability company organized under the laws of the State of Delaware, and its permitted endorsees, transferees and assigns (collectively, the "**Secured Party**").

## RECITALS

A. Concurrently herewith, Debtor has issued that certain convertible promissory note to the Secured Party (the "**Note**") in the principal amount of up to \$2,317,500 to the Secured Party.

B. The Debtor now enters into this Agreement with the Secured Party as security for Debtor's Obligations (as defined below).

## AGREEMENT

NOW, THEREFORE, in consideration of their respective promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. **Definitions.** Terms used but not otherwise defined in this Agreement that are defined in Article 9 of the Uniform Commercial Code as adopted in the state of Delaware (the "**UCC**") (such as "**account**," "**adverse claim**," "**chattel paper**," "**deposit account**," "**document**," "**equipment**," "**fixtures**," "**general intangibles**," "**goods**," "**instruments**," "**inventory**," "**investment property**," "**proceeds**," and "**supporting obligations**") shall have the respective meanings given such terms in Article 9 of the UCC. Capitalized terms used in this Agreement and not defined elsewhere herein shall have the meanings set forth below:

"**Collateral**" means all of the collateral identified on Exhibit A hereto.

"**Debtor's Books**" means and includes all of Debtor's books and records in any medium or form, including, but not limited to, all records, ledgers and computer programs, disk or tape files, thumb drives, material stored in the "cloud," printouts and other information indicating, summarizing or evidencing the Collateral.

"**Event of Default**" has the meaning specified in Section 6 of this Agreement.

"**Negotiable Collateral**" means and includes all of Debtor's presently existing and hereafter acquired or arising letters of credit, advices of credit, promissory notes, drafts, instruments, documents, Equity Interests in any entity, leases of personal property and chattel paper, as well as Debtor's Books relating to any of the foregoing.

"**Obligations**" means and includes any and all present or future indebtedness or obligations of Debtor owing to the Secured Party under the Note and the other Transaction Documents, as defined herein, including, without limitation, (i) all interest and other payments required thereunder that are not paid when due, and (ii) all of the Secured Party Expenses which Debtor is required to pay or reimburse by this Agreement, by law, or otherwise.

"**Permitted Liens**" means (i) statutory liens of landlords and liens of carriers, warehousemen, bailees, mechanics, materialmen and other like liens imposed by law, created in the ordinary course of business and securing amounts not yet due (or which are being contested in good faith, by appropriate proceedings or other appropriate actions which are sufficient to prevent imminent foreclosure of such liens), and with respect to which adequate reserves or other appropriate provisions are being maintained by Debtor in accordance with generally accepted accounting principles ("**GAAP**") , (ii) deposits made (and the liens thereon) in the ordinary course of business of Debtor (including, without limitation, security deposits for leases, indemnity bonds, surety bonds and appeal bonds) in connection with workers' compensation, unemployment insurance and other types of social security benefits or to secure the performance of tenders, bids, contracts (other than for the repayment or guarantee of borrowed money or purchase money obligations), statutory obligations and other similar obligations arising as a result of progress payments under government contracts, (iii) liens for taxes not yet due and payable or which are being contested in good faith and with respect to which adequate reserves are being maintained by Debtor in accordance with GAAP, (iv) purchase money liens relating to the acquisition of equipment, machinery or other goods of Debtor approved in writing by the Secured Party (which approval shall not be unreasonably withheld, conditioned or delayed) (v) liens in favor of the Secured Party under the Transaction Documents and (vi) liens in favor of the Senior Lender.

For avoidance of doubt, nothing in this Security Agreement, or the other Transaction Documents, shall restrict the Debtor from consummating the Merger (as defined in the Note).

"**Senior Lender**" means LEONITE CAPITAL LLC, as administrative agent for the Purchaser pursuant to that certain Note Purchase Agreement dated October 8, 2021.

"**Secured Party Expenses**" means and includes (i) all costs or expenses required to be paid by Debtor under this Agreement that are instead paid or advanced by the Secured Party, including without limitation, all taxes, insurance, satisfaction of liens, securities interests, encumbrances or other claims at any time levied or placed on the Collateral, (ii) all reasonable costs and expenses incurred to correct any default or enforce any provision of this Agreement, or in gaining possession of, maintaining, disabling, handling, preserving, storing, shipping, selling, preparing for sale or advertising to sell all or any part of the Collateral, irrespective of whether a sale is consummated, and (iii) all reasonable costs and expenses (including reasonable attorney's fees) incurred by the Secured Party in enforcing or defending this Agreement, irrespective of whether suit is brought.

"**Transaction Documents**" means and includes the Note and all related documents executed in connection therewith, including, without limitation, any amendments to any of the foregoing.

2. **Construction.** Unless the context of this Agreement clearly requires otherwise, references to the plural include the singular and vice versa, to the part include the whole, "including" is not limiting, and "or" has the inclusive meaning represented by the phrase "and/or." The words "hereof," "herein," "hereby," "hereunder," and similar terms in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. Section references are to this Agreement, unless otherwise specified.

3. **Creation of Security Interest.** In order to secure Debtor's timely payment of the Obligations and timely performance of each and all of its covenants and obligations under this Agreement, the Transaction Documents, and any other document, instrument or agreement executed by Debtor or delivered by Debtor to the Secured Party in connection with the Obligations, Debtor hereby unconditionally and irrevocably grants and hypothecates to the Secured Party a continuing security interest in and to, a lien upon, assignment of, and right of set-off against, all presently existing and hereafter acquired or arising Collateral. Such security interest shall attach to all Collateral without further act on the part of the Secured Party or Debtor.

#### 4. **Filings; Further Assurances.**

(a) **General.** The Secured Party is authorized to file a UCC-1 Financing Statement (or its equivalent) with the Secretary of State of the State of Delaware and in any other jurisdictions where the Secured Party chooses to file, with respect to the Debtor. Debtor also authorizes the filing by the Secured Party of such other UCC financing statements, continuation financing statements, fixture filings, filing appropriate notices in international or federal registries including the United States Patent and Trademark Office, security agreements, mortgages, deeds of trust, chattel mortgages, assignments, assignments of rents, motor vehicle lien acknowledgments and other documents as the Secured Party may reasonably require in order to perfect, maintain, protect or enforce its security interest in the Collateral or any portion thereof and in order to fully consummate all of the transactions contemplated under this Agreement. Subject to the foregoing, if so requested by the Secured Party at any time hereafter, Debtor shall promptly execute and deliver to the Secured Party such fixture filings, agreements, security agreements, mortgages, deeds of trust, chattel mortgages, assignments, motor vehicle lien acknowledgments and other documents as the Secured Party may reasonably require from such Debtor in order to perfect, maintain, protect or enforce its rights under this Agreement. Debtor hereby irrevocably makes, constitutes and appoints the Secured Party as such Debtor's true and lawful attorney with power, upon Debtor's failure or refusal to promptly comply with its obligations in this Section 4(a), to sign the name of Debtor on any of the above-described documents or on any other similar documents which need to be executed, recorded or filed in order to perfect, maintain, protect or enforce the Secured Party's security interest in the Collateral.

(b) **Mortgage.** Debtor hereby authorizes Secured Party to obtain a mortgage on any and all of its real estate. Debtor covenants and agrees that it will execute any documents, provide any information and take such other action as is requested by Secured Party to effectuate such mortgage.

(c) **Additional Matters.** Without limiting the generality of Section 4(a), Debtor will at the reasonable written request of the Secured Party, appear in and defend any action or proceeding which is reasonably expected to have a material and adverse effect with respect to such Debtor's title to, or the security interest of the Secured Party in, the Collateral.

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#### 5. **Representations, Warranties and Agreements.** Debtor represents, warrants and agrees as follows:

(a) **No Other Encumbrances.** Except for the liens to the Senior Lender as otherwise disclosed to Lender, Debtor has good and marketable title to its Collateral, free and clear of any liens, claims, encumbrances and rights of any kind, and has the right to pledge, sell, assign or transfer the Collateral.

(b) **Security Interest.** This Agreement creates a valid security interest in favor of the Secured party in the Collateral of Debtor and, when properly perfected by filing shall constitute a valid and perfected security interest in such Collateral, to the extent such security interest can be perfected by filing under the UCC, free and clear of all liens. With respect to any Collateral consisting of a deposit account, investment property, securities entitlement or held in a securities account, upon execution and delivery by the Debtor, the applicable depository bank or securities intermediary and the Secured Party of an agreement granting control to the Secured Party over such Collateral, the Secured Party shall have a valid and perfected security interest in such Collateral.

(c) **Consents; Etc.** There are no restrictions in any organizational document or any other document related thereto which would limit or restrict (i) the grant of a security interest pursuant to this Agreement, (ii) the perfection of such security interest or (iii) the exercise of remedies in respect of such perfected security interest as contemplated by this Agreement. Except for (i) the filing or recording of UCC financing statements, and (ii) consents, authorizations, filings or other actions which have been obtained or made, no consent or authorization of, filing with, or other act by or in respect of, any arbitrator or governmental authority and no consent of any other person (including, without limitation, any stockholder, member or creditor of Debtor), is required for (A) the grant by Debtor of the security interest in the Collateral granted hereby or for the execution, delivery or performance of this Agreement by Debtor, (B) the perfection of such security interest (to the extent such security interest can be perfected by filing under the UCC, hereof or (C) the exercise by the Secured party of the rights and remedies provided for in this Agreement.

(d) **Location of Place(s) of Business.** All places of business of Debtor, including the identification of the principal place of business of Debtor, and the address(es) at which the Collateral is (are) located, are indicated on Schedule 5(e) hereto. Debtor shall not, without at least thirty (30) days prior written notice to the Secured Party, relocate such principal place of business or the Collateral, with no relocation being permitted outside the United States in any event.

(e) **Right to Inspect the Collateral.** The Secured Party shall have the right, during usual business hours of the Debtor and upon reasonable advance notice, to inspect and examine the Collateral. Debtor agrees that any reasonable expenses incurred by the Secured Party in connection with this Section 5(f) during the continuance of an Event of Default shall constitute Secured Party Expenses.

(f) **Negative Covenants.** Except for sale of inventory in the ordinary course of business, Debtor shall not (i) sell, lease or otherwise dispose of, relocate or transfer, any of the Collateral, except dispositions of Collateral that is worn out, obsolete or no longer necessary in the business of Debtor, (ii) allow any liens on or grant security interests in the Collateral except the Permitted Liens or (iii) change the Debtor's name or add any new fictitious name without the written consent of the Secured Party.

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(g) **Further Information.** Debtor shall promptly supply the Secured Party with such information concerning Debtor and Debtor's business as the Secured Party may reasonably request from time-to-time hereafter, and shall within five (5) business days of obtaining knowledge thereof, notify the Secured Party of any event which constitutes an Event of Default.

(h) **Solvency.** Debtor is now and shall be at all times hereafter able to pay its debts (including trade debts) as they mature.

(i) **Secured Party Expenses.** Debtor shall, within fifteen (15) business days of written demand from the Secured Party accompanied by adequate documentation of such expenses, reimburse the Secured Party for all sums expended by it which constitute Secured Party Expenses and, in the event that Debtor does not pay any Secured Party Expenses payable to a third party within fifteen (15) business days after notice thereof, then the Secured Party may immediately and without further notice pay such Secured Party Expenses on Debtor's behalf. All such expenses shall become a part of the Obligations and, at the Secured Party's option, will (i) be payable on demand or (ii) be added to the balance of the Note and be payable proportionately with any installment payments that become due during the remaining term of the Note or, (iii) at Secured Party's option, may be treated as a balloon payment which will be due and payable at the maturity of the Note. This Agreement shall also secure payment of those amounts.

(j) **Commercial Tort Claims.** Debtor has no pending commercial tort claim (as a plaintiff) against any individual or entity (a " **Commercial Claim**"). Debtor shall promptly deliver to the Secured Party notice of any Commercial Claim that a Debtor may bring against any individual or entity, together with such information with respect thereto as the Secured Party may reasonably request. Within ten (10) days after a written request by the Secured Party, Debtor shall grant the Secured Party a security interest in any pending Commercial Claim to the extent such security interest is permitted by applicable law.

(k) Reliance by the Secured Party: Representations Cumulative. Each representation, warranty and agreement contained in this Agreement shall be conclusively presumed to have been relied on by the Secured Party regardless of any investigation made or information possessed by the Secured Party. The representations, warranties and agreements set forth herein shall be cumulative and in addition to any and all other representations, warranties and agreements set forth in the Transaction Documents or any other documents created after the Closing Date and signed by Debtor.

6. **Events of Default**. The occurrence of any Event of Default under the Note, after the expiration of any applicable grace or cure period, shall constitute an "Event of Default" by Debtor under this Agreement.

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## 7. Rights and Remedies.

### (a) Rights and Remedies of the Secured Party

(i) Subject to the rights of the Senior Lender, upon the occurrence and during the continuance of an Event of Default, without notice of election and without demand, the Secured Party may cause any one or more of the following to occur, all of which are authorized by Debtor:

(A) The Secured Party may make such payments and do such acts as it reasonably considers necessary to protect its security interest in the Collateral. Debtor agrees to promptly assemble and make available the Collateral if the Secured Party so requires. Debtor authorizes the Secured Party to enter the premises where any of the Collateral is located, take and maintain possession of the Collateral, or any part thereof, and pay, purchase, contest or compromise any encumbrance, claim, right or lien which, in the reasonable opinion of the Secured Party, appears to be prior or superior to its security interest in violation of this Agreement, and to pay all reasonable expenses incurred in connection therewith.

(B) The Secured Party shall be automatically deemed to be granted a license or other appropriate right to use, without charge or representation or warranty, Debtor's labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks and advertising matter, and any other property of a similar nature, as it pertains to the Collateral, in completing production of, advertising for sale and selling any Collateral.

(C) The Secured Party may ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale and sell (in the manner provided for herein) the Collateral.

(D) The Secured Party may sell the Collateral at either a public or private sale, or both as is commercially reasonable (it not being necessary that the Collateral be present at any such sale) for the purposes of satisfying the Obligations.

(E) The Secured Party shall be entitled to give notice of the disposition of the Collateral as follows: (1) the Secured Party shall give Debtor a notice in writing of the time and place of public sale, or, if the sale is a private sale or some other disposition other than a public sale is to be made of the Collateral, the time on or after which the private sale or other disposition is to be made, (2) the notice shall be personally delivered or mailed, postage prepaid, to Debtor at least ten (10) days before the date fixed for the sale, or at least ten (10) days before the date on or after which the private sale or other disposition is to be made, unless the Collateral is perishable or threatens to decline speedily in value, in which case the Secured Party shall use commercially reasonable efforts to provide such notice to Debtor as far in advance of such disposition as is practicable.

(F) The Secured Party may purchase all or any portion of the Collateral at any public sale by credit bid or other appropriate payment therefor.

(G) The Secured Party shall have the following rights and remedies regarding the appointment of a receiver: (1) the Secured Party may have a receiver appointed as a matter of right, (2) the receiver may be an employee of the Secured Party and may serve without bond, and (3) all fees of the receiver and his or her attorney shall be Secured Party Expenses and become part of the Obligations and shall be payable on demand, with interest at the Rate specified in the Note from the date of expenditure until repaid. The Debtor acknowledges and agrees that the Secured Party shall have the rights with respect to the appointment of a receiver as described herein, even if such right is not statutorily provided under applicable law.

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(H) The Secured Party, either itself or through a receiver, may collect the payments, rents, income, dividends, distributions and revenues (together, "**Revenue**") from the Collateral. The Secured Party may at any time, in its reasonable discretion, transfer any Collateral into its own name or that of its nominee(s) and receive the Revenue therefrom and hold the same as security for the Obligations or apply it to payment of the Obligations in such order of preference as the Secured Party may determine. Insofar as the Collateral consists of accounts, general intangibles, loans receivable, insurance policies, instruments, chattel paper, choses in action, or similar property, the Secured Party may demand, collect, issue receipts for, settle, compromise, adjust, sue for, foreclose, or otherwise realize on the Collateral as the Secured Party may determine (in its reasonable discretion), whether or not the Obligations are then due. For these purposes, the Secured Party may, on behalf of and in the name of Debtor, (1) receive, open, and dispose of mail addressed to Debtor; (2) change any address to which mail and payments are to be sent; and (3) endorse notes, checks, drafts, money orders, documents of title, instruments and items pertaining to the payment, shipment, or storage of any Collateral. To facilitate collection, the Secured Party may notify account debtors and Debtor on any Collateral to make payments directly to the Secured Party.

(ii) The Secured Party may deduct from the proceeds of any sale of the Collateral all Secured Party Expenses incurred in connection with the enforcement and exercise of any of the rights and remedies of the Secured Party provided for herein, irrespective of whether suit is commenced. If such deduction does not occur (in the Secured Party's reasonable discretion), upon demand, Debtor shall pay all of such Secured Party Expenses. Any deficiency which exists after disposition of the Collateral as provided herein will be paid immediately by Debtor, and any excess that exists will be returned, without interest and subject to the rights of third parties, to Debtor by the Secured Party; provided, however, that if any excess exists at a time when any of the Obligations remain outstanding, such excess shall instead remain as part of the Collateral and continue to be subject to the security interest in Section 3(a) above until such time as all of the Obligations have been fully satisfied or otherwise terminated.

(b) Rights and Remedies Cumulative. The rights and remedies of the Secured Party under this Agreement and any other agreements and documents delivered or executed in connection with the Obligations shall be cumulative. The Secured Party shall also have all other rights and remedies not inconsistent herewith as are provided under applicable law, or in equity. No exercise by the Secured Party of any one right or remedy shall be deemed an election.

8. **Additional Waivers**. The Secured Party shall not in any way or manner be liable or responsible for (i) the safekeeping of the Collateral, (ii) any loss or damage thereto occurring or arising in any manner or fashion from any cause, (iii) any diminution in the value thereof or (iv) any act or default of any carrier, warehouseman, bailee, forwarding agency or other person whomsoever, except to the extent that such loss, damage, liability, cost or expense has resulted from the gross negligence or willful misconduct of the Secured Party or its affiliates. If the Secured Party at any time has possession of any Collateral, whether before or after an Event of Default, the Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral if the Secured Party takes such action for that purpose as Debtor shall request or as the Secured Party, in its reasonable discretion, shall deem appropriate under the

circumstances, but failure to honor any request by Debtor shall not of itself be deemed to be a failure to exercise reasonable care. The Secured Party shall not be required to take any steps necessary to preserve any rights in the Collateral against prior parties, nor to protect, preserve, or maintain any security interest given to secure the Obligations.

9. **Notices.** All notices or demands by any party relating to this Agreement shall be made in writing as provided in the Note, and such notices shall be delivered to the addresses indicated therein. Each party shall provide written notice to the other party of any change in address.

10. **Choice of Law.** The validity of this Agreement, its construction, interpretation and enforcement, and the rights of the parties hereunder and concerning the Collateral, shall be determined under, governed by, and construed in accordance with the laws of the state of Delaware as applied to contracts made and to be fully performed in such state, without regard to the conflicts of laws provisions thereof, except to the extent that the validity, perfection or enforcement of a security interest hereunder in respect of any Collateral is governed by the laws of the state of Delaware or some other jurisdiction, in which case such laws shall govern.

11. **Waiver of Jury Trial.** THE DEBTOR WAIVES, TO THE EXTENT PERMITTED BY LAW, ANY RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT.

12. **General Provisions.**

(a) **Effectiveness.** This Agreement shall be binding and deemed effective against Debtor when executed by Debtor and the Secured Party.

(b) **Successors and Assigns.** This Agreement shall bind and inure to the benefit of the successors and permitted endorsees, transferees and assigns of the Secured Party. Debtor shall not assign this Agreement or any rights or obligations hereunder, and any such assignment shall be absolutely void.

(c) **Section Headings.** Section headings are for convenience only.

(d) **Interpretation.** No uncertainty or ambiguity herein shall be construed or resolved against the Secured Party or Debtor, whether under any rule of construction or otherwise. This Agreement shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of the parties.

(e) **Severability of Provisions.** Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

(f) **Entire Agreement; Amendments.** This Agreement and the agreements and documents referenced herein contain the entire understanding of the parties with respect to the subject matter covered herein and supersede all prior agreements, negotiations and understandings, written or oral, with respect to such subject matter. No provision of this Agreement shall be waived or amended other than by an instrument in writing signed by Debtor and the Secured Party.

(g) **Good Faith.** The parties intend and agree that their respective rights, duties, powers, liabilities and obligations shall be performed, carried out, discharged and exercised reasonably and in good faith.

(h) **Waiver and Consent.** No delay or omission on the part of the Secured Party in exercising any right shall operate as a waiver of such right or any other right. A waiver by the Secured Party of a provision of this Agreement or any other agreement between or among the parties shall not prejudice or constitute a waiver of the Secured Party's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by the Secured Party, nor any course of dealing between the Secured Party and Debtor, shall constitute a waiver of any of the Secured Party's rights or of any of Debtor's obligations as to any future transactions. Whenever the consent of the Secured Party is required under this Agreement, the granting of such consent by the Secured Party in any instance shall not constitute continuing consent to subsequent instances where such consent is required, and in all cases such consent may be granted or withheld in the reasonable discretion of the Secured Party.

(i) **Counterparts.** This Agreement may be executed in any number of counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same agreement.

(j) **Termination.** Upon full satisfaction or other termination of the Obligations (i) the Secured Party shall release and return to Debtor all of the Collateral and any and all certificates and other documentation representing or relating to the Collateral and (ii) the security interests provided for under this Agreement shall be terminated and of no further force and effect. At Debtor's expense, the Secured Party shall take all actions reasonably requested by Debtor in connection with the foregoing.

13. **Subordination.** Notwithstanding anything else to the contrary in this Agreement, all rights of the Secured Party hereunder are expressly subordinate to all rights of the Senior Lender.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized persons on the date first written above.

DEBTOR:

1847 CABINET INC.

By: /s/ Ellery W. Roberts  
Name: Ellery W. Roberts  
Title: Executive Chairman

HIGH MOUNTAIN DOOR & TRIM INC.

SECURED PARTY:

BREADCRUMBS CAPITAL LLC

By: /s/ Yechiel Kopelowitz  
Name: Yechiel Kopelowitz  
Title: Officer

By: /s/ Ellery W. Roberts  
Name: Ellery W. Roberts  
Title: Executive Chairman

**SIERRA HOMES LLC**

By: /s/ Ellery W. Roberts  
Name: Ellery W. Roberts  
Title: Executive Chairman

**KYLE'S CUSTOM WOOD SHOP, INC.**

By: /s/ Ellery W. Roberts  
Name: Ellery W. Roberts  
Title: Executive Chairman

[signature page to Security Agreement]

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EXHIBIT A

COLLATERAL

All of the right, title and interest of Debtor in and to the following property, wherever located and whether now owned by Debtor or hereafter acquired by Debtor:

1. All accounts, chattel paper, contracts, contract rights, accounts receivable, tax refunds, tax credits, Notes receivable, documents, choses in action and general intangibles, including, but not limited to, proceeds of inventory and returned goods and proceeds from the sale of goods and services, and all rights, liens, securities, guaranties, remedies and privileges related thereto, including the right of stoppage in transit and rights and property of any kind forming the subject matter of any of the foregoing;

2. All certificates of deposit and all time, savings, demand, or other deposit accounts in the name of Debtor or in which Debtor has any right, title or interest, including but not limited to all sums now or at any time hereafter on deposit, and any renewals, extensions or replacements of and all other property which may from time to time be acquired directly or indirectly using the proceeds of any of the foregoing;

3. All inventory and equipment of every type or description wherever located, including, but not limited to all raw materials, parts, containers, work in process, finished goods, goods in transit, wares, merchandise, furniture, fixtures, hardware, machinery, tools, parts, supplies, automobiles, trucks, other intangible property of whatever kind and wherever located associated with the Debtor's business, tools and goods returned for credit, repossessed, reclaimed or otherwise reacquired by Debtor;

4. All documents of title and other property from time to time received, receivable or otherwise distributed in respect of, exchange or substitution for or addition to any of the foregoing including, but not limited to, any documents of title;

5. All know-how, information, labels, permits, patents, copyrights, goodwill, trademarks, trade names, licenses and approvals held by Debtor, including all other intangible property of Debtor;

6. All assets of any type or description that may at any time be assigned or delivered to or come into possession of Debtor for any purpose for the account of Debtor or as to which Debtor may have any right, title, interest or power, and property in the possession or custody of or in transit to anyone for the account of Debtor, as well as all proceeds and products thereof and accessions and annexations thereto;

7. Debtor's tangible and intangible personal property assets, including, but not limited to, all of the following: (i) all accounts, health-care-insurance receivables, cash and currency, chattel paper, deposit accounts, documents, equipment, fixtures, general intangibles, instruments, intellectual property, inventory, investment property, Negotiable Collateral, loans receivable, motor vehicles, goods, supporting obligations, Debtor's Books, and such other assets of Debtor as may hereafter arise or Debtor may hereafter acquire or in which the Secured Party may from time-to-time obtain a security interest, and (ii) the proceeds of any of the foregoing, including, but not limited to, proceeds of insurance covering the foregoing or any portion thereof; provided, however, that notwithstanding anything to the contrary contained in this Agreement, the Collateral does not include any "hazardous waste" as that term is defined under 42 U.S.C. section 6903(5), as such section may be from time to time amended, or under any regulations thereunder;

8. The specified receivables described on Schedule I attached hereto; and

9. All proceeds (including but not limited to insurance proceeds), products of, and accessions and annexations of any of the foregoing.

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ASSIGNMENT AND ASSUMPTION OF ACCOUNTS RECEIVABLES AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION OF ACCOUNTS RECEIVABLE AGREEMENT (this “**Agreement**”) is made as of June 28, 2024 (the “**Effective Date**”), by and among **1847 Cabinets Inc.**, a corporation organized under the laws of the State of Delaware, **High Mountain Door & Trim Inc.**, a corporation organized under the laws of the State of Nevada, **Sierra Homes LLC**, a limited liability company organized under the laws of the State of Nevada, and **Kyle’s Custom Wood Shop, Inc.** a corporation organized under the laws of the State of Idaho (collectively, the “**Assignor**”), on one hand, and **Breadcrumbs Capital LLC**, a limited liability company organized under the laws of the State of Delaware (“**Assignee**”), on the other hand.

WHEREAS, concurrently herewith, Assignor has issued that certain promissory note in the principal amount of up to \$2,472,000.00 to the Assignee (the “**Note**”).

WHEREAS, pursuant to the terms of the Note, Assignor was required to enter into this Agreement with the Assignee, in order to assign certain accounts receivables of the Assignor, as additional consideration to the Assignee for agreeing to advance funds to the Assignor under the Note (the “**Assignment**”).

WHEREAS, Assignor has agreed to assign to Assignee, and Assignee has agreed to accept from Assignor, all of the receivables described on Exhibit A attached hereto (collectively, the “**Accounts Receivable**”).

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee hereby agree as follows:

1. Recitals Incorporated. The foregoing recitals are hereby incorporated within and made an integral part of this Agreement as if fully set forth herein. Capitalized terms used in this Agreement and not defined elsewhere herein shall have the meanings set forth in the Note.

2. Assignment by Assignor. The Assignment is being made by the Assignor to the Assignee pursuant to the Note, and the Assignment shall be deemed to occur immediately upon the advance of the first Tranche by the Assignee to the Assignor under the Note.

3. Acceptance and Assumption by Assignee. Assignee hereby accepts the assignment, transfer and conveyance of the Accounts Receivable. For avoidance of doubt, the Assignment shall not be deemed a payment by the Assignor towards the outstanding balance due under the Note. However, in the event and to the extent that Assignee collects funds from the Accounts Receivables, such collections shall be deemed as payments by the Assignor to the Assignee towards the balance due under the Note.

4. Successors and Assigns; Third Party Beneficiaries. This Agreement shall be binding upon and inure to the benefit of Assignor and Assignee, and their respective successors and assigns. This Agreement shall not confer any rights or remedies upon any person other than Assignor and Assignee.

5. Amendment or Modification. No amendment or modification to any terms of this Agreement, waiver of any covenant, obligation, breach or default under this Agreement or termination of this Agreement or the Assignment, shall be valid unless in writing and executed and delivered by Assignor and Assignee. This Agreement shall be governed by the laws of the State of Delaware (without regard to conflicts of law principles).

6. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which counterparts together shall constitute one agreement with the same effect as if the parties hereto had signed the same signature page.

*[remainder of page intentionally left blank; signatures on following pages]*

IN WITNESS WHEREOF, Assignor and Assignee have caused this Assignment to be executed and delivered in their names by their respective duly authorized officers or representatives as of the Effective Date.

**ASSIGNOR**

**1847 CABINET INC.**

By: /s/ Ellery W. Roberts  
 Name: Ellery W. Roberts  
 Title: Executive Chairman

**HIGH MOUNTAIN DOOR & TRIM INC.**

By: /s/ Ellery W. Roberts  
 Name: Ellery W. Roberts  
 Title: Executive Chairman

**SIERRA HOMES LLC**

By: /s/ Ellery W. Roberts  
 Name: Ellery W. Roberts  
 Title: Executive Chairman

**KYLE’S CUSTOM WOOD SHOP, INC.**

By: /s/ Ellery W. Roberts  
 Name: Ellery W. Roberts  
 Title: Executive Chairman

**ASSIGNEE**

**BREADCRUMBS CAPITAL LLC**

By: /s/ Yechiel Kopelowitz  
 Name: Yechiel Kopelowitz  
 Title: Officer



**MEMORANDUM OF UNDERSTANDING**

On behalf of **BREADCRUMBS CAPITAL LLC**, a limited liability company organized under the laws of the State of Delaware (“**Breadcrumbs**”), and **1847 HOLDINGS LLC**, a limited liability company organized under the laws of the State of Delaware (the “**EFSH**”), the undersigned to this Memorandum of Understanding (the “**MOU**”), hereby expressly acknowledge the following points of understanding associated with (i) that certain promissory note in the aggregate principal amount of up to \$2,472,000.00 (the “**Note**”), issued to Breadcrumbs by 1847 CABINETS INC., HIGH MOUNTAIN DOOR & TRIM INC., SIERRA HOMES LLC, and KYLE’S CUSTOM WOOD SHOP, INC. (collectively, the “**Borrowers**”).

1. Pursuant to Section 2.22 of the Note, as additional consideration to Breadcrumbs for advancing funds under the Note and accepting the issuance of the Note, the Borrowers were required to induce EFSH to issue to Breadcrumbs, upon each Tranche advanced by Breadcrumbs to the Borrowers under the Note, non convertible preferred shares of EFSH, with a stated value equal to the Principal Amount of such Tranche, and to induce EFSH to execute any documents necessary to effect such issuance, and provide Breadcrumbs with any documents necessary to show ownership of such shares. EFSH hereby acknowledges and agrees that the issuance and delivery obligations described in Section 2.22 of the Note, shall be binding on EFSH, and acknowledges that Breadcrumbs required that EFSH agree to be bound by and to satisfy such obligations as a material condition to advancing funds under the Note and accepting the issuance of the Note. EFSH further agrees and acknowledges that it is willing to execute and deliver this MOU for the express and intended purpose of inducing Breadcrumbs to advance funds to the Borrowers under the Note and to accept the issuance of the Note.
2. In the event of a sale of 1847 Cabinets Inc. or any of the subsidiaries of 1847 Cabinets Inc., then at the sole discretion of Breadcrumbs, the purchaser in such transaction shall be credited by the seller towards the purchase price at the closing, any then remaining outstanding balance due to Breadcrumbs under the Note.

This MOU is acknowledged and agreed to be effective as of **June 28, 2024**.

*[Signature page follows]*

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**IN WITNESS WHEREOF** the parties hereto have executed this Memorandum of Understanding in one or more counterparts, as of the date noted above.

**BREADCRUMBS CAPITAL LLC**

By: /s/ Yechiel Kopelowitz  
Name: Yechiel Kopelowitz  
Title: Officer

**1847 HOLDINGS LLC**

By: /s/ Ellery W. Roberts  
Name: Ellery W. Roberts  
Title: Chief Executive Officer

*[Signature page to MOU]*

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## SECURITIES PURCHASE AGREEMENT

This **SECURITIES PURCHASE AGREEMENT** (the "Agreement"), dated as of May 9, 2024, by and between **1847 HOLDINGS LLC**, a Delaware limited liability company, with headquarters located at 590 Madison Avenue, 21st Floor, New York, NY 10022 (the "Company"), and **LEONITE CAPITAL LLC**, a Delaware limited liability company, with its address at 1 Hillcrest Center Dr, Suite 232, Spring Valley, NY 10977 (the "Buyer").

## WHEREAS:

A. The Company and the Buyer are executing and delivering this Agreement in reliance upon the exemption from securities registration afforded by Section 4(a)(2) of the Securities Act of 1933, as amended (the "1933 Act") and Rule 506(b) promulgated by the United States Securities and Exchange Commission (the "SEC") under the 1933 Act; and

B. Buyer desires to purchase from the Company, and the Company desires to issue and sell to the Buyer, upon the terms and conditions set forth in this Agreement, a promissory note of the Company, in the aggregate principal amount of \$500,000.00, as the principal amount thereof may be increased pursuant to the terms thereof, and together with any note(s) issued in replacement thereof or as a dividend thereon or otherwise with respect thereto in accordance with the terms thereof, in the form attached hereto as Exhibit A (referred to hereinafter as the "Note" or the "Securities"), upon the terms and subject to the limitations and conditions set forth in such Note; and

C. The Buyer wishes to purchase, upon the terms and conditions stated in this Agreement, such principal amount of the Note as is set forth immediately below its name on the signature pages hereto; and

**NOW THEREFORE**, in consideration of the foregoing and of the agreements and covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and the Buyer hereby agree as follows:

1. Purchase and Sale of Note.

a. Purchase of Note. On the Closing Date (as defined below), the Company shall issue and sell to the Buyer, and the Buyer agrees to purchase from the Company, the Note, as further provided herein. As used in this Agreement, the term "business day" shall mean any day other than a Saturday, Sunday, or a day on which commercial banks in the city of New York, New York are authorized or required by law or executive order to remain closed.

b. Form of Payment. In consideration for the Company issuing the Note to the Buyer, the Buyer is entering into a lock up agreement, executed concurrently herewith (the "Lock Up MOU").

c. Closing Date. Subject to the satisfaction (or written waiver) of the conditions thereto set forth in Section 6 and Section 7 below, the date and time of the issuance and sale of the Note pursuant to this Agreement (the "Closing Date") shall be on the date that the Lock Up MOU is executed by the Buyer and the Company and the Company issues the Note.

d. Closing. The closing of the transactions contemplated by this Agreement (the "Closing") shall occur on the Closing Date at such location as may be agreed to by the parties (including via exchange of electronic signatures).

2. Buyer's Representations and Warranties. The Buyer represents and warrants to the Company as of the Closing Date that:

a. Investment Purpose. As of the Closing Date, the Buyer is purchasing the Note, for its own account and not with a present view towards the public sale or distribution thereof, except pursuant to sales registered or exempted from registration under the 1933 Act; provided, however, that by making the representations herein, the Buyer does not agree to hold any of the Securities for any minimum or other specific term and reserves the right to dispose of the Securities at any time in accordance with or pursuant to a registration statement or an exemption under the 1933 Act.

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b. Accredited Investor Status. The Buyer is an "accredited investor" as that term is defined in Rule 501(a) of Regulation D (an "Accredited Investor").

c. Reliance on Exemptions. The Buyer understands that the Securities are being offered and sold to it in reliance upon specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying upon the truth and accuracy of, and the Buyer's compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Buyer set forth herein in order to determine the availability of such exemptions and the eligibility of the Buyer to acquire the Securities.

d. Information. The Buyer and its advisors, if any, have been, and for so long as the Note remains outstanding will continue to be, furnished with all materials relating to the business, finances and operations of the Company and materials relating to the offer and sale of the Securities which have been requested by the Buyer or its advisors. The Buyer and its advisors, if any, have been, and for so long as the Note remains outstanding will continue to be, afforded the opportunity to ask questions of the Company regarding its business and affairs. Notwithstanding the foregoing, the Company has not disclosed to the Buyer any material nonpublic information regarding the Company or otherwise and will not disclose such information unless such information is disclosed to the public prior to or promptly following such disclosure to the Buyer. Neither such inquiries nor any other due diligence investigation conducted by Buyer or any of its advisors or representatives shall modify, amend or affect Buyer's right to rely on the Company's representations and warranties contained in Section 3 below.

e. Governmental Review. The Buyer understands that no United States federal or state agency or any other government or governmental agency has passed upon or made any recommendation or endorsement of the Securities.

f. Transfer or Re-sale. The Buyer understands that (i) the sale or resale of the Securities has not been and is not being registered under the 1933 Act or any applicable state securities laws, and the Securities may not be transferred unless (a) the Securities are sold pursuant to an effective registration statement under the 1933 Act,

(b) the Buyer shall have delivered to the Company, at the cost of the Company, an opinion of counsel (which may be the Legal Counsel Opinion (as defined below)) that shall be in form, substance and scope customary for opinions of counsel in comparable transactions to the effect that the Securities to be sold or transferred may be sold or transferred pursuant to an exemption from such registration, which opinion shall be accepted by the Company, (c) the Securities are sold or transferred to an "affiliate" (as defined in Rule 144 promulgated under the 1933 Act (or a successor rule) ("Rule 144")) of the Buyer who agrees to sell or otherwise transfer the Securities only in accordance with this Section 2(f) and who is an Accredited Investor, (d) the Securities are sold pursuant to Rule 144 or other applicable exemption, or (e) the Securities are sold pursuant to Regulation S under the 1933 Act (or a successor rule) ("Regulation S"), and the Buyer shall have delivered to the Company, at the cost of the Company, an opinion of counsel that shall be in form, substance and scope customary for opinions of counsel in corporate transactions, which opinion shall be accepted by the Company; (ii) any sale of such Securities made in reliance on Rule 144 may be made only in accordance with the terms of said Rule and further, if said Rule is not applicable, any re-sale of such Securities under circumstances in which the seller (or the person through whom the sale is made) may be deemed to be an underwriter (as that term is defined in the 1933 Act) may require compliance with some other

exemption under the 1933 Act or the rules and regulations of the SEC thereunder; and (iii) neither the Company nor any other person is under any obligation to register such Securities under the 1933 Act or any state securities laws or to comply with the terms and conditions of any exemption thereunder (in each case). Notwithstanding the foregoing or anything else contained herein to the contrary, the Securities may be pledged in connection with a bona fide margin account or other lending arrangement secured by the Securities, and such pledge of Securities shall not be deemed to be a transfer, sale or assignment of the Securities hereunder, and the Buyer in effecting such pledge of Securities shall be not required to provide the Company with any notice thereof or otherwise make any delivery to the Company pursuant to this Agreement or otherwise.

g. Legends. The Buyer understands that until such time as the Securities, have been registered under the 1933 Act or may be sold pursuant to Rule 144, Rule 144A under the 1933 Act, Regulation S, or other applicable exemption without any restriction as to the number of securities as of a particular date that can then be immediately sold, the Securities may bear a restrictive legend in substantially the following form (and a stop-transfer order may be placed against transfer of such Securities):

**“NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE [CONVERTIBLE/EXERCISABLE] HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144, RULE 144A, REGULATION S, OR OTHER APPLICABLE EXEMPTION UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.”**

The legend set forth above shall be removed if, unless otherwise required by applicable state securities laws, (a) such Security is registered for sale under an effective registration statement filed under the 1933 Act or otherwise may be sold pursuant to Rule 144, Rule 144A, Regulation S, or other applicable exemption without any restriction as to the number of securities as of a particular date that can then be immediately sold, or (b) the Company or the Buyer provides the Legal Counsel Opinion (as contemplated by and in accordance with Section 4(m) hereof) to the effect that a public sale or transfer of such Security may be made without registration under the 1933 Act, which opinion shall be accepted by the Company so that the sale or transfer is effected. The Buyer agrees to sell all Securities, including those represented by a certificate(s) from which the legend has been removed, in compliance with applicable prospectus delivery requirements, if any. In the event that the Company does not accept the opinion of counsel provided by the Buyer with respect to the transfer of Securities pursuant to an exemption from registration, such as Rule 144, Rule 144A, Regulation S, or other applicable exemption at the Deadline (as defined in the Note), it will be considered an Event of Default pursuant to Section 3.2 of the Note.

h. Authorization: Enforcement. This Agreement has been duly and validly authorized by the Buyer and has been duly executed and delivered on behalf of the Buyer, and this Agreement constitutes a valid and binding agreement of the Buyer enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and except as may be limited by the exercise of judicial discretion in applying principles of equity.

3. Representations and Warranties of the Company. The Company represents and warrants to the Buyer as of the Closing Date that:

a. Organization and Qualification. The Company and each of its Subsidiaries (as defined below), if any, is a company duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is incorporated, with full power and authority (corporate and other) to own, lease, use and operate its properties and to carry on its business as and where now owned, leased, used, operated and conducted. Schedule 3(a), if attached hereto, sets forth a list of all of the Subsidiaries of the Company and the jurisdiction in which each is incorporated. The Company and each of its Subsidiaries is duly qualified as a foreign company to do business and is in good standing in every jurisdiction in which its ownership or use of property or the nature of the business conducted by it makes such qualification necessary except where the failure to be so qualified or in good standing would not have a Material Adverse Effect. "Material Adverse Effect" means any material adverse effect on the business, operations, assets, financial condition or prospects of the Company or its Subsidiaries, if any, taken as a whole, or on the transactions contemplated hereby or by the agreements or instruments to be entered into in connection herewith. "Subsidiaries" means any corporation or other organization, whether incorporated or unincorporated, in which the Company owns, directly or indirectly, any equity or other ownership interest.

b. Authorization: Enforcement. The Company has all requisite corporate power and authority to enter into and perform this Agreement, the Note, and to consummate the transactions contemplated hereby and thereby and to issue the Securities, in accordance with the terms hereof and thereof, (ii) the execution and delivery of this Agreement and the Note, and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by the Company's Board of Directors and no further consent or authorization of the Company, its Board of Directors, its shareholders, or its debt holders is required, (iii) this Agreement and the Note (together with any other instruments executed in connection herewith or therewith) have been duly executed and delivered by the Company by its authorized representative, and such authorized representative is the true and official representative with authority to sign this Agreement, the Note and the other instruments documents executed in connection herewith or therewith and bind the Company accordingly, and (iv) this Agreement constitutes, and upon execution and delivery by the Company of the Note, each of such instruments will constitute, a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with their terms.

c. No Conflicts. The execution, delivery and performance of this Agreement and the Note by the Company and the consummation by the Company of the transactions contemplated hereby and thereby will not (i) conflict with or result in a violation of any provision of the Certificate of Formation or By-laws, or (ii) violate or conflict with, or result in a breach of any provision of, or constitute a default (or an event which with notice or lapse of time or both could become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, note, evidence of indebtedness, indenture, patent, patent license or instrument to which the Company or any of its Subsidiaries is a party, or (iii) result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws and regulations and regulations of any self-regulatory organizations to which the Company or its securities is subject) applicable to the Company or any of its Subsidiaries or by which any property or asset of the Company or any of its Subsidiaries is bound or affected (except for such conflicts, defaults, terminations, amendments, accelerations, cancellations and violations as would not, individually or in the aggregate, have a Material Adverse Effect), or (iv) trigger any anti-dilution and/or ratchet provision contained in any other contract in which the Company is a party thereto or any security issued by the Company. Neither the Company nor any of its Subsidiaries is in violation of its Certificate of Formation, By-laws or other organizational documents and neither the Company nor any of its Subsidiaries is in default (and no event has occurred which with notice or lapse of time or both could put the Company or any of its Subsidiaries in default) under, and neither the Company nor any of its Subsidiaries has taken any action or failed to take any action that would give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which the Company or any of its Subsidiaries is a party or by which any property or assets of the Company or any of its Subsidiaries is bound or affected, except for possible defaults as would not, individually or in the aggregate, have a Material Adverse Effect. The businesses of the Company and its Subsidiaries, if any, are not being conducted, and shall not be conducted so long as the Buyer owns any of the Securities, in violation of any law, ordinance or regulation of any governmental entity. Except as specifically contemplated by this Agreement and as required under the 1933 Act and any applicable state securities laws, the Company is not required to obtain any consent, authorization or order of, or make any filing or registration with, any court, governmental agency, regulatory agency, self-regulatory organization or stock market or any third party in order for it to execute, deliver or perform any of its obligations under this Agreement and

the Note in accordance with the terms hereof or thereof. All consents, authorizations, orders, filings and registrations which the Company is required to obtain pursuant to the preceding sentence have been obtained or effected on or prior to the date hereof. The Company is not in violation of the listing requirements of the Principal Market (as defined herein) and does not reasonably anticipate that the Common Stock will be delisted by the Principal Market in the foreseeable future. The Company and its Subsidiaries are unaware of any facts or circumstances which might give rise to any of the foregoing. The "Principal Market" shall mean the principal securities exchange or trading market where such Common Stock is listed or traded, including but not limited to any tier of the OTC Markets, any tier of the NASDAQ Stock Market (including NASDAQ Capital Market), or the NYSE American, or any successor to such markets.

d. SEC Documents; Financial Statements. The Company has filed all reports, schedules, forms, statements and other documents required to be filed by it with the SEC pursuant to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "1934 Act") (all of the foregoing filed prior to the date hereof and all exhibits included therein and financial statements and schedules thereto and documents (other than exhibits to such documents) incorporated by reference therein, being hereinafter referred to herein as the "SEC Documents"). As of their respective dates, the SEC Documents complied in all material respects with the requirements of the 1934 Act and the rules and regulations of the SEC promulgated thereunder applicable to the SEC Documents, and none of the SEC Documents, at the time they were filed with the SEC, contained any untrue statement of a material fact or omitted 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. None of the statements made in any such SEC Documents is, or has been, required to be amended or updated under applicable law (except for such statements as have been amended or updated in subsequent filings prior the date hereof). As of their respective dates, the financial statements of the Company included in the SEC Documents complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto. Such financial statements have been prepared in accordance with United States generally accepted accounting principles, consistently applied, during the periods involved and fairly present in all material respects the consolidated financial position of the Company and its consolidated Subsidiaries as of the dates thereof and the consolidated results of their operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments). Except as set forth in the financial statements of the Company included in the SEC Documents, the Company has no liabilities, contingent or otherwise, other than (i) liabilities incurred in the ordinary course of business subsequent to September 30, 2022, and (ii) obligations under contracts and commitments incurred in the ordinary course of business and not required under generally accepted accounting principles to be reflected in such financial statements, which, individually or in the aggregate, are not material to the financial condition or operating results of the Company. The Company is subject to the reporting requirements of the 1934 Act. The Company has never been a "shell company" as described in Rule 144(i)(1)(i).

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e. Absence of Certain Changes. Since September 30, 2022, there has been no material adverse change and no material adverse development in the assets, liabilities, business, properties, operations, financial condition, results of operations, prospects or 1934 Act reporting status of the Company or any of its Subsidiaries.

f. Absence of Litigation. There is no action, suit, claim, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the Company or any of its Subsidiaries, threatened against or affecting the Company or any of its Subsidiaries, or their officers or directors in their capacity as such, that could have a Material Adverse Effect. The SEC Documents contain a complete list and summary description of any pending or, to the knowledge of the Company, threatened proceeding against or affecting the Company or any of its Subsidiaries, without regard to whether it would have a Material Adverse Effect. The Company and its Subsidiaries are unaware of any facts or circumstances which might give rise to any of the foregoing.

g. Intellectual Property. The Company and each of its Subsidiaries owns or possesses the requisite licenses or rights to use all patents, patent applications, patent rights, inventions, know-how, trade secrets, trademarks, trademark applications, service marks, service names, trade names and copyrights ("Intellectual Property") necessary to enable it to conduct its business as now operated (and, as presently contemplated to be operated in the future); there is no claim or action by any person pertaining to, or proceeding pending, or to the Company's knowledge threatened, which challenges the right of the Company or of a Subsidiary with respect to any Intellectual Property necessary to enable it to conduct its business as now operated (and, as presently contemplated to be operated in the future); to the best of the Company's knowledge, the Company's or its Subsidiaries' current and intended products, services and processes do not infringe on any Intellectual Property or other rights held by any person; and the Company is unaware of any facts or circumstances which might give rise to any of the foregoing. The Company and each of its Subsidiaries have taken reasonable security measures to protect the secrecy, confidentiality and value of their Intellectual Property.

h. No Materially Adverse Contracts, Etc. Neither the Company nor any of its Subsidiaries is subject to any charter, corporate or other legal restriction, or any judgment, decree, order, rule or regulation which in the judgment of the Company's officers has or is expected in the future to have a Material Adverse Effect. Neither the Company nor any of its Subsidiaries is a party to any contract or agreement which in the judgment of the Company's officers has or is expected to have a Material Adverse Effect.

i. Tax Status. The Company and each of its Subsidiaries has made or filed all federal, state and foreign income and all other tax returns, reports and declarations required by any jurisdiction to which it is subject (unless and only to the extent that the Company and each of its Subsidiaries has set aside on its books provisions reasonably adequate for the payment of all unpaid and unreported taxes) and has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations, except those being contested in good faith and has set aside on its books provisions reasonably adequate for the payment of all taxes for periods subsequent to the periods to which such returns, reports or declarations apply. 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 has not executed a waiver with respect to the statute of limitations relating to the assessment or collection of any foreign, federal, state or local tax. None of the Company's tax returns is presently being audited by any taxing authority.

j. Transactions with Affiliates. Except for arm's length transactions pursuant to which the Company or any of its Subsidiaries makes payments in the ordinary course of business upon terms no less favorable than the Company or any of its Subsidiaries could obtain from third parties and other than the grant of stock options described in the SEC Documents, none of the officers, directors, or employees of the Company is presently a party to any transaction with the Company or any of its Subsidiaries (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any corporation, partnership, trust or other entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner.

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k. Disclosure. All information relating to or concerning the Company or any of its Subsidiaries set forth in this Agreement and provided to the Buyer pursuant to Section 2(d) hereof and otherwise in connection with the transactions contemplated hereby is true and correct in all material respects and the Company has not omitted to state any material fact necessary in order to make the statements made herein or therein, in light of the circumstances under which they were made, not misleading. No event or circumstance has occurred or exists with respect to the Company or any of its Subsidiaries or its or their business, properties, prospects, operations or financial conditions, which, under applicable law, rule or regulation, requires public disclosure or announcement by the Company but which has not been so publicly announced or disclosed (assuming for this purpose that the Company's reports filed under the 1934 Act are being incorporated into an effective registration statement filed by the Company under the 1933 Act).

l. Acknowledgment Regarding Buyer's Purchase of Securities. The Company acknowledges and agrees that the Buyer is acting solely in the capacity of arm's length purchaser with respect to this Agreement and the transactions contemplated hereby. The Company further acknowledges that the

Buyer is not acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to this Agreement and the transactions contemplated hereby and any statement made by the Buyer or any of its respective representatives or agents in connection with this Agreement and the transactions contemplated hereby is not advice or a recommendation and is merely incidental to the Buyer's purchase of the Securities. The Company further represents to the Buyer that the Company's decision to enter into this Agreement has been based solely on the independent evaluation of the Company and its representatives.

m. No Integrated Offering. Neither the Company, nor any of its affiliates, nor any person acting on its or their behalf, has directly or indirectly made any offers or sales in any security or solicited any offers to buy any security under circumstances that would require registration under the 1933 Act of the issuance of the Securities to the Buyer. The issuance of the Securities to the Buyer will not be integrated with any other issuance of the Company's securities (past, current or future) for purposes of any shareholder approval provisions applicable to the Company or its securities.

n. No Brokers; No Solicitation. The Company has taken no action which would give rise to any claim by any person for brokerage commissions, transaction fees or similar payments relating to this Agreement or the transactions contemplated hereby. The Company acknowledges and agrees that neither the Buyer nor its employee(s), member(s), beneficial owner(s), or partner(s) solicited the Company to enter into this Agreement and consummate the transactions described in this Agreement.

o. Permits; Compliance. The Company and each of its Subsidiaries is in possession of all franchises, grants, authorizations, licenses, permits, easements, variances, exemptions, consents, certificates, approvals and orders necessary to own, lease and operate its properties and to carry on its business as it is now being conducted (collectively, the "Company Permits"), and there is no action pending or, to the knowledge of the Company, threatened regarding suspension or cancellation of any of the Company Permits. Neither the Company nor any of its Subsidiaries is in conflict with, or in default or violation of, any of the Company Permits, except for any such conflicts, defaults or violations which, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect. Since September 30, 2022, neither the Company nor any of its Subsidiaries has received any notification with respect to possible conflicts, defaults or violations of applicable laws, except for notices relating to possible conflicts, defaults or violations, which conflicts, defaults or violations would not have a Material Adverse Effect.

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p. Environmental Matters.

(i) There are, to the Company's knowledge, with respect to the Company or any of its Subsidiaries or any predecessor of the Company, no past or present violations of Environmental Laws (as defined below), releases of any material into the environment, actions, activities, circumstances, conditions, events, incidents, or contractual obligations which may give rise to any common law environmental liability or any liability under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 or similar federal, state, local or foreign laws and neither the Company nor any of its Subsidiaries has received any notice with respect to any of the foregoing, nor is any action pending or, to the Company's knowledge, threatened in connection with any of the foregoing. The term "Environmental Laws" means all federal, state, local or foreign laws relating to pollution or protection of human health or the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata), including, without limitation, laws relating to emissions, discharges, releases or threatened releases of chemicals, pollutants contaminants, or toxic or hazardous substances or wastes (collectively, "Hazardous Materials") into the environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, as well as all authorizations, codes, decrees, demands or demand letters, injunctions, judgments, licenses, notices or notice letters, orders, permits, plans or regulations issued, entered, promulgated or approved thereunder.

(ii) Other than those that are or were stored, used or disposed of in compliance with applicable law, no Hazardous Materials are contained on or about any real property currently owned, leased or used by the Company or any of its Subsidiaries, and no Hazardous Materials were released on or about any real property previously owned, leased or used by the Company or any of its Subsidiaries during the period the property was owned, leased or used by the Company or any of its Subsidiaries, except in the normal course of the Company's or any of its Subsidiaries' business.

(iii) There are no underground storage tanks on or under any real property owned, leased or used by the Company or any of its Subsidiaries that are not in compliance with applicable law.

q. Title to Property. The Company and its Subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them which is material to the business of the Company and its Subsidiaries, in each case free and clear of all liens, encumbrances and defects except such as are described in Schedule 3(u), if attached hereto, or such as would not have a Material Adverse Effect. Any real property and facilities held under lease by the Company and its Subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as would not have a Material Adverse Effect.

r. Insurance. The Company and each of its Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as management of the Company believes to be prudent and customary in the businesses in which the Company and its Subsidiaries are engaged. Neither the Company nor any such Subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a Material Adverse Effect. Upon written request the Company will provide to the Buyer true and correct copies of all policies relating to directors' and officers' liability coverage, errors and omissions coverage, and commercial general liability coverage.

s. Internal Accounting Controls. The Company and each of its Subsidiaries maintain a system of internal accounting controls sufficient, in the judgment of the Company's board of directors, to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

t. Foreign Corrupt Practices. Neither the Company, nor any of its Subsidiaries, nor any director, officer, agent, employee or other person acting on behalf of the Company or any Subsidiary has, in the course of his actions for, or on behalf of, the Company, used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expenses relating to political activity; made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended, or made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment to any foreign or domestic government official or employee.

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u. Solvency. The Company (after giving effect to the transactions contemplated by this Agreement) is solvent (i.e., its assets have a fair market value in excess of the amount required to pay its probable liabilities on its existing debts as they become absolute and matured) and currently the Company has no information that would lead it to reasonably conclude that the Company would not, after giving effect to the transaction contemplated by this Agreement, have the ability to, nor does it intend to take any action that would impair its ability to, pay its debts from time to time incurred in connection therewith as such debts mature. The Company's financial statements for its most recent fiscal year end and interim financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

v. No Investment Company. The Company is not, and upon the issuance and sale of the Securities as contemplated by this Agreement will not be an "investment company" required to be registered under the Investment Company Act of 1940 (an "Investment Company"). The Company is not controlled by an Investment Company.

aa. No Off Balance Sheet Arrangements. There is no transaction, arrangement, or other relationship between the Company or any of its Subsidiaries and an unconsolidated or other off balance sheet entity that is required to be disclosed by the Company in its 1934 Act filings and is not so disclosed or that otherwise could be reasonably likely to have a Material Adverse Effect.

bb. No Disqualification Events. None of the Company, any of its predecessors, any affiliated issuer, any director, executive officer, other officer of the Company participating in the offering hereunder, any beneficial owner of 20% or more of the Company's outstanding voting equity securities, calculated on the basis of voting power, nor any promoter (as that term is defined in Rule 405 under the 1933 Act) connected with the Company in any capacity at the time of sale (each, an "Issuer Covered Person") is subject to any of the "Bad Actor" disqualifications described in Rule 506(d)(1)(i) to (viii) under the 1933 Act (a "Disqualification Event"), except for a Disqualification Event covered by Rule 506(d)(2) or (d)(3). The Company has exercised reasonable care to determine whether any Issuer Covered Person is subject to a Disqualification Event.

cc. Manipulation of Price. The Company has not, and to its knowledge no one acting on its behalf has: (i) taken, directly or indirectly, any action designed to cause or to result, or that could reasonably be expected to cause or result, in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any of the Securities, (ii) sold, bid for, purchased, or paid any compensation for soliciting purchases of, any of the Securities, or (iii) paid or agreed to pay to any person any compensation for soliciting another to purchase any other securities of the Company.

dd. Bank Holding Company Act. Neither the Company nor any of its Subsidiaries is subject to the Bank Holding Company Act of 1956, as amended (the "BHCA") and to regulation by the Board of Governors of the Federal Reserve System (the "Federal Reserve"). Neither the Company nor any of its Subsidiaries or affiliates owns or controls, directly or indirectly, five percent (5%) or more of the outstanding shares of any class of voting securities or twenty-five percent (25%) or more of the total equity of a bank or any entity that is subject to the BHCA and to regulation by the Federal Reserve. Neither the Company nor any of its Subsidiaries or affiliates exercises a controlling influence over the management or policies of a bank or any entity that is subject to the BHCA and to regulation by the Federal Reserve.

ee. Illegal or Unauthorized Payments; Political Contributions. Neither the Company nor any of its Subsidiaries nor, to the Company's knowledge, any of the officers, directors, employees, agents or other representatives of the Company or any of its Subsidiaries or any other business entity or enterprise with which the Company or any Subsidiary is or has been affiliated or associated, has, directly or indirectly, made or authorized any payment, contribution or gift of money, property, or services, whether or not in contravention of applicable law, (i) as a kickback or bribe to any person or (ii) to any political organization, or the holder of or any aspirant to any elective or appointive public office except for personal political contributions not involving the direct or indirect use of funds of the Company or any of its Subsidiaries.

ff. Breach of Representations and Warranties by the Company. The Company agrees that if the Company breaches any of the representations or warranties set forth in this Section 3 and in addition to any other remedies available to the Buyer pursuant to this Agreement, it will be considered an Event of Default under Section 3.4 of the Note.

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#### 4. ADDITIONAL COVENANTS, AGREEMENTS AND ACKNOWLEDGEMENTS.

a. Best Efforts. The parties shall use their best efforts to satisfy timely each of the conditions described in Section 6 and 7 of this Agreement.

b. Form D; Blue Sky Laws. The Company agrees to file a Form D with respect to the Securities if required under Regulation D and to provide a copy thereof to the Buyer promptly after such filing. The Company shall, on or before the Closing Date, take such action as the Company shall reasonably determine is necessary to qualify the Securities for sale to the Buyer at the applicable closing pursuant to this Agreement under applicable securities or "blue sky" laws of the states of the United States (or to obtain an exemption from such qualification), and shall provide evidence of any such action so taken to the Buyer on or prior to the Closing Date.

c. Use of Proceeds. The Company shall use the proceeds for business development, and not for any other purpose, including but not limited to (i) the repayment of any indebtedness owed to officers, directors or employees of the Company or their affiliates, (ii) the repayment of any debt issued in corporate finance transactions (including but not limited to promissory notes that have the ability to be converted into Common Stock), (iii) any loan to or investment in any other corporation, partnership, enterprise or other person (except in connection with the Company's currently existing operations), (iv) any loan, credit, or advance to any officers, directors, employees, or affiliates of the Company, or (v) in violation or contravention of any applicable law, rule or regulation.

d. Right of Participation and First Refusal.

(i) Other than arrangements that are in place or disclosed in SEC Documents prior to the date of this Agreement, from the date of this Agreement until the Note is extinguished in its entirety, the Company will not, (i) directly or indirectly, offer, sell, grant any option to purchase, or otherwise dispose of (or announce any offer, sale, grant or any option to purchase or other disposition of) any of its or its Subsidiaries' debt, equity, or equity equivalent securities, including without limitation any debt, preferred shares or other instrument or security that is, at any time during its life and/or under any circumstances, convertible into, exchangeable, or exercisable for Common Stock (any such offer, sale, grant, disposition or announcement being referred to as a "Subsequent Placement") or (ii) enter into any definitive agreement with regard to the foregoing, in each case unless the Company shall have first complied with this Section 4(d).

(ii) The Company shall deliver to the Buyer an irrevocable written notice (the "Offer Notice") of any proposed or intended Subsequent Placement, which shall (w) identify and describe the Subsequent Placement, (x) describe the price and other terms upon which they are to be issued, sold or exchanged, and the number or amount of the securities in the Subsequent Placement to be issued, sold, or exchanged and (y) offer to issue and sell to or exchange with the Buyer at least one hundred percent (100%) of the securities in the Subsequent Placement (in each case, an "Offer").

(iii) To accept an Offer, in whole or in part, the Buyer must deliver a written notice (the "Notice of Acceptance") to the Company prior to the end of the fifth (5<sup>th</sup>) Trading Day (as defined in the Note) after the Buyer's receipt of the Offer Notice (the "Offer Period"), setting forth the amount that the Buyer elects to purchase (the "Subscription Amount"). The Company shall complete the Subsequent Placement and issue and sell the Subscription Amount to the Buyer upon terms and conditions (including, without limitation, unit prices and interest rates) set forth in the Offer Notice, unless a change to such terms and conditions is agreed to in writing between the Company and Buyer.

(iv) Notwithstanding anything to the contrary contained herein, if the Company desires to modify or amend the terms or conditions of a Subsequent Placement at any time after the Offer Notice is given to Buyer (provided, however, that such modification or amendment to the terms or conditions cannot occur during any Offer Period), the Company shall deliver to the Buyer a new Offer Notice and the Offer Period of such new Offer shall expire at the end of the fifth (5<sup>th</sup>) Trading Day after the Buyer's receipt of such new Offer Notice.

e. Usury. To the extent it may lawfully do so, the Company hereby agrees not to insist upon or plead or in any manner whatsoever claim, and will resist any and all efforts to be compelled to take the benefit or advantage of, usury laws wherever enacted, now or at any time hereafter in force, in connection with any action or proceeding that may be brought by the Buyer in order to enforce any right or remedy under this Agreement, the Note and any document, agreement or instrument contemplated thereby. Notwithstanding any provision to the contrary contained in this Agreement, the Note and any document, agreement or instrument contemplated thereby, it is expressly agreed and provided that the total liability of the Company under this Agreement, the Note or any document, agreement or instrument contemplated thereby for payments which under applicable law are in the nature of interest shall not exceed the maximum lawful rate authorized under applicable law (the "Maximum Rate"), and, without limiting the foregoing, in no event shall any rate of interest or default interest, or both of them, when aggregated with any other sums which under applicable law in the nature of interest that the Company may be obligated to pay under this Agreement, the Note and any document, agreement or instrument contemplated thereby exceed such Maximum Rate. It is agreed that if the maximum contract rate of interest allowed by law applicable to this Agreement, the Note and any document, agreement or instrument contemplated thereby is increased or decreased by statute or any official governmental action subsequent to the date hereof, the new maximum contract rate of interest allowed by law will be the Maximum Rate applicable to this Agreement, the Note and any document, agreement or instrument contemplated thereby from the effective date thereof forward, unless such application is precluded by applicable law. If under any circumstances whatsoever, interest in excess of the Maximum Rate is paid by the Company to the Buyer with respect to indebtedness evidenced by this Agreement, the Note and any document, agreement or instrument contemplated thereby, such excess shall be applied by the Buyer to the unpaid principal balance of any such indebtedness or be refunded to the Company, the manner of handling such excess to be at the Buyer's election.

f. Restriction on Activities. Commencing as of the date first above written, and until the earlier of payment of the Note in full or full conversion of the Note, the Company shall not, directly or indirectly, without the Buyer's prior written consent, which consent shall not be unreasonably withheld: (a) change the nature of its business; or (b) sell, divest, acquire, change the structure of any material assets other than in the ordinary course of business.

g. Listing. The Company will, so long as the Buyer owns any of the Securities, maintain the listing and trading of its Common Stock on the Principal Market or any equivalent replacement exchange or electronic quotation system (including but not limited to the Pink Sheets electronic quotation system) and will comply in all respects with the Company's reporting, filing and other obligations under the bylaws or rules of the Financial Industry Regulatory Authority ("FINRA") and such exchanges, as applicable. The Company shall promptly provide to the Buyer copies of any notices it receives from the Principal Market and any other exchanges or electronic quotation systems on which the Common Stock is then traded regarding the continued eligibility of the Common Stock for listing on such exchanges and quotation systems.

h. Corporate Existence. The Company will, so long as the Buyer beneficially owns any of the Securities, maintain its corporate existence and shall not sell all or substantially all of the Company's assets, except in the event of a merger or consolidation or sale of all or substantially all of the Company's assets, where the surviving or successor entity in such transaction (i) assumes the Company's obligations hereunder and under the agreements and instruments entered into in connection herewith and (ii) is a publicly traded corporation whose Common Stock is listed for trading or quotation on the Principal Market, any tier of the NASDAQ Stock Market, the New York Stock Exchange or the NYSE MKT.

i. No Integration. Except with respect to the February 2023 Securities, the Company shall not make any offers or sales of any security (other than the Securities) under circumstances that would require registration of the Securities being offered or sold hereunder under the 1933 Act or cause the offering of the Securities to be integrated with any other offering of securities by the Company for the purpose of any stockholder approval provision applicable to the Company or its securities.

j. Compliance with 1934 Act; Public Information Failures. For so long as the Buyer beneficially owns the Note, Warrant, Conversion Shares, Commitment Shares, or any Exercise Shares, the Company shall comply with the reporting requirements of the 1934 Act; and the Company shall continue to be subject to the reporting requirements of the 1934 Act. During the period that the Buyer beneficially owns the Note, if the Company shall (i) fail for any reason to satisfy the requirements of Rule 144(c)(1), including, without limitation, the failure to satisfy the current public information requirements under Rule 144(c) or (ii) if the Company has ever been an issuer described in Rule 144(i)(1)(i) or becomes such an issuer in the future, and the Company shall fail to satisfy any condition set forth in Rule 144(i)(2) (each, a "Public Information Failure") then, as partial relief for the damages to the Buyer by reason of any such delay in or reduction of its ability to sell the Securities (which remedy shall not be exclusive of any other remedies available pursuant to this Agreement, the Note, or at law or in equity), the Company shall pay to the Buyer an amount in cash equal to three percent (3%) of the Purchase Price on each of the day of a Public Information Failure and on every thirtieth day (pro rated for periods totaling less than thirty days) thereafter until the date such Public Information Failure is cured. The payments to which a holder shall be entitled pursuant to this Section 4(k) are referred to herein as "Public Information Failure Payments." Public Information Failure Payments shall be paid on the earlier of (i) the last day of the calendar month during which such Public Information Failure Payments are incurred and (iii) the third business day after the event or failure giving rise to the Public Information Failure Payments is cured. In the event the Company fails to make Public Information Failure Payments in a timely manner, such Public Information Failure Payments shall bear interest at the rate of 5% per month (prorated for partial months) until paid in full.

k. Legal Counsel Opinions. Upon the request of the Buyer from time to time, the Company shall be responsible (at its cost) for promptly supplying to the Company's transfer agent and the Buyer a customary legal opinion letter of its counsel (the "Legal Counsel Opinion") to the effect that the resale of the Securities by the Buyer or its affiliates, successors and assigns is exempt from the registration requirements of the 1933 Act pursuant to Rule 144 (provided the requirements of Rule 144 are satisfied and provided the Conversion Shares and/or Exercise Shares are not then registered under the 1933 Act for resale pursuant to an effective registration statement) or other applicable exemption (provided the requirements of such other applicable exemption are satisfied). In addition, the Buyer may (at the Company's cost) at any time secure its own legal counsel to issue the Legal Counsel Opinion, and the Company will instruct its transfer agent to accept such opinion. The Company hereby agrees that it may never take the position that it is a "shell company" in connection with its obligations under this Agreement or otherwise.

l. Most Favored Nation. While the Note or any principal amount, interest or fees or expenses due thereunder remain outstanding and unpaid, the Company shall not enter into any public or private offering of its securities (including securities convertible into shares of Common Stock) with any individual or entity (an "Other Investor") that has the effect of establishing rights or otherwise benefiting such Other Investor in a manner more favorable in any material respect to such Other Investor (even if the Other Investor does not receive the benefit of such more favorable term until a default occurs under such other security) than the rights and benefits established in favor of the Buyer by this Agreement or the Note unless, in any such case, the Buyer has been provided with such rights and benefits pursuant to a definitive written agreement or agreements between the Company and the Buyer.

m. Subsequent Variable Rate Transactions. From the date hereof until such time as the Note is fully converted or fully repaid, the Company shall be prohibited from effecting or entering into an agreement involving a Variable Rate Transaction. "Variable Rate Transaction" means a transaction in which the Company (i) issues or sells any debt or equity securities that are convertible into, exchangeable or exercisable for, or include the right to receive, additional shares of Common Stock either (A) at a conversion price, exercise price or exchange rate or other price that is based upon, and/or varies with, the trading prices of or quotations for the shares of Common Stock at any time after the initial issuance of such debt or equity securities or (B) with a conversion, exercise or exchange price that is subject to being reset at some future date after the initial issuance of such debt or equity security or upon the occurrence of specified or contingent events directly or indirectly related to the business of the Company or the market for the Common Stock or (ii) enters into any agreement, including, but not limited to, an Equity Line of Credit (as defined in the Note), whereby the Company may issue securities at a future determined price. The Buyer shall be entitled to obtain injunctive relief against the Company to preclude any such issuance, which remedy shall be in addition to any right to collect damages.

n. Non-Public Information. The Company covenants and agrees that neither it, nor any other person acting on its behalf will provide the Buyer or its agents or counsel with any information that constitutes, or the Company reasonably believes constitutes, material non-public information, unless prior thereto the Buyer shall have consented to the receipt of such information and agreed with the Company to keep such information confidential. The Company understands and confirms that the Buyer shall be relying on the foregoing covenant in effecting transactions in securities of the Company. To the extent that the Company delivers any material, non-public information to the Buyer without such Buyer's consent, the Company hereby covenants and agrees that such Buyer shall not have any duty of confidentiality to the Company, any of its Subsidiaries, or any of their respective officers, directors, agents, employees or affiliates, not to trade on the basis of, such material, non- public information, provided that the Buyer shall remain subject to applicable law. To the extent that any notice provided, information provided, or any other communications made by the Company, to the Buyer, constitutes or contains material non-public information regarding the Company or any Subsidiaries, the Company shall simultaneously file such notice or other material information with the SEC pursuant to a Current Report on Form 8-K. In addition to any other remedies provided by this Agreement or the related transaction documents, if the Company provides any material non-public information to the Buyer without their prior written consent, and it fails to immediately (no later than that business day) file a Form 8-K disclosing this material non-public information, it shall pay the Buyer as partial liquidated damages and not as a penalty a sum equal to \$3,000 per day beginning with the day the information is disclosed to the Buyer and ending and including the day the Form 8-K disclosing this information is filed.

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o. Breach of Covenants. The Company acknowledges and agrees that if the Company breaches any of the covenants set forth in this Section 4, in addition to any other remedies available to the Buyer pursuant to this Agreement, it will be considered an Event of Default under Section 3.3 of the Note.

5. Intentionally Omitted.

6. Conditions to the Company's Obligation to Sell. The obligation of the Company hereunder to issue and sell the Note to the Buyer at the Closing is subject to the satisfaction, at or before the Closing Date, of each of the following conditions thereto, provided that these conditions are for the Company's sole benefit and may be waived by the Company at any time in its sole discretion:

a. The Buyer shall have executed this Agreement and delivered the same to the Company.

b. The Buyer shall have executed the Lock Up MOU.

c. The representations and warranties of the Buyer shall be true and correct in all material respects as of the date when made and as of the Closing Date, as though made at that time (except for representations and warranties that speak as of a specific date), and the Buyer shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Buyer at or prior to the Closing Date.

d. No litigation, statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by or in any court or governmental authority of competent jurisdiction or any self-regulatory organization having authority over the matters contemplated hereby which prohibits the consummation of any of the transactions contemplated by this Agreement.

7. Conditions to The Buyer's Obligation to Purchase. The obligation of the Buyer hereunder to purchase the Note, on the Closing Date, is subject to the satisfaction, at or before the Closing Date, of each of the following conditions, provided that these conditions are for the Buyer's sole benefit and may be waived by the Buyer at any time in its sole discretion:

a. The Company shall have executed this Agreement and delivered the same to the Buyer.

b. The Company shall have delivered to the Buyer the duly executed Note in such denominations as the Buyer shall request and in accordance with Section 1(b) above.

c. The Buyer shall have executed the Lock Up MOU.

d. The representations and warranties of the Company shall be true and correct in all material respects as of the date when made and as of Closing Date, as though made at such time (except for representations and warranties that speak as of a specific date) and the Company shall have performed, satisfied and complied in all material respects with the 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.

e. No litigation, statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by or in any court or governmental authority of competent jurisdiction or any self-regulatory organization having authority over the matters contemplated hereby which prohibits the consummation of any of the transactions contemplated by this Agreement.

f. No event shall have occurred which could reasonably be expected to have a Material Adverse Effect on the Company including but not limited to a change in the 1934 Act reporting status of the Company or the failure of the Company to be timely in its 1934 Act reporting obligations.

g. Trading in the Common Stock on the Principal Market shall not have been suspended by the SEC, FINRA or the Principal Market.

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h. The Company shall have delivered to the Buyer (i) a certificate evidencing the formation and good standing of the Company and each of its Subsidiaries in such entity's jurisdiction of formation issued by the Secretary of State (or comparable office) of such jurisdiction, as of a date within ten (10) days of the Closing Date and (ii) resolutions adopted by the Company's Board of Directors at a duly called meeting or by unanimous written consent authorizing this Agreement and all other documents, instruments and transactions contemplated hereby.

8. Governing Law: Miscellaneous.

a. Governing Law: Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Agreement or any other agreement, certificate, instrument or document contemplated hereby shall be brought only in the state courts located in the Court of Chancery of the State of Delaware or, to the extent such court does not have subject matter jurisdiction, the United States District Court for the District of Delaware or, to the extent that neither of the foregoing courts has jurisdiction, the Superior Court of the State of Delaware. The parties to this Agreement hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon *forum non conveniens*. **EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTIONS CONTEMPLATED HEREBY.** The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. Each party hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding in connection with this

Agreement, the Note, or any other agreement, certificate, instrument or document contemplated hereby or thereby by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law.

b. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party. A facsimile or .pdf signature shall be considered due execution and shall be binding upon the signatory thereto with the same force and effect as if the signature were an original, not a facsimile or .pdf signature. Delivery of a counterpart signature hereto by facsimile or email/.pdf transmission shall be deemed validly delivery thereof.

c. Construction; Headings. This Agreement shall be deemed to be jointly drafted by the Company and the Buyer and shall not be construed against any person as the drafter hereof. The headings of this Agreement are for convenience of reference only and shall not form part of, or affect the interpretation of, this Agreement.

d. Severability. In the event that any provision of this Agreement, the Note, or any other agreement or instrument delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of this Agreement, the Note, or any other agreement, certificate, instrument or document contemplated hereby or thereby.

e. Entire Agreement; Amendments. This Agreement, the Note, and the instruments referenced herein contain the entire understanding of the parties with respect to the matters covered herein and therein and, except as specifically set forth herein or therein, neither the Company nor the Buyer makes any representation, warranty, covenant or undertaking with respect to such matters. No provision of this Agreement or any agreement or instrument contemplated hereby may be waived or amended other than by an instrument in writing signed by the Buyer.

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f. Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, e-mail or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by e-mail or facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

If to the Company, to:

**1847 HOLDINGS LLC**  
590 Madison Avenue, 21st Floor  
New York, NY 10022  
Attention: Ellery Roberts  
e-mail: info@1847holdings.com

If to the Buyer:

**LEONITE CAPITAL LLC**  
1 Hillcrest Center Dr, Suite 232  
Spring Valley, NY 10977  
e-mail: avi@leonitecap.com

g. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and assigns. The Company shall not assign this Agreement or any rights or obligations hereunder without the prior written consent of the Buyer. The Buyer may assign its rights hereunder to any "accredited investor" (as defined in Rule 501(a) of the 1933 Act) in a private transaction from the Buyer or to any of its "affiliates," as that term is defined under the 1934 Act, without the consent of the Company.

h. Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

i. Survival. The representations and warranties of the Company and the agreements and covenants set forth in this Agreement shall survive the closing hereunder notwithstanding any due diligence investigation conducted by or on behalf of the Buyer. The Company agrees to indemnify and hold harmless the Buyer and all their officers, directors, employees and agents for loss or damage arising as a result of or related to any breach or alleged breach by the Company of any of its representations, warranties and covenants set forth in this Agreement or any of its covenants and obligations under this Agreement, including advancement of expenses as they are incurred.

j. Publicity. The Company, and the Buyer shall have the right to review a reasonable period of time before issuance of any press releases, SEC, Principal Market or FINRA filings, or any other public statements with respect to the transactions contemplated hereby; provided, however, that the Company shall be entitled, without the prior approval of the Buyer, to make any press release or SEC, Principal Market (or other applicable trading market) or FINRA filings with respect to such transactions as is required by applicable law and regulations (although the Buyer shall be consulted by the Company in connection with any such press release prior to its release and shall be provided with a copy thereof and be given an opportunity to comment thereon).

k. Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

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l. No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party.

m. Indemnification. In consideration of the Buyer's execution and delivery of this Agreement and acquiring the Securities hereunder, and

in addition to all of the Company's other obligations under this Agreement or the Note, the Company shall defend, protect, indemnify and hold harmless the Buyer and its stockholders, partners, members, officers, directors, employees and direct or indirect investors and any of the foregoing persons' agents or other representatives (including, without limitation, those retained in connection with the transactions contemplated by this Agreement) (collectively, the "Indemnitees") from and against any and all actions, causes of action, suits, claims, losses, costs, penalties, fees, liabilities and damages, and expenses in connection therewith (irrespective of whether any such Indemnitee is a party to the action for which indemnification hereunder is sought), and including reasonable attorneys' fees and disbursements (the "Indemnified Liabilities"), incurred by any Indemnitee as a result of, or arising out of, or relating to (a) any misrepresentation or breach of any representation or warranty made by the Company in this Agreement, the Note or any other agreement, certificate, instrument or document contemplated hereby or thereby, (b) any breach of any covenant, agreement or obligation of the Company contained in this Agreement, the Note or any other agreement, certificate, instrument or document contemplated hereby or thereby or (c) any cause of action, suit or claim brought or made against such Indemnitee by a third party (including for these purposes a derivative action brought on behalf of the Company) and arising out of or resulting from (i) the execution, delivery, performance or enforcement of this Agreement, the Note or any other agreement, certificate, instrument or document contemplated hereby or thereby, (ii) any transaction financed or to be financed in whole or in part, directly or indirectly, with the proceeds of the issuance of the Securities, or (iii) the status of the Buyer or holder of the Securities as an investor in the Company pursuant to the transactions contemplated by this Agreement. To the extent that the foregoing undertaking by the Company may be unenforceable for any reason, the Company shall make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities that is permissible under applicable law.

n. Remedies. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Buyer by vitiating the intent and purpose of the transaction contemplated hereby. Accordingly, the Company acknowledges that the remedy at law for a breach of its obligations under this Agreement, the Note, the Warrant, or any other agreement, certificate, instrument or document contemplated hereby or thereby will be inadequate and agrees, in the event of a breach or threatened breach by the Company of the provisions of this Agreement, the Note, the Warrant, or any other agreement, certificate, instrument or document contemplated hereby or thereby, that the Buyer shall be entitled, in addition to all other available remedies at law or in equity, and in addition to the penalties assessable herein, to an injunction or injunctions restraining, preventing or curing any breach of this Agreement, the Note, the Warrant, or any other agreement, certificate, instrument or document contemplated hereby or thereby, and to enforce specifically the terms and provisions hereof and thereof, without the necessity of showing economic loss and without any bond or other security being required.

o. Payment Set Aside. To the extent that the (i) Company makes a payment or payments to the Buyer hereunder, pursuant to the Note, pursuant to the Warrant, or pursuant to any other agreement, certificate, instrument or document contemplated hereby or thereby, or (ii) the Buyer enforces or exercises its rights hereunder, pursuant to the Note, pursuant to the Warrant, or pursuant to any other agreement, certificate, instrument or document contemplated hereby or thereby, and such payment or payments or the proceeds of such enforcement or exercise or any part thereof (including but not limited to the sale of the Securities) are for any reason (i) subsequently invalidated, declared to be fraudulent or preferential, set aside, recovered from, or disgorged by the Buyer, or (ii) are required to be refunded, repaid or otherwise restored to the Company, a trustee, receiver, government entity, or any other person or entity under any law (including, without limitation, any bankruptcy law, foreign, state or federal law, common law or equitable cause of action), then (i) to the extent of any such restoration the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred and (ii) the Company shall immediately pay to the Buyer a dollar amount equal to the amount that was for any reason (i) subsequently invalidated, declared to be fraudulent or preferential, set aside, recovered from, or disgorged by the Buyer, or (ii) required to be refunded, repaid or otherwise restored to the Company, a trustee, receiver, government entity, or any other person or entity under any law (including, without limitation, any bankruptcy law, foreign, state or federal law, common law or equitable cause of action).

p. Failure or Indulgence Not Waiver. No failure or delay on the part of the Buyer in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privileges. All rights and remedies of the Buyer existing hereunder are cumulative to, and not exclusive of, any rights or remedies otherwise available.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned Buyer and the Company have caused this Agreement to be duly executed as of the date first above written.

**1847 HOLDINGS LLC**

By: /s/ Ellery Roberts  
Name: ELLERY ROBERTS  
Title: CHIEF EXECUTIVE OFFICER

**LEONITE CAPITAL LLC**

By: /s/ Avi Geller  
Name: Avi Geller  
Title: Chief Investment Officer

SUBSCRIPTION AMOUNT:

**Principal Amount of Note: \$500,000.00**

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NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE CONVERTIBLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH MAY BE THE LEGAL COUNSEL OPINION (AS DEFINED IN THE PURCHASE AGREEMENT)), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144, RULE 144A OR REGULATION S UNDER SAID ACT OR OTHER APPLICABLE EXEMPTION. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.

Principal Amount: \$500,000.00

Issue Date: May 9, 2024

#### PROMISSORY NOTE

**FOR VALUE RECEIVED, 1847 HOLDINGS LLC**, a Delaware limited liability company (hereinafter called the "Borrower" or the "Company") (Trading Symbol: EFSH), hereby promises to pay to the order of **LEONITE CAPITAL LLC**, a Delaware limited liability company, or registered assigns (the "Holder"), in the form of lawful money of the United States of America, the principal sum of \$500,000.00, and to pay interest on the unpaid Principal Amount hereof at the rate of twelve percent (12%) (the "Interest Rate") per annum from the date hereof (the "Issue Date") until the same becomes due and payable, whether at maturity or upon acceleration or by prepayment or otherwise, as further provided herein. The maturity date shall be twelve (12) months from the Issue Date (the "Maturity Date"), and is the date upon which the Principal Amount and any accrued and unpaid interest and other fees, shall be due and payable.

This Note may not be prepaid or repaid in whole or in part except as otherwise explicitly set forth herein.

Any Principal Amount or interest on this Note which is not paid when due shall bear interest at the rate of the lesser of (i) sixteen percent (16%) per annum and (ii) the maximum amount permitted by law from the due date thereof until the same is paid ("Default Interest"). Interest and Default Interest shall be computed on the basis of a 365-day year and the actual number of days elapsed.

All payments due hereunder shall be made in lawful money of the United States of America. All payments shall be made at such address as the Holder shall hereafter give to the Borrower by written notice made in accordance with the provisions of this Note. Whenever any amount expressed to be due by the terms of this Note is due on any day which is not a business day, the same shall instead be due on the next succeeding day which is a business day.

Each capitalized term used herein, and not otherwise defined, shall have the meaning ascribed thereto in that certain Securities Purchase Agreement, dated as of the Issue Date, pursuant to which this Note was originally issued (the "Purchase Agreement"). As used in this Note, the term "business day" shall mean any day other than a Saturday, Sunday or a day on which commercial banks in the city of New York, New York are authorized or required by law or executive order to remain closed. As used herein, the term "Trading Day" means any day that shares of Common Stock are listed for trading or quotation on the Principal Market (as defined in the Purchase Agreement), provided, however, that if the Common Stock is not then listed or quoted on any Principal Market, then any calendar day.

This Note is free from all taxes, liens, claims and encumbrances with respect to the issue thereof and shall not be subject to preemptive rights or other similar rights of shareholders of the Borrower and will not impose personal liability upon the holder thereof.

The following terms shall also apply to this Note:

#### ARTICLE I. INTENTIONALLY OMITTED

#### ARTICLE II. RANKING AND CERTAIN COVENANTS

**2.1 Ranking and Security.** This Note shall have priority over all unsecured indebtedness of the Borrower.

**2.2 Other Indebtedness.** So long as the Borrower shall have any obligation under this Note, the Borrower shall not (directly or indirectly through any Subsidiary or affiliate) incur or suffer to exist or guarantee any unsecured indebtedness that is senior to or pari passu with (in priority of payment and performance) the Borrower's obligations hereunder.

**2.3 Distributions on Capital Stock.** So long as the Borrower shall have any obligation under this Note, the Borrower shall not without the Holder's written consent (a) pay, declare or set apart for such payment, any dividend or other distribution (whether in cash, property or other securities) on shares of capital stock other than dividends on shares of Common Stock solely in the form of additional shares of Common Stock or (b) directly or indirectly or through any subsidiary make any other payment or distribution in respect of its capital stock except for distributions pursuant to any shareholders' rights plan which is approved by a majority of the Borrower's disinterested directors.

**2.4 Restriction on Stock Repurchases and Debt Repayments.** So long as the Borrower shall have any obligation under this Note, the Borrower shall not without the Holder's written consent redeem, repurchase or otherwise acquire (whether for cash or in exchange for property or other securities or otherwise) in any one transaction or series of related transactions any shares of capital stock of the Borrower or any warrants, rights or options to purchase or acquire any such shares, or repay any pari passu or subordinated indebtedness of Borrower.

**2.5 Sale of Assets.** So long as the Borrower shall have any obligation under this Note, the Borrower shall not, without the Holder's written consent, sell, lease or otherwise dispose of any significant portion of its assets outside the ordinary course of business. Any consent by the Holder to the disposition of any assets may be conditioned on a specified use of the proceeds of disposition.

**2.6 Advances and Loans; Affiliate Transactions.** So long as the Borrower shall have any obligation under this Note, the Borrower shall not, without the Holder's written consent, lend money, give credit, make advances to or enter into any transaction with any person, firm, joint venture or corporation, including, without limitation, officers, directors, employees, subsidiaries and affiliates of the Borrower, except loans, credits or advances (a) in existence or committed on the Issue Date and which the Borrower has informed Holder in writing prior to the Issue Date, (b) in regard to transactions with unaffiliated third parties, made in the ordinary course of business or (c) in regard to transactions with unaffiliated third parties, not in excess of \$100,000. So long as the Borrower shall have any obligation under this Note, the Borrower shall not, without the Holder's written consent, repay any affiliate (as defined in Rule 144) of the Borrower in connection with any indebtedness or accrued amounts owed to any such party.

**2.7 Section 3(a)(9) or 3(a)(10) Transaction.** So long as this Note is outstanding, the Borrower shall not enter into any transaction or arrangement structured in accordance with, based upon, or related or pursuant to, in whole or in part, either Section 3(a)(9) of the Securities Act (a "3(a)(9) Transaction") or Section 3(a)(10) of the Securities Act (a "3(a)(10) Transaction"). In the event that the Borrower does enter into, or makes any issuance of Common Stock related to a 3(a)(9) Transaction or a 3(a)(10) Transaction while this note is outstanding, a liquidated damages charge of 25% of the outstanding principal balance of this Note, but not less than \$25,000, will be assessed and will become immediately due and payable to the Holder at its election in the form of a cash payment or

added to the balance of this Note (under Holder's and Borrower's expectation that this amount will tack back to the Issue Date).

2.8 Preservation of Business and Existence, etc. So long as the Borrower shall have any obligation under this Note, the Borrower shall not, without the Holder's written consent, (a) change the nature of its business; (b) sell, divest, change the structure of any material assets other than in the ordinary course of business; (c) enter into a Variable Rate Transaction; or (d) enter into any merchant cash advance transactions. In addition, so long as the Borrower shall have any obligation under this Note, the Borrower shall maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, its existence, rights and privileges, and become or remain, and cause each of its Subsidiaries (other than dormant Subsidiaries that have no or minimum assets) to become or remain, duly qualified and in good standing in each jurisdiction in which the character of the properties owned or leased by it or in which the transaction of its business makes such qualification necessary.

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2.9 Noncircumvention. The Company hereby covenants and agrees that the Company will not, by amendment of its Certificate or Articles of Formation or Bylaws, or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Note, and will at all times in good faith carry out all the provisions of this Note and take all action as may be required to protect the rights of the Holder.

2.10 Lost, Stolen or Mutilated Note. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Note, and, in the case of loss, theft or destruction, of any indemnification undertaking by the Holder to the Company in customary form and, in the case of mutilation, upon surrender and cancellation of this Note, the Company shall execute and deliver to the Holder a new Note.

2.11 Prepayment. At any time prior to the date that an Event of Default occurs under this Note, the Borrower shall have the right, exercisable on seven (7) Trading Days prior written notice to the Holder of the Note, to prepay the outstanding Principal Amount and interest then due under this Note in accordance with this Section. Any notice of prepayment hereunder (an "Optional Prepayment Notice") shall be delivered to the Holder of the Note at its registered addresses and shall state: (1) that the Borrower is exercising its right to prepay the Note, and (2) the date of prepayment which shall be seven (7) Trading Days from the date of the Optional Prepayment Notice (the "Optional Prepayment Date"). On the Optional Prepayment Date, the Borrower shall make payment of the amounts designated below to or upon the order of the Holder as specified by the Holder in writing to the Borrower. If the Borrower exercises its right to prepay the Note in accordance with this Section, the Borrower shall make payment to the Holder of an amount in cash equal to the sum of: (w) 100% multiplied by the Principal Amount then outstanding plus (x) accrued and unpaid interest on the Principal Amount to the Optional Prepayment Date plus (y) \$750.00 to reimburse Holder for administrative fees.

2.12 Repayment from Proceeds. If, at any time prior to the full repayment or full conversion of all amounts owed under this Note, the Company receives cash proceeds from any source or series of related or unrelated sources, including but not limited to, from payments from customers, the issuance of equity or debt, the conversion of outstanding warrants of the Borrower, the issuance of securities pursuant to an Equity Line of Credit (as defined in this Note) of the Borrower or the sale of assets, the Borrower shall, within one (1) business day of Borrower's receipt of such proceeds, inform the Holder of or publicly disclose such receipt, following which the Holder shall have the right in its sole discretion to require the Borrower to immediately apply up to 100% of such proceeds to repay all or any portion of the outstanding Principal Amount and interest (including any Default Interest) then due under this Note. Failure of the Borrower to comply with this provision shall constitute an Event of Default. "Equity Line of Credit" shall mean any transaction involving a written agreement between the Company and an investor or underwriter whereby the Company has the right to "put" its Common Stock to the investor or underwriter over an agreed period of time and at an agreed price or price formula (such Common Stock must be registered pursuant to a registration statement of the Company for the investor's or underwriter's resale).

### ARTICLE III. EVENTS OF DEFAULT

It shall be considered an event of default if any of the following events listed in this Article III (each, an "Event of Default") shall occur:

3.1 Failure to Pay Principal or Interest. The Borrower fails to pay the Principal Amount hereof or interest thereon when due on this Note, whether at maturity, upon acceleration or otherwise, or fails to fully comply with Section 1.10 of this Note.

3.2 Intentionally Omitted.

3.3 Breach of Agreements and Covenants. The Borrower breaches any covenant, agreement, or other term or condition contained in the Purchase Agreement, this Note, Irrevocable Transfer Agent Instructions, Warrants (as defined in the Purchase Agreement) (the "Warrants"), or in any agreement, statement or certificate given in writing pursuant hereto or in connection herewith or therewith.

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3.4 Breach of Representations and Warranties. Any representation or warranty of the Borrower made in the Purchase Agreement, this Note, Irrevocable Transfer Agent Instructions, Warrants, or in any agreement, statement or certificate given in writing pursuant hereto or in connection herewith or therewith shall be false or misleading in any material respect when made.

3.5 Receiver or Trustee. The Borrower or any subsidiary of the Borrower shall make an assignment for the benefit of creditors, or apply for or consent to the appointment of a receiver or trustee for it or for a substantial part of its property or business, or such a receiver or trustee shall otherwise be appointed.

3.6 Judgments. Any money judgment, writ or similar process shall be entered or filed against the Borrower or any subsidiary of the Borrower or any of its property or other assets for more than \$100,000, and shall remain unvacated, unbonded or unstayed for a period of twenty (20) days unless otherwise consented to by the Holder, which consent will not be unreasonably withheld.

3.7 Bankruptcy. Bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings, voluntary or involuntary, for relief under any bankruptcy law or any law for the relief of debtors shall be instituted by or against the Borrower or any subsidiary of the Borrower.

3.8 Failure to Comply with the 1934 Act. At any time after the Issue Date, the Borrower shall fail to comply with the reporting requirements of the 1934 Act and/or the Borrower shall cease to be subject to the reporting requirements of the 1934 Act.

3.9 Liquidation. Any dissolution, liquidation, or winding up of Borrower or any substantial portion of its business.

3.10 Cessation of Operations. Any cessation of operations by Borrower or Borrower admits it is otherwise generally unable to pay its debts as such debts become due, provided, however, that any disclosure of the Borrower's ability to continue as a "going concern" shall not be an admission that the Borrower cannot pay its debts as they become due.

3.11 Maintenance of Assets. The failure by Borrower to maintain any material intellectual property rights, personal, real property or other assets which are necessary to conduct its business (whether now or in the future).

3.12 Financial Statement Restatement. The restatement of any financial statements filed by the Borrower with the SEC for any date or period from two years prior to the Issue Date of this Note and until this Note is no longer outstanding.

3.13 Replacement of Transfer Agent. In the event that the Borrower proposes to replace its transfer agent, the Borrower fails to provide, prior to the effective date of such replacement, a fully executed Irrevocable Transfer Agent Instructions in a form as initially delivered pursuant to the Purchase Agreement (including but not limited to the provision to irrevocably reserve shares of Common Stock in the Reserved Amount) signed by the successor transfer agent to Borrower and the Borrower.

3.14 Cross-Default. The declaration of an event of default by any lender or other extender of credit to the Company under any notes, loans, agreements or other instruments of the Company evidencing any indebtedness of the Company (including those filed as exhibits to or described in the Company's filings with the SEC), after the passage of all applicable notice and cure or grace periods.

3.15 Variable Rate Transactions. The Borrower consummates a Variable Rate Transaction at any time on or after the Issue Date.

3.16 Inside Information. Any attempt by the Borrower or its officers, directors, and/or affiliates to transmit, convey, disclose, or any actual transmittal, conveyance, or disclosure by the Borrower or its officers, directors, and/or affiliates of, material non-public information concerning the Borrower, to the Holder or its successors and assigns, which is not immediately cured by Borrower's filing of a Form 8-K pursuant to Regulation FD on that same date.

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3.17 Unavailability of Rule 144. If, at any time on or after the date that is six (6) calendar months after the Issue Date, the Holder is unable to (i) obtain a standard "144 legal opinion letter" from an attorney reasonably acceptable to the Holder, the Holder's brokerage firm (and respective clearing firm), and the Borrower's transfer agent in order to facilitate the Holder's conversion of any portion of the Note into free trading shares of the Borrower's Common Stock pursuant to Rule 144, and/or (ii) thereupon deposit such shares into the Holder's brokerage account.

3.18 Delisting, Suspension, or Quotation of Trading of Common Stock. If, at any time on or after the Issue Date, the Borrower's Common Stock (i) is suspended from trading, (ii) halted from trading, and/or (iii) fails to be quoted or listed (as applicable) on a Principal Market.

3.19 Market Capitalization. The Borrower fails to maintain a market capitalization of at least \$5,000,000 on any Trading Day, which shall be calculated by multiplying (i) the closing price of the Borrower's common stock on the Trading Day immediately preceding the respective date of calculation by (ii) the total shares of the Borrower's common stock issued and outstanding on the Trading Day immediately preceding the respective date of calculation.

3.20 Failure to Pay an Amortization Payment. The Borrower fails to pay an Amortization Payment (as defined in this Note) when due as provided in Section 4.17 of this Note.

3.21 Shareholder Approval. The Company fails to obtain the Shareholder Approval (as defined in the Purchase Agreement) within sixty (60) calendar days after the Exchange Cap (as defined in the Purchase Agreement) is reached.

3.22 Rights and Remedies Upon an Event of Default. Upon the occurrence of any Event of Default specified in this Article III, this Note shall become immediately due and payable, and the Borrower shall pay to the Holder, in full satisfaction of its obligations hereunder, an amount equal to the Principal Amount then outstanding plus accrued interest (including any Default Interest) through the date of full repayment multiplied by 150% (collectively the "Default Amount"), as well as all costs, including, without limitation, legal fees and expenses, of collection, all without demand, presentment or notice, all of which hereby are expressly waived by the Borrower. Holder may, in its sole discretion, determine to accept payment part in Common Stock and part in cash. For purposes of payments in Common Stock, the conversion formula set forth in Section 1.2 shall apply as well as all other provisions of this Note. The Holder shall be entitled to exercise all other rights and remedies available at law or in equity.

#### ARTICLE IV. MISCELLANEOUS

4.1 Failure or Indulgence Not Waiver. No failure or delay on the part of the Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privileges. All rights and remedies of the Holder existing hereunder are cumulative to, and not exclusive of, any rights or remedies otherwise available.

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4.2 Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, e-mail or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by e-mail or facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

If to the Borrower, to:

**1847 HOLDINGS LLC**  
590 Madison Avenue, 21st Floor  
New York, NY 10022  
Attention: Ellery Roberts  
e-mail: info@1847holdings.com

If to the Holder:

**LEONITE CAPITAL LLC**  
1 Hillcrest Center Dr, Suite 232  
Spring Valley, NY 10977  
e-mail: avi@leonitecap.com

4.3 Amendments. This Note and any provision hereof may only be amended by an instrument in writing signed by the Borrower and the Holder. The term "Note" and all reference thereto, as used throughout this instrument, shall mean this instrument as originally executed, or if later amended or

supplemented, then as so amended or supplemented.

4.4 Assignability. This Note shall be binding upon the Borrower and its successors and assigns, and shall inure to be the benefit of the Holder and its successors and assigns. The Borrower shall not assign this Note or any rights or obligations hereunder without the prior written consent of the Holder. The Holder may assign its rights hereunder to any "accredited investor" (as defined in Rule 501(a) of the 1933 Act) in a private transaction from the Holder or to any of its "affiliates", as that term is defined under the 1934 Act, without the consent of the Borrower. Notwithstanding anything in this Note to the contrary, this Note may be pledged as collateral in connection with a bona fide margin account or other lending arrangement. The Holder and any assignee, by acceptance of this Note, acknowledge and agree that following conversion of a portion of this Note, the unpaid and unconverted principal amount of this Note represented by this Note may be less than the amount stated on the face hereof.

4.5 Cost of Collection. If default is made in the payment of this Note, the Borrower shall pay the Holder hereof costs of collection, including reasonable attorneys' fees.

4.6 Governing Law; Venue; Attorney's Fees. This Note shall be governed by and construed in accordance with the laws of the State of Delaware without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Note or any other agreement, certificate, instrument or document contemplated hereby shall be brought only in the state courts located in the Court of Chancery of the State of Delaware or, to the extent such court does not have subject matter jurisdiction, the United States District Court for the District of Delaware or, to the extent that neither of the foregoing courts has jurisdiction, the Superior Court of the State of Delaware. The Borrower hereby irrevocably waives any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon *forum non conveniens*. **THE BORROWER HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS NOTE OR ANY TRANSACTIONS CONTEMPLATED HEREBY.** Each party hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding in connection with this Note or any other agreement, certificate, instrument or document contemplated hereby or thereby by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Note and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law. The prevailing party in any action or dispute brought in connection with this the Note or any other agreement, certificate, instrument or document contemplated hereby or thereby shall be entitled to recover from the other party its reasonable attorney's fees and costs.

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4.7 Certain Amounts. Whenever pursuant to this Note the Borrower is required to pay an amount in excess of the outstanding Principal Amount (or the portion thereof required to be paid at that time) plus accrued and unpaid interest plus Default Interest on such interest, the Borrower and the Holder agree that the actual damages to the Holder from the receipt of cash payment on this Note may be difficult to determine and the amount to be so paid by the Borrower represents stipulated damages and not a penalty and is intended to compensate the Holder in part for loss of the opportunity to convert this Note and to earn a return from the sale of shares of Common Stock acquired upon conversion of this Note at a price in excess of the price paid for such shares pursuant to this Note. The Borrower and the Holder hereby agree that such amount of stipulated damages is not plainly disproportionate to the possible loss to the Holder from the receipt of a cash payment without the opportunity to convert this Note into shares of Common Stock.

4.8 Purchase Agreement. The Company and the Holder shall be bound by the applicable terms of the Purchase Agreement and the documents entered into in connection herewith and therewith.

4.9 Notice of Corporate Events. Except as otherwise provided below, the Holder of this Note shall have no rights as a Holder of Common Stock unless and only to the extent that it converts this Note into Common Stock. The Borrower shall provide the Holder with prior notification of any meeting of the Borrower's shareholders (and copies of proxy materials and other information sent to shareholders). In the event of any taking by the Borrower of a record of its shareholders for the purpose of determining shareholders who are entitled to receive payment of any dividend or other distribution, any right to subscribe for, purchase or otherwise acquire (including by way of merger, consolidation, reclassification or recapitalization) any share of any class or any other securities or property, or to receive any other right, or for the purpose of determining shareholders who are entitled to vote in connection with any change in control or any proposed liquidation, dissolution or winding up of the Borrower, the Borrower shall mail a notice to the Holder, at least twenty (20) days prior to the record date specified therein (or thirty (30) days prior to the consummation of the transaction or event, whichever is earlier), of the date on which any such record is to be taken for the purpose of such dividend, distribution, right or other event, and a brief statement regarding the amount and character of such dividend, distribution, right or other event to the extent known at such time. The Borrower shall make a public announcement of any event requiring notification to the Holder hereunder substantially simultaneously with the notification to the Holder in accordance with the terms of this Section 4.9.

4.10 Remedies. The Borrower acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder, by vitiating the intent and purpose of the transaction contemplated hereby. Accordingly, the Borrower acknowledges that the remedy at law for a breach of its obligations under this Note will be inadequate and agrees, in the event of a breach or threatened breach by the Borrower of the provisions of this Note, that the Holder shall be entitled, in addition to all other available remedies at law or in equity, and in addition to the penalties assessable herein, to an injunction or injunctions restraining, preventing or curing any breach of this Note and to enforce specifically the terms and provisions thereof, without the necessity of showing economic loss and without any bond or other security being required.

4.11 Construction; Headings. This Note shall be deemed to be jointly drafted by the Company and all the Holder and shall not be construed against any person as the drafter hereof. The headings of this Note are for convenience of reference and shall not form part of, or affect the interpretation of, this Note.

4.12 Usury. To the extent it may lawfully do so, the Company hereby agrees not to insist upon or plead or in any manner whatsoever claim, and will resist any and all efforts to be compelled to take the benefit or advantage of, usury laws wherever enacted, now or at any time hereafter in force, in connection with any action or proceeding that may be brought by the Holder in order to enforce any right or remedy under this Note. Notwithstanding any provision to the contrary contained in this Note, it is expressly agreed and provided that the total liability of the Company under this Note for payments which under the applicable law are in the nature of interest shall not exceed the maximum lawful rate authorized under applicable law (the "Maximum Rate"), and, without limiting the foregoing, in no event shall any rate of interest or default interest, or both of them, when aggregated with any other sums which under the applicable law in the nature of interest that the Company may be obligated to pay under this Note exceed such Maximum Rate. It is agreed that if the maximum contract rate of interest allowed by applicable law and applicable to this Note is increased or decreased by statute or any official governmental action subsequent to the Issue Date, the new maximum contract rate of interest allowed by law will be the Maximum Rate applicable to this Note from the effective date thereof forward, unless such application is precluded by applicable law. If under any circumstances whatsoever, interest in excess of the Maximum Rate is paid by the Company to the Holder with respect to indebtedness evidenced by this the Note, such excess shall be applied by the Holder to the unpaid principal balance of any such indebtedness or be refunded to the Company, the manner of handling such excess to be at the Holder's election.

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4.13 Severability. In the event that any provision of this Note is invalid or unenforceable under any applicable statute or rule of law (including any judicial ruling), then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of this Note.

4.14 Terms of Future Financings. So long as this Note is outstanding, upon any issuance by the Borrower or any of its subsidiaries of any security, or amendment to a security that was originally issued before the Issue Date, with any term that the Holder reasonably believes is more favorable to the holder of such security or with a term in favor of the holder of such security that the Holder reasonably believes was not similarly provided to the Holder in this Note (even if the holder of such other security does not receive the benefit of such more favorable term until a default occurs under such other security), then (i) the Borrower shall notify the Holder of such additional or more favorable term within one (1) business day of the issuance and/or amendment (as applicable) of the respective security, and (ii) such term, at Holder's option, shall become a part of the transaction documents with the Holder (regardless of whether the Borrower complied with the notification provision of this Section 4.14). The types of terms contained in another security that may be more favorable to the holder of such security include, but are not limited to, terms addressing prepayment rate, interest rates, and original issue discounts.

4.15 Right of First Refusal. If at any time while this Note is outstanding, the Borrower has a bona fide offer of capital or financing from any 3rd party, that the Borrower intends to act upon, then the Borrower must first offer such opportunity to the Holder to provide such capital or financing to the Borrower on the same terms as each respective 3rd party's terms. Should the Holder be unwilling or unable to provide such capital or financing to the Borrower within five (5) Trading Days from Holder's receipt of written notice of the offer (the "Offer Notice") from the Borrower, then the Borrower may obtain such capital or financing from that respective 3rd party upon the exact same terms and conditions offered by the Borrower to the Holder, which transaction must be completed within 30 days after the date of the Offer Notice. If the Borrower does not receive the capital or financing from the respective 3rd party within 30 days after the date of the respective Offer Notice, then the Borrower must again offer the capital or financing opportunity to the Holder as described above, and the process detailed above shall be repeated. The Offer Notice must be sent via electronic mail to avi@leonitecap.com. Notwithstanding the foregoing, this Section 4.15 shall not apply to an Excluded Transaction.

[signature page follows]

**IN WITNESS WHEREOF**, Borrower has caused this Note to be signed in its name by its duly authorized officer on May 9, 2024.

**1847 HOLDINGS LLC**

By: /s/ Ellery Roberts  
Name: Ellery Roberts  
Title: Chief Executive Officer

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**MEMORANDUM OF UNDERSTANDING**

On behalf of **LEONITE CAPITAL LLC**, a limited liability company organized under the laws of the State of Delaware (“**Leonite**”), and **1847 HOLDINGS LLC**, a limited liability company organized under the laws of the State of Delaware (the “**Company**”), the undersigned to this Memorandum of Understanding (the “**MOU**”), hereby expressly acknowledge the following points of understanding associated with (i) the **Secured Convertible Promissory Note** issued by the Company, dated as of October 8, 2021, in an original principal amount of sixteen million, nine hundred thousand Dollars (\$16,900,000) (the “**Note**”), issued by the Borrower to **Altimir Partners LP**, a Delaware limited partnership (“**Altimir**”), (ii) the **Securities Purchase Agreement**, dated January 2, 2024, entered into between Leonite and Altimir, pursuant to which Leonite would purchase the Note from Altimir in a series of Tranches, and (iii) the memorandum of understanding entered into between Leonite and David Joshua Barch, a resident of Puerto Rico (the “**Purchaser**”), dated as of May 9, (the “**Purchaser MOU**”), pursuant to which Leonite and the Purchaser will enter into a securities purchase agreement (the “**Purchaser SPA**”), providing for the Purchaser to purchase the Note in tranches from Leonite upon Leonite’s purchase of such portions of the Note from Altimir, according to the terms described in the Purchaser MOU.

1. For a period beginning on May 9, 2024 and ending on September 10, 2024 (the “**Lock Up Period**”), Leonite, and any of its affiliates, shall not execute any Conversions of any Note into common shares of the Company (“**Shares**”), so long as the following conditions are met:
  - (i) the closing price of the Shares on each trading day during the Lock Up Period remains above \$2.00 per share, and
  - (ii) the Purchaser is in compliance with the terms of the Purchaser SPA as described in the Purchaser MOU.
2. Leonite agrees to a “no short provision” so long as the terms of the Lock Up Period are in effect.
3. In exchange for Leonite entering into this MOU, the Company agrees that:
  - (i) Concurrently with the execution of this MOU, the Company will issue a non- convertible Promissory Note to Leonite, in the principal amount of \$500,000, in the form attached hereto as Exhibit A.
  - (ii) In the event that the closing price of Shares on any trading day until September 10, 2024, is less than \$1.00, the Company will allow Leonite to execute conversions of the Note at a conversion price equal to the lowest daily VWAP during the 5 trading days prior to such conversion.

This MOU is acknowledged and agreed to be effective as of **May 9, 2024**.

*[Signature page follows]*

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**IN WITNESS WHEREOF** the parties hereto have executed this Memorandum of Understanding in one or more counterparts, as of the date noted above.

**LEONITE CAPITAL LLC**

By: /s/ Avi Geller  
Name: Avi Geller  
Title: Chief Investment Officer

**The Company****1847 HOLDINGS LLC**

By: /s/ Ellery W. Roberts  
Name: Ellery W. Roberts  
Title: Chief Executive Officer

*[Signature page to MOU]*

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NOTE EXTENSION AGREEMENT

THIS NOTE EXTENSION AGREEMENT (this "Agreement") is entered into and made effective as of July 10, 2024, by and between 1847 Holdings LLC, a Delaware limited liability company (the "Maker"), and \_\_\_\_\_ (the "Holder").

WHEREAS, the Maker and the Holder entered into that certain 20% OID Subordinated Note, dated as of August 11, 2023, for the original principal amount of \_\_\_\_\_ (\$ \_\_\_\_\_) (the "Original Note"), which was amended pursuant to a Note Extension Agreement dated as of February 9, 2024 (the "First Note Extension") pursuant to which the original principal amount of the Original Note was increased to \$ \_\_\_\_\_ and the Maturity Date of the Original Note was extended to April 11, 2024 and was thereafter amended again pursuant to a Second Note Extension Agreement dated as of April 11, 2024 (the "Second Note Extension") to which the principal amount was increased to \$ \_\_\_\_\_ and the Maturity Date of the Original Note was extended to July 10, 2024 (the "Second Amended Maturity Date") (together, the "Amended Note");

WHEREAS, the Maker and the Holder desire to enter into this Agreement in order to (i) further extend the Maturity Date for a period of 90 days from the date of the expiry of the Second Amended Maturity Date, or the date of the completion of a Subsequent Financing (as is defined under the Securities Purchase Agreement, dated as of August 11, 2023), or whichever is earlier and (ii) increase the original principal amount of the Amended Note by twenty-five percent (25%) over and above the current principal amount as set forth in the Second Note Extension.

NOW, THEREFORE, this Agreement hereby amends the Amended Note (i) to further extend the Maturity Date as stated below, and (ii) to increase the Principal Amount of the Amended Note, as indicated below, as consideration for the further extension of the Maturity Date. This Agreement supersedes and merges all prior and contemporaneous promises, representations, and agreements with respect to amendments to the Amended Note. The terms and provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, including any future holder of Amended Note. This Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of Delaware without regard to the conflict of laws principles.

Holder:

New Principal Amount: \$

New Maturity Date: October 10, 2024

[Signature page follows]

IN WITNESS WHEREOF, the undersigned have duly executed this Agreement as of the day and year first written above.

MAKER

1847 Holdings LLC,  
a Delaware limited liability company

By: \_\_\_\_\_  
Name: Ellery W. Roberts  
Title: Chief Executive Officer

HOLDER

By: \_\_\_\_\_  
Name: \_\_\_\_\_

## CERTIFICATIONS

I, Ellery W. Roberts, certify that:

1. I have reviewed this quarterly report on Form 10-Q of 1847 Holdings LLC;
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(s) 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 our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - 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 our 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(s) 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: August 19, 2024

/s/ Ellery W. Roberts  
Ellery W. Roberts  
Chief Executive Officer  
(Principal Executive Officer)

## CERTIFICATIONS

I, Vernice L. Howard, certify that:

1. I have reviewed this quarterly report on Form 10-Q of 1847 Holdings LLC;
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(s) 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 our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - 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 our 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(s) 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: August 19, 2024

/s/ Vernice L. Howard  
Vernice L. Howard  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

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

The undersigned Chief Executive Officer of 1847 HOLDINGS LLC (the "Company"), DOES HEREBY CERTIFY that:

1. The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

IN WITNESS WHEREOF, the undersigned has executed this statement on August 19, 2024.

/s/ Ellery W. Roberts  
Ellery W. Roberts  
Chief Executive Officer  
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to 1847 Holdings LLC and will be retained by 1847 Holdings LLC and furnished to the Securities and Exchange Commission or its staff upon request.

The forgoing certification is being furnished to the Securities and Exchange Commission pursuant to § 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

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

The undersigned Chief Financial Officer of 1847 HOLDINGS LLC (the "Company"), DOES HEREBY CERTIFY that:

1. The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

IN WITNESS WHEREOF, the undersigned has executed this statement on August 19, 2024

/s/ Vernice L. Howard

Vernice L. Howard

Chief Financial Officer

*(Principal Financial and Accounting Officer)*

A signed original of this written statement required by Section 906 has been provided to 1847 Holdings LLC and will be retained by 1847 Holdings LLC and furnished to the Securities and Exchange Commission or its staff upon request.

The forgoing certification is being furnished to the Securities and Exchange Commission pursuant to § 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.