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

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2023

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 No.: 001-35527

EMMAUS LIFE SCIENCES, INC.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

87-0419387

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

21250 Hawthorne Boulevard, Suite 800, Torrance, California

(Address of principal executive offices)

90503

(Zip code)

(310) 214-0065

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
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None

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>						

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

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

The registrant had 53,637,554 shares of common stock, par value \$0.001 per share, outstanding as of August 10, 2023.

EMMAUS LIFE SCIENCES, INC.
For the Quarterly Period Ended June 30, 2023
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Item 1. Financial Statements

EMMAUS LIFE SCIENCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)
(Unaudited)

	June 30, 2023	As of	December 31, 2022
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,361	\$	2,021
Accounts receivable, net	5,573		375
Inventories, net	1,814		2,379
Prepaid expenses and other current assets	1,099		1,514
Total current assets	9,847		6,289
Property and equipment, net	68		75
Equity method investment	18,302		18,828
Right of use assets	2,585		2,799
Investment in convertible bond	19,210		19,971
Other assets	276		263
Total assets	<u>\$ 50,288</u>	<u>\$</u>	<u>48,225</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$ 15,200	\$	13,549
Operating lease liabilities, current portion	775		703
Conversion feature derivative, notes payable	4,217		3,248
Other current liabilities	13,994		12,917
Warrant derivative liabilities	1,111		70
Notes payable, current portion, net of discount	8,462		6,814
Notes payable to related parties	2,482		2,367
Convertible notes payable, net of discount	14,306		14,655
Convertible notes payable to related parties, net of discount	1,000		—
Total current liabilities	61,547		54,323
Operating lease liabilities, less current portion	2,225		2,553
Other long-term liabilities	18,132		21,714
Notes payable, less current portion	—		380
Notes payable to related parties, net	3,416		3,346
Total liabilities	85,320		82,316
STOCKHOLDERS' DEFICIT			
Preferred stock, par value \$0.001 per share, 15,000,000 shares authorized, none issued or outstanding	—		—
Common stock, par value \$0.001 per share, 250,000,000 shares authorized, 53,637,554 and 49,583,501 shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively	54		50
Additional paid-in capital	222,415		220,815
Accumulated other comprehensive loss	(114)		(2,619)
Accumulated deficit	(257,387)		(252,337)
Total stockholders' deficit	(35,032)		(34,091)
Total liabilities & stockholders' deficit	<u>\$ 50,288</u>	<u>\$</u>	<u>48,225</u>

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

EMMAUS LIFE SCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(In thousands, except share and per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
REVENUES, NET	\$ 10,759	\$ 4,287	\$ 17,512	\$ 7,521
COST OF GOODS SOLD	508	396	937	1,403
GROSS PROFIT	10,251	3,891	16,575	6,118
OPERATING EXPENSES				
Research and development	320	298	609	764
Selling	2,531	1,952	4,848	3,412
General and administrative	4,074	3,081	8,957	6,450
Total operating expenses	6,925	5,331	14,414	10,626
INCOME (LOSS) FROM OPERATIONS	3,326	(1,440)	2,161	(4,508)
OTHER INCOME (EXPENSE)				
Change in fair value of warrant derivative liabilities	459	542	445	1,290
Change in fair value of conversion feature derivative, notes payable	(1,058)	(3,695)	(969)	(615)
Realized loss on investment in convertible bond	(297)	—	(297)	(133)
Net loss on equity method investment	(439)	(493)	(966)	(1,059)
Foreign exchange loss	(1,887)	(2,470)	(2,406)	(3,661)
Interest and other income	173	133	333	355
Interest expense	(1,793)	(1,287)	(3,295)	(2,024)
Total other expenses	(4,842)	(7,270)	(7,155)	(5,847)
LOSS BEFORE INCOME TAXES	(1,516)	(8,710)	(4,994)	(10,355)
Income tax provision (benefit)	(34)	182	15	79
NET LOSS	(1,482)	(8,892)	(5,009)	(10,434)
COMPONENTS OF OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized gain (loss) on debt securities available for sale (net of tax)	1,909	(4,415)	1,365	(4,065)
Reclassification adjustment for gain included in net income	403	—	403	7
Foreign currency translation adjustments	551	643	737	974
OTHER COMPREHENSIVE INCOME (LOSS)	2,863	(3,772)	2,505	(3,084)
COMPREHENSIVE INCOME (LOSS)	\$ 1,381	\$ (12,664)	\$ (2,504)	\$ (13,518)
NET LOSS PER COMMON SHARE - BASIC AND DILUTED	\$ (0.03)	\$ (0.18)	\$ (0.10)	\$ (0.21)
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING	52,865,353	49,319,995	51,793,445	49,315,952

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

EMMAUS LIFE SCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
(In thousands, except share and per share amounts)
(Unaudited)

	Common stock		Additional	Accumulated other	Accumulated	Total
	Shares	Amount	paid-in	comprehensive	deficit	stockholders'
			capital	income (loss)		deficit
Balance, January 1, 2023	49,583,501	\$ 50	\$ 220,815	\$ (2,619)	\$ (252,337)	\$ (34,091)
Change in fair value of warrants including down-round protection adjustments	—	—	41	—	(41)	—
Convertible notes converted to shares	1,351,351	1	499	—	—	500
Share-based compensation	—	—	37	—	—	37
Unrealized loss on debt securities available for sale (net of tax)	—	—	—	(544)	—	(544)
Foreign currency translation effect	—	—	—	186	—	186
Net loss	—	—	—	—	(3,527)	(3,527)
Balance, March 31, 2023	50,934,852	51	221,392	(2,977)	(255,905)	(37,439)
Convertible notes converted to shares	2,702,702	3	997	—	—	1,000
Share-based compensation	—	—	26	—	—	26
Unrealized gain on debt securities available for sale (net of tax)	—	—	—	1,909	—	1,909
Reclassification adjustment for gain included in net income	—	—	—	403	—	403
Foreign currency translation effect	—	—	—	551	—	551
Net loss	—	—	—	—	(1,482)	(1,482)
Balance, June 30, 2023	<u>53,637,554</u>	<u>\$ 54</u>	<u>\$ 222,415</u>	<u>\$ (114)</u>	<u>\$ (257,387)</u>	<u>\$ (35,032)</u>

	Common stock		Additional	Accumulated other	Accumulated	Total
	Shares	Amount	paid-in	comprehensive	deficit	stockholders'
			capital	income (loss)		deficit
Balance January 1, 2022	49,311,864	\$ 49	\$ 220,022	\$ (255)	\$ (241,266)	\$ (21,450)
Share-based compensation	—	—	5	—	—	5
Unrealized gain on debt securities available for sale (net of tax)	—	—	—	350	—	350
Reclassification adjustment for gain included in net income	—	—	—	7	—	7
Foreign currency translation effect	—	—	—	331	—	331
Net loss	—	—	—	—	(1,542)	(1,542)
Balance, March 31, 2022	49,311,864	49	220,027	433	(242,808)	(22,299)
Reclassification of warrants from liability to equity	—	—	213	—	—	213
Fair value of warrants including down-round protection adjustments	—	—	446	—	(446)	—
Common stock issued for services	246,637	1	109	—	—	110
Share-based compensation	—	—	5	—	—	5
Unrealized loss on debt securities available for sale (net of tax)	—	—	—	(4,415)	—	(4,415)
Foreign currency translation effect	—	—	—	643	—	643
Net loss	—	—	—	—	(8,892)	(8,892)
Balance, June 30, 2022	<u>49,558,501</u>	<u>\$ 50</u>	<u>\$ 220,800</u>	<u>\$ (3,339)</u>	<u>\$ (252,146)</u>	<u>\$ (34,635)</u>

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

EMMAUS LIFE SCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (5,009)	\$ (10,434)
Adjustments to reconcile net loss to net cash flows used in operating activities		
Depreciation and amortization	18	28
Inventory reserve	16	1,008
Amortization of discount of notes payable and convertible notes payable	1,266	770
Foreign exchange adjustments	2,382	3,811
Realized loss on investment on convertible bond	297	133
Loss on equity method investment	966	1,059
Loss on disposal of property and equipment	—	2
Loss on leased assets	—	22
Share-based compensation	1,215	10
Fair value of warrants issued for services	334	—
Change in fair value of warrant derivative liabilities	(445)	(1,290)
Change in fair value of conversion feature derivative, notes payable	969	615
Changes in fair value option instrument	(7)	—
Net changes in operating assets and liabilities		
Accounts receivable	(5,204)	(188)
Inventories	543	233
Prepaid expenses and other current assets	331	365
Other non-current assets	282	321
Accounts payable and accrued expenses	2,201	1,172
Other current liabilities	(316)	(3,002)
Other long-term liabilities	(2,436)	(431)
Net cash flows used in operating activities	(2,597)	(5,796)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of convertible bond	2,232	2,919
Purchase of property and equipment	(11)	(18)
Loan to equity method investee	(2,248)	(3,326)
Net cash flows used in investing activities	(27)	(425)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable issued, net of issuance cost	2,453	2,918
Proceeds from notes payable issued, related parties	227	2,121
Proceeds from convertible notes payable issued, related party	1,000	—
Payments of notes payable	(1,642)	(90)
Payments of notes payable, related party	(50)	—
Net cash flows provided by financing activities	1,988	4,949
Effect of exchange rate changes on cash	(24)	(25)
Net decrease in cash and cash equivalents	(660)	(1,297)
Cash and cash equivalents, beginning of period	2,021	2,279
Cash and cash equivalents, end of period	<u>\$ 1,361</u>	<u>\$ 982</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW ACTIVITIES		
Interest paid	\$ 1,018	\$ 285
Income taxes paid / (refunded)	\$ (68)	\$ 16
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Renewal of notes payable including interests capitalized	\$ 618	\$ —
Conversion of convertible note payable to common stock	\$ 1,500	\$ —

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

EMMAUS LIFE SCIENCES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 — BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated interim financial statements of Emmaus Life Sciences, Inc., (“Emmaus”) and its direct and indirect consolidated subsidiaries (collectively, “we,” “our,” “us” or the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) on the basis that the Company will continue as a going concern. All significant intercompany transactions have been eliminated. The Company’s unaudited condensed consolidated interim financial statements contain adjustments, including normal recurring accruals necessary to fairly state the Company’s consolidated financial position, results of operations and cash flows. The condensed consolidated interim financial statements should be read in conjunction with the Annual Report on Form 10-K for the year ended December 31, 2022 (the “Annual Report”) filed with the Securities and Exchange Commission (“SEC”) on March 31, 2023. The accompanying condensed consolidated balance sheet at December 31, 2022 has been derived from the audited consolidated balance sheet at December 31, 2022 contained in the Annual Report. The results of operations for the three and six months ended June 30, 2023 are not necessarily indicative of the results to be expected for the full year or any future interim period.

Nature of Operations

The Company is a commercial-stage biopharmaceutical company engaged in the discovery, development, marketing and sales of innovative treatments and therapies, primarily for rare and orphan diseases. The Company’s lead product, Endari® (prescription grade L-glutamine oral powder) is approved by the U.S. Food and Drug Administration, or FDA, and in certain foreign markets to reduce the acute complications of sickle cell disease (“SCD”) in adult and pediatric patients five years of age and older.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company’s significant accounting policies are described in Note 2, “Summary of Significant Accounting Policies,” in the Annual Report. There have been no material changes in these policies or their application.

Going concern—The accompanying consolidated financial statements have been prepared on the basis that the Company will continue as a going concern. The Company incurred a net loss of \$5.0 million for the six months ended June 30, 2023 and had a working capital deficit of \$51.7 million as of June 30, 2023. Management expects that the Company’s current liabilities, operating losses and expected capital needs, including the expected costs relating to the commercialization of Endari® in the Middle East North Africa (“MENA”) region and elsewhere and continued funding of EJ Holdings, Inc. will exceed its existing cash balances and cash expected to be generated from operations for the foreseeable future. To meet the Company’s current liabilities and future obligations, the Company will need to restructure or refinance its existing indebtedness and raise additional funds through related-party loans, third-party loans, equity or debt financings or licensing or other strategic agreements. The Company has no understanding or arrangement for any additional financing, and there can be no assurance that the Company will be able to obtain additional related-party or third-party loans or complete any additional equity or debt financings on favorable terms, or at all, or enter into licensing or other strategic arrangements. Due to the uncertainty of the Company’s ability to meet its current liability and operating expenses, there is substantial doubt about the Company’s ability to continue as a going concern for 12 months from the date that this condensed consolidated financial statements are issued. The condensed consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Management has considered all recent accounting pronouncements and determined that they will not have a material effect on the Company’s condensed consolidated financial statements.

Prior period misclassification - During the quarter ended June 30, 2023, the Company identified a misclassification related to common stock warrants that were issued in January 2023. The common stock warrants issued in January 2023 in the amount of \$1.4 million, should have been recorded as warrant derivative liabilities, as opposed to recorded in additional paid-in capital at their estimated fair value as the warrants did not meet equity classification in accordance with ASC815-40-25-10. The Company corrected the misclassification in the condensed consolidated financial statements for the six months ended June 30, 2023. The Company believes the correction of the misclassification is quantitatively and qualitatively not material to the previously issued condensed consolidated financial statements for the prior period.

The condensed consolidated statements of stockholders' deficit included in this Quarterly Report as of June 30, 2023 differ from the From 10-Q's for period ended March 2023, reflecting the misclassification of \$1.4 million from additional paid-in capital and warrant derivative liability for warrants issued in January 2023.

Factoring accounts receivable — Emmaus Medical, Inc., or Emmaus Medical, the Company's indirect wholly owned subsidiary, has entered into a purchase and sales agreement with Prestige Capital Finance, LLC or Prestige Capital, pursuant to which Emmaus Medical may offer and sell to Prestige Capital from time to time eligible accounts receivable in exchange for Prestige Capital's down payment, or advance, to Emmaus Medical of 70% to 75% of the face amount of the accounts receivable, subject to a \$7.5 million cap on advances at any time. The balance of the face amount of the accounts receivables is reserved by Prestige Capital and paid to Emmaus Medical, less discount fees of Prestige Capital ranging from 2.25% to 7.25% of the face amount, as and when Prestige Capital collects the entire face amount of the accounts receivable. Emmaus Medical's obligations to Prestige Capital under the purchase and sale agreement are secured by a security interest in the accounts receivable and all or substantially all other assets of Emmaus Medical. In connection with the purchase and sale agreement, Emmaus has guaranteed Emmaus Medical's obligations under the purchase and sale agreement. Accounts receivable included approximately \$286,000 and \$730,000 of factoring accounts receivable and other current liabilities included approximately \$6,000 and \$55,000 of liabilities from factoring at June 30, 2023 and December 31, 2022, respectively. For the three months ended June 30, 2023 and 2022, the Company incurred approximately \$231,000 and \$101,000, respectively, of factoring fees. For the six months ended June 30, 2023 and 2022, the Company incurred approximately \$340,000 and \$154,000, respectively of factoring fees.

Net loss per share — In accordance with Accounting Standard Codification ("ASC") 260, "Earnings per Share," the basic net loss per common share is computed by dividing net loss available to common stockholders by the weighted-average number of common shares outstanding. Diluted net loss per share is computed in a similar manner, except that the denominator is increased to include the number of additional shares of common stock that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. As of June 30, 2023 and June 30, 2022, the Company had outstanding potentially dilutive securities exercisable for or convertible into 69,300,024 shares and 52,523,286 shares, respectively, of common stock. No potentially dilutive securities were included in the calculation of diluted net loss per share, since the effect would have been anti-dilutive for the periods ended June 30, 2023 and June 30, 2022.

Recent Accounting Pronouncement - Effective January 1, 2023, the Company adopted Accounting Standards Update 2016-13, *Financial Instrument - Credit Losses (Topic 326)*, which introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments. The new model, referred to as the current expected credit losses model, applies to financial assets subject to credit losses and measured at amortized costs, as well as certain off-balance sheet credit exposures. The adoption of this pronouncement did not have material impact on the Company's results of operations, financial condition or cash flow based on the current information.

NOTE 3 — REVENUES

Revenues disaggregated by category were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Endari®	\$ 10,477	\$ 4,261	\$ 16,992	\$ 7,309
Other	282	26	520	212
Revenues, net	<u>\$ 10,759</u>	<u>\$ 4,287</u>	<u>\$ 17,512</u>	<u>\$ 7,521</u>

The following table summarizes the revenue allowance and accrual activities for the six months ended June 30, 2023 and June 30, 2022 (in thousands):

	Trade Discounts, Allowances and Chargebacks	Government Rebates and Other Incentives	Returns	Total
Balance as of December 31, 2022	\$ 1,358	\$ 3,718	\$ 415	\$ 5,491
Provision related to sales in the current year	1,213	2,095	262	3,570
Adjustments related to prior period sales	(213)	136	—	(77)
Credits and payments made	(1,463)	(1,536)	(360)	(3,359)
Balance as of June 30, 2023	<u>\$ 895</u>	<u>\$ 4,413</u>	<u>\$ 317</u>	<u>\$ 5,625</u>
Balance as of December 31, 2021	\$ 1,480	\$ 3,134	\$ 540	\$ 5,154
Provision related to sales in the current year	1,329	1,311	159	2,799
Adjustments related to prior period sales	(56)	13	728	685
Credits and payments made	(1,288)	(1,055)	(854)	(3,197)
Balance as of June 30, 2022	<u>\$ 1,465</u>	<u>\$ 3,403</u>	<u>\$ 573</u>	<u>\$ 5,441</u>

The following table summarizes revenues attributable to each of our customers that accounted for 10% or more of our net revenues in the periods shown:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Customer A	15 %	50 %	17 %	31 %
Customer B	16 %	9 %	15 %	23 %
Customer C	9 %	10 %	8 %	12 %
Customer D	11 %	15 %	17 %	9 %
Customer E	21 %	0 %	16 %	7 %

On June 15, 2017, the Company entered into a distributor agreement with Telcon RF Pharmaceutical, Inc., or Telcon, pursuant to which it granted Telcon exclusive rights to the Company's prescription grade L-glutamine ("PGLG") oral powder for the treatment of diverticulosis in South Korea, Japan and China in exchange for Telcon's payment of a \$10 million upfront fee and agreement to purchase from the Company specified minimum quantities of the PGLG. Telcon had the right to terminate the distributor agreement in certain circumstances for failure to obtain such product registrations, in which event the Company is obliged to repay Telcon the \$10 million upfront fee. In January 2023, Telcon terminated the distributor agreement, and the upfront fee of \$10 million is included as unearned revenue in other current liabilities as of June 30, 2023 and December 31, 2022, respectively. See Notes 6 and 11 and for additional details of the Company's agreement with Telcon.

NOTE 4 — SELECTED FINANCIAL STATEMENT — ASSETS

Inventories consisted of the following (in thousands):

	June 30, 2023	December 31, 2022
Raw materials and components	\$ 1,362	\$ 1,393
Work-in-process	224	513
Finished goods	5,198	5,428
Inventory reserve	(4,970)	(4,955)
Total inventories, net	<u>\$ 1,814</u>	<u>\$ 2,379</u>

Prepaid expenses and other current assets consisted of the following (in thousands):

	June 30, 2023	December 31, 2022
Prepaid insurance	\$ 328	\$ 598
Prepaid expenses	337	467
Other current assets	434	449
Total prepaid expenses and other current assets	<u>\$ 1,099</u>	<u>\$ 1,514</u>

Property and equipment consisted of the following (in thousands):

	June 30, 2023	December 31, 2022
Equipment	\$ 377	\$ 367
Leasehold improvements	39	39
Furniture and fixtures	99	99
Total property and equipment	515	505
Less: accumulated depreciation	(447)	(430)
Total property and equipment, net	<u>\$ 68</u>	<u>\$ 75</u>

During the three months ended June 30, 2023 and 2022, depreciation expense was approximately \$9,000 and \$10,000, respectively. During the six months ended June 30, 2023 and 2022, depreciation expense was approximately \$18,000 and \$21,000, respectively.

NOTE 5 — INVESTMENTS

Investment in convertible bond - On September 28, 2020, the Company entered into a convertible bond purchase agreement pursuant to which it purchased at face value a convertible bond of Telcon in the principal amount of approximately \$26.1 million which matures on October 16, 2030 and bears interest at the rate of 2.1% per year, payable quarterly. Beginning October 16, 2021, the Company became entitled on a quarterly basis to call for early redemption of all or any portion of the principal amount of the convertible bond. The convertible bond is convertible at the holder's option at any time and from time to time into common shares of Telcon at an initial conversion price of KRW9,232, or approximately \$8.00 per share. The initial conversion price is subject to downward adjustment monthly based on the volume-weighted average market price of Telcon shares as reported on Korean Securities Dealers Automated Quotations Market and in the event of the issuance of Telcon shares or share equivalents at a price below the market price of Telcon shares and to customary antidilution adjustments upon a merger or similar reorganization of Telcon or a stock split, reverse stock split, stock dividend or similar event. The conversion price as of June 30, 2023 is set forth in the "Investment in convertible bond" table below. The convertible bond and any proceeds therefrom, including proceeds from any exercise of the early redemption right described above or the call option described below, are pledged as collateral to secure the Company's obligations under the revised API Supply Agreement with Telcon described in Notes 6 and 11.

Concurrent with the purchase of the convertible bond, the Company entered into an agreement dated September 28, 2020 with Telcon pursuant to which Telcon or its designee is entitled to repurchase, at par, up to 50% in principal amount of the convertible bond at any time and from time to time commencing October 16, 2021 and prior to maturity.

The investment in convertible bond is classified as an available for sale security and remeasured at fair value on a recurring basis using Level 3 inputs, with any changes in the fair value option recorded in other comprehensive income (loss). The fair value and any changes in fair value in the convertible bond is determined using a binomial lattice model. The model produces an estimated fair value based on changes in the price of the underlying common stock over successive periods of time.

The revised API agreement with Telcon provides for target annual revenue of more than \$5 million and annual "profit" (*i.e.*, sales margin) to Telcon of \$2.5 million. To the extent these targets are not met, which management refers to as a "target shortfall," Telcon may be entitled to payment of the target shortfall or to settle the target shortfall by exchange of principal and interest on the Telcon convertible bond and proceeds thereof that are pledged as a collateral to secure the Company's obligations under the API Supply Agreement and the revised API Agreement. In February 2022, the Company agreed to the exchange of KRW3.5 billion, or approximately \$2.9 million, principal amount of and accrued and unpaid interest on the Telcon convertible bond and KRW400 million, or approximately \$310,000, in cash proceeds of the convertible bond to satisfy the target shortfall for the years ended 2021 and 2020. As a result, the Company realized a net loss on investment in convertible bond of \$126,000, which previously was classified as unrealized loss on debt securities available-for-sale in the other comprehensive loss, and other income of \$41,000.

In April 2023, Telcon offset KRW2.9 billion, or approximately \$2.2 million, against the principal amount of the Telcon convertible bond and release of KRW307 million, or approximately \$236,000, in cash proceeds to Telcon in satisfaction the target shortfall for the year ended 2022. The offset is reflected as a sale of the convertible bond in the "Investment in convertible bond" table below. As a result, the Company realized a net loss on investment in convertible bond of \$106,000, which previously was classified as unrealized loss on debt securities available-for-sale in the other comprehensive loss.

The following table sets forth the fair value and changes in fair value of the investment in the Telcon convertible bond as of June 30, 2023 and December 31, 2022 (in thousands):

Investment in convertible bond	June 30, 2023	December 31, 2022
Balance, beginning of period	\$ 19,971	\$ 26,100
Sale of convertible bond	(2,232)	(2,919)
Net gain (loss) on investment on convertible bond	106	(126)
Change in fair value included in the statement of other comprehensive income	1,365	(3,084)
Balance, end of period	<u>\$ 19,210</u>	<u>\$ 19,971</u>

The fair value as of June 30, 2022 and December 31, 2022 was based upon following assumptions:

	June 30, 2023	December 31, 2022
Principal outstanding (South Korean won)	KRW 23.6 billion	KRW 26.5 billion
Stock price	KRW1,158	KRW 1,015
Expected life (in years)	7.30	7.79
Selected yield	12.75 %	13.50 %
Expected volatility (Telcon common stock)	79.70 %	78.50 %
Risk-free interest rate (South Korea government bond)	3.69 %	3.74 %
Expected dividend yield	—	—
Conversion price	KRW1,068(US\$0.81)	KRW1,068(US\$0.85)

Equity method investment – In 2018, the Company and Japan Industrial Partners, Inc., or JIP, formed EJ Holdings, Inc., or EJ Holdings, to acquire, own and operate a former amino acids manufacturing facility in Ube, Japan. In connection with the formation, the Company invested approximately \$32,000 in exchange for 40% of EJ Holdings' voting shares. JIP owns 60% of EJ Holdings voting shares. In October 2018, the Company entered into a loan agreement with EJ Holdings under which the Company made an unsecured loan to EJ Holdings in the amount of \$13.6 million. The loan proceeds were used by EJ Holdings to purchase the Ube facility in December 2019 and pay related taxes. The loan matures on September 30, 2028 and bears interest at the rate of 1%, payable annually. The parties also contemplated that the Ube facility will eventually supply the Company with the facility's output of amino acids, that the operation of the facility would be principally for the Company's benefit and, as such, that major decisions affecting EJ Holdings and the Ube facility would be made by EJ Holdings' board of directors, a majority of which are representatives of JIP, in consultation with the Company. During the six months ended June 30, 2023, the Company made \$2.2 million of loans to EJ Holdings. As of June 30, 2023 and December 31, 2022, the loans receivable from EJ Holdings with foreign currency revaluation were approximately \$24.7 million and \$25.0 million, respectively, as reflected in equity method investment on the condensed consolidated balance sheets.

EJ Holdings is engaged in seeking to refurbish and phase in the Ube facility to eventually obtain regulatory clearance for the manufacture of PGLG in accordance with cGMP. EJ Holdings has had no substantial revenues since its inception, has depended on loans from the Company to acquire the Ube facility and fund its operations and will continue to be dependent on loans from the Company or other financing unless and until its plant is activated and it can secure customers, including the Company, for its products. There is no assurance the Company can continue to provide needed funding to EJ Holdings, or that needed funding will be available from other sources. EJ Holdings has no commitments or understandings regarding any additional funding. If EJ Holdings fails to obtain needed funding, it may need to suspend activities at the Ube plant. Under the asset purchase agreement by which EJ Holdings purchased the Ube plant, the seller has the right to repurchase the plant at the purchase price, plus certain taxes, paid by EJ Holdings if the plant does not become operational within a reasonable period of time (not to exceed five years, December 25, 2024). In such event, it is likely that the Company would lose some or all of its investment.

The Company has determined that EJ Holdings is a variable interest entity, or VIE, based upon its dependence on loan financing provided by the Company to acquire the Ube facility and to carry on EJ Holdings' activities and that the EJ Holdings' activities are principally for the Company's benefit. JIP, however, owns 60% of EJ Holdings and is entitled to designate a majority of the directors of EJ Holdings as well as its Chief Executive Officer and outside auditors, and, as such, controls the management, business, and operations of EJ Holdings. Accordingly, the Company accounts for its variable interest in EJ Holdings under the equity method.

The Company's share of the losses reported by EJ Holdings are classified as net losses on equity method investment. The investment is evaluated for impairment if facts and circumstances indicate that the carrying value may not be recoverable, an impairment charge would be recorded.

The following table sets forth certain unaudited financial information of EJ Holdings for the three and six months ended June 30, 2023 and 2022 (in thousands):

	Three Month Ended June 30,		Six Month Ended June 30,	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue, net	\$ 45	\$ 48	\$ 99	\$ 102
Net loss	\$ (1,098)	\$ (1,234)	\$ (2,416)	\$ (2,648)
Net loss attributable to the Company (40%)	\$ (439)	\$ (493)	\$ (966)	\$ (1,059)

NOTE 6 — SELECTED FINANCIAL STATEMENT - LIABILITIES

Accounts payable and accrued expenses consisted of the following at June 30, 2023 and December 31, 2022 (in thousands):

	June 30, 2023	December 31, 2022
Accounts payable:		
Clinical and regulatory expenses	\$ 499	\$ 361
Professional fees	618	626
Selling expenses	1,210	1,363
Manufacturing costs	364	650
Non-employee director compensation	620	484
Other vendors	130	301
Total accounts payable	3,441	3,785
Accrued interest payable, related parties	525	144
Accrued interest payable	2,278	2,381
Accrued expenses:		
Payroll expenses	1,868	1,263
Government rebates and other rebates	5,341	5,536
Due to customers	844	—
Other accrued expenses	903	440
Total accrued expenses	8,956	7,239
Total accounts payable and accrued expenses	\$ 15,200	\$ 13,549

Other current liabilities consisted of the following at June 30, 2023 and December 31, 2022 (in thousands):

	June 30, 2023	December 31, 2022
Trade discount	\$ 2,600	\$ 1,200
Unearned revenue (a)	10,000	10,000
Other current liabilities	1,394	1,717
Total other current liabilities	\$ 13,994	\$ 12,917

(a) Represents the fee payable to Telcon pursuant to the distributor agreement. See Note 3 for additional details.

Other long-term liabilities consisted of the following at June 30, 2023 and December 31, 2022 (in thousands):

	June 30, 2023	December 31, 2022
Trade discount	\$ 18,098	\$ 21,682
Other long-term liabilities	34	32
Total other long-term liabilities	\$ 18,132	\$ 21,714

On June 12, 2017, the Company entered into an API Supply Agreement with Telcon pursuant to which Telcon advanced to the Company approximately \$31.8 million as an advance trade discount in consideration of the Company's agreement to purchase from Telcon the Company's estimated annual target for bulk containers of PGLG. On July 12, 2017, the Company entered into a raw material supply agreement with Telcon which revised certain items of the API Supply Agreement (the "revised API Agreement"). The Company purchased \$388,000 and \$200,000 of PGLG from Telcon in six months ended June 30, 2023 and June 30, 2022, respectively, of which \$364,000 and \$644,000 were reflected in accounts payable as of June 30, 2023 and December 31, 2022, respectively. The revised API Agreement provided for an annual API purchase target of \$5 million and a target "profit" (*i.e.*, gross margin) to Telcon of \$2.5 million. To the extent these targets are not met, which management refers to as a "target shortfall," Telcon may be entitled to payment of the target shortfall or to settle the target shortfall by exchange of principal and interest on the Telcon convertible bond and proceeds thereof that are pledged as a collateral to secure the Company's obligations under the API Supply Agreement and the revised API Agreement. See Note 5 for information regarding the settlement in the six months ended June 30, 2023 and 2022 of the target shortfall.

NOTE 7 — NOTES PAYABLE

Notes payable consisted of the following at June 30, 2023 and December 31, 2022 (in thousands except for number of underlying shares):

Year Issued	Interest Rate Range	Term of Notes	Conversion Price	Principal Outstanding June 30, 2023	Unamortized Discount June 30, 2023	Carrying Amount June 30, 2023	Underlying Shares June 30, 2023
Notes payable							
2013	10%	Due on demand	—	\$ 691	\$ —	\$ 691	—
2022	10%-28%	Due on demand - 15 month	—	2,663	38	2,625	—
2023	11%-60%	Due on demand - 32 weeks	—	5,176	30	5,146	—
				\$ 8,530	\$ 68	\$ 8,462	—
		Current		\$ 8,530	\$ 68	\$ 8,462	—
Notes payable - related parties							
2020	12%	Due on demand	—	100	—	100	—
2021	12%	Due on demand	—	700	—	700	—
2022	6%-12%	Due on demand - 5 years	—	4,976	159	4,871	(c) —
2023	10%	Due on demand	—	227	—	227	—
				\$ 6,003	\$ 159	\$ 5,898	—
		Current		\$ 2,482	\$ —	\$ 2,482	—
		Non-current		\$ 3,521	\$ 159	\$ 3,416	—
Convertible notes payable							
2021	2%	3 years	\$ 0.29 (b)	12,640	1,484	11,156	48,981,102
2023	13%	6 month	\$ 10.00 (a)	3,150	—	3,150	316,682
				\$ 15,790	\$ 1,484	\$ 14,306	49,297,784
		Current		\$ 15,790	\$ 1,484	\$ 14,306	49,297,784
Convertible notes payable - related parties							
2023	10%	1 - 2 years	\$ 0.50	1,000	—	1,000	2,089,863
				\$ 1,000	\$ —	\$ 1,000	2,089,863
		Current		\$ 1,000	\$ —	\$ 1,000	2,089,863
		Total		\$ 31,323	\$ 1,711	\$ 29,666	51,387,647

Year Issued	Interest Rate Range	Term of Notes	Conversion Price	Principal Outstanding December 31, 2022	Unamortized Discount December 31, 2022	Carrying Amount December 31, 2022	Underlying Shares December 31, 2022
Notes payable							
2013	10%	Due on demand	—	\$ 763	\$ —	\$ 763	—
2021	11%	Due on demand - 2 years	—	2,843	—	2,843	—
2022	10% - 28%	Due on demand - 15 months	—	3,696	108	3,588	—
				\$ 7,302	\$ 108	\$ 7,194	—
		Current		\$ 6,919	\$ 105	\$ 6,814	—
		Non-current		\$ 383	\$ 3	\$ 380	—
Notes payable - related parties							
2020	12%	Due on demand	—	100	—	100	—
2021	12%	Due on demand	—	700	—	700	—
2022	6%-12%	Due on demand - 5 years	—	5,026	175	4,913	(c) —
				\$ 5,826	\$ 175	\$ 5,713	—
		Current		\$ 2,305	\$ —	\$ 2,367	—
		Non-current		\$ 3,521	\$ 175	\$ 3,346	—
Convertible notes payable							
2020	12%	3 years	\$ 10.00 (a)	3,150	—	3,150	326,655
2021	2%	3 years	\$ 0.37 (b)	14,140	2,635	11,505	41,318,094
				\$ 17,290	\$ 2,635	\$ 14,655	41,644,749
		Current		\$ 17,290	\$ 2,635	\$ 14,655	41,644,749
		Grand Total		\$ 30,418	\$ 2,918	\$ 27,562	41,644,749

(a) This note is convertible into shares of EMI Holding, Inc., a wholly owned subsidiary of Emmaus Life Sciences, Inc.

(b) The notes are convertible into shares of common stock of Emmaus Life Sciences, Inc. The note holders are entitled to call for redemption of the convertible notes payable at any time. Accordingly, the notes are classified as current liabilities.

(c) Includes \$55,000 and \$63,000 of the fair value of embedded derivative as of June 30, 2023 and December 31, 2022, respectively.

The weighted-average stated annual interest rate of notes payable was 10% and 8% as of June 30, 2023 and December 31, 2022, respectively. The weighted-average effective annual interest rate of notes payable as of June 30, 2023 and December 31, 2022 was 21% and 20%, respectively, after giving effect to discounts relating to conversion features, warrants and deferred financing costs relating to the notes.

As of June 30, 2023, future contractual principal payments due on notes payable were as follows (in thousands):

Year Ending		
2023 (six months)	\$	25,499 (a)
2024		2,303
2025		1,200
2027		2,321
Total	\$	<u>31,323</u>

(a)Includes 12.6 million principal amount of convertible notes subject to redemption at any time at the election of the holders.

On February 9, 2021, the Company entered into a securities purchase agreement pursuant to which the Company agreed to sell and issue to the purchasers thereunder in a private placement pursuant to Rule 4(a)(2) of the Securities Act of 1933, as amended, and Regulation D thereunder a total of up to \$17 million in principal amount of convertible promissory notes of the Company for a purchase price equal to the principal amount thereof. The Company sold and issued approximately \$14.5 million of the convertible promissory notes.

Commencing one year from the original issue date, the convertible promissory notes became convertible at the option of the holder into shares of the Company's common stock at an initial conversion price of \$1.48 per share, which equaled the "Average VWAP" (as defined) of the Company's common stock on the effective date. The initial conversion price is subject to adjustment as of the end of each three-month period following the original issue date, commencing May 31, 2021, to equal the Average VWAP as of the end of such three-month period if such Average VWAP is less than the then-conversion price. There is no floor on the conversion price. The conversion price will be subject to further adjustment in the event of a stock split, reverse stock split or certain other events specified in the convertible promissory notes. In January 2023, \$500,000 principal amount of the convertible promissory notes was converted into 1,351,351 shares of the Company's common stock. In April 2023, \$1 million principal amount of the convertible promissory note was converted into 2,702,702 shares of common stock. As of June 30, 2023, the conversion price was \$0.29 per share.

The convertible promissory notes bear interest at the rate of 2% per year, payable semi-annually on the last business day of August and January of each year and mature on the 3rd anniversary of the original issue date, unless earlier converted or prepaid. The convertible promissory notes are redeemable in whole or in part at the election of the holders. The convertible promissory notes are general, unsecured obligations of the Company.

The conversion feature of the convertible promissory notes is separately accounted for at fair value as a derivative liability under guidance in ASC 815 that is remeasured at fair value on a recurring basis using Level 3 inputs, with any changes in the fair value of the conversion feature liability recorded in the condensed consolidated statements of operations. The following table sets forth the fair value of the conversion feature liability as of June 30, 2023 and December 31, 2022 (in thousands):

Convertible promissory notes	June 30, 2023	December 31, 2022
Balance, beginning of period	\$ 3,248	\$ 7,507
Change in fair value included in the statement of operations	969	(4,259)
Balance, end of period	<u>\$ 4,217</u>	<u>\$ 3,248</u>

The fair value and any change in fair value of conversion feature liability are determined using a binomial lattice model. The model produces an estimated fair value based on changes in the price of the underlying common stock.

The fair value as of June 30, 2023 and December 31, 2022 was based upon following assumptions:

Convertible promissory notes	June 30, 2023	December 31, 2022
Stock price	\$ 0.23	\$ 0.26
Conversion price	\$ 0.29	\$ 0.37
Selected yield	27.54 %	27.50 %
Expected volatility	50 %	50 %
Time until maturity (in years)	0.67	1.16
Dividend yield	—	—
Risk-free rate	5.45 %	4.68 %

In June 2022, the Company entered into a Business Loan and Security Agreement and Addenda with a third-party lender pursuant to which the lender loaned the Company \$1.8 million, which we refer to as the “loan amount,” of which we received net proceeds of approximately \$1.7 million after deduction of the lender’s origination fee but without deduction for other transaction expenses. In August 2022, the Company repaid in full the outstanding balance of the loan and recognized debt extinguishment loss of \$421,000.

In July 2022, Dr. Niihara, a Director and the Chairman, and Chief Executive Officer of the Company, and his wife loaned the Company \$370,000, representing the net proceeds of personal loans to them from unaffiliated parties in the principal amount of \$402,000. The loan is due and payable in a lump sum on maturity on July 31, 2027 and bears interest at the rate of 12% per annum, payable monthly in arrears. In connection with the loan, the Company granted Dr. Niihara a warrant as described in Note 8. The issuance cost of \$32,000 and the fair value of warrant of \$84,000 were treated as debt discount and are amortized over the five-year term of the warrant using effective interest method.

In August 2022, Dr. Niihara and his wife loaned the Company \$1,576,574, representing the net proceeds of personal loans to them from unaffiliated third parties in the principal amount of \$1,668,751, as well as \$250,000 from personal funds. The loans are evidenced by promissory notes, which are due and payable in a lump sum on maturity on August 16, 2027 and bear interest at the rate of 10% per annum, payable monthly in arrears. The foregoing loans were in addition to a \$50,000 loan to the Company from Hope International Hospice, Inc., an affiliate of Dr. and Mrs. Niihara, on August 15, 2022, which is evidenced by a demand promissory note of the Company bearing interest at the rate of 10% per annum. The proceeds of the loans were used to prepay \$1,924,819 indebtedness of the Company under the Business Loan and Security Agreement referred to above.

In September 2022, Seah Lim, M.D., Ph.D., a Director of the Company, loaned the Company \$1.2 million, the proceeds of which were used to augment the Company’s working capital. The principal amount of the loan and interest thereon at the rate of 6% per annum, together with 240,000 shares of the Company’s common stock, is due and payable in lump sum on maturity in September 2025. In October 2022, Dr. Lim was appointed as a director of the Company. In accordance with ACS 835, the Company accounted the right to receive shares as the bifurcated embedded derivative and the embedded derivative is measured at fair value at the inception and subsequently measured at fair value with changes in fair value recognized in the condensed consolidated statements of operations. The fair value of the embedded derivatives was approximately \$55,000 and \$63,000 as of June 30, 2023 and December 31, 2022, respectively.

In July 2022, the Company's Emmaus Medical subsidiary, entered into a Standard Merchant Cash Advance Agreement with a third party pursuant to which it sold \$816,000 of accounts receivable (the “Receivables Purchased Amount”) in exchange for net proceeds of \$516,000. In September 2022, Emmaus Medical and the third party entered into a similar agreement pursuant to which Emmaus Medical sold \$694,960 of accounts receivable (the “Receivables Purchased Amount”) for net proceeds of \$500,000. In December 2022, both loans were repaid in full and recognized debt extinguishment loss of \$79,000 as the Company entered into another agreement discussed below.

In December 2022, the Company entered into an Agreement for the Purchase and Sales of Future Receipts with a third party pursuant to which it sells \$3,105,000 of future receipt (the “Purchased Amount”) in exchange for net proceeds of \$2.3 million. Under the agreement, the Company agrees to pay \$103,500 semi-monthly until the Purchased Amount is delivered. The portion of proceeds were used to prepay indebtedness of the company under the Standard Merchant Cash Advance Agreements referred to above.

In January 2023, Wei Pei Zen, a Director of the Company, loaned the Company the principal amount of \$1 million in exchange for a convertible promissory note of the Company. The convertible promissory note is due on demand after one year from the date of issuance until two years from such date, bears interest at the annual rate of 10%, payable quarterly, and is convertible at the option of the holder into shares of the Company's common stock at a conversion rate of \$0.50 a share, or 2,000,000 shares, subject to adjustment in the event of a stock split, reverse stock split and similar event.

In February 2023, the Company entered into a promissory note agreement with a third party pursuant to which the lender loaned the Company \$500,000. The loan is due on demand after two months and on maturity on August 15, 2023. It bears interest at the rate of 5% per month.

In March 2023, Dr. Niihara and his wife and Hope International Hospice, Inc. loaned the Company \$127,000 and \$100,000, respectively. Both loans are due on demand and bear interest at the rate of 10% per annum.

In March 2023, Emmaus Medical entered into Revenue Purchase Agreement with a third party pursuant to which it sold and assigned \$700,212 of future receipts (the "Future Receipts") in exchange for net cash proceeds of \$491,933. Under the agreement, the Company agreed to pay the third party 4% of weekly sales receipts until the Future Receipts have been collected. In March 2023, Emmaus Medical entered into Revenue Based Financing Agreement with a third party pursuant to which it sold and assigned \$700,212 of future receipt in exchange for net proceeds of \$492,132. Under the agreement that the Company agrees to pay the third party approximately \$22,000 weekly until the Future Receipts have been collected.

In May 2023, Emmaus Medical entered into Sale of Future Receipts Agreement with third party pursuant to which it sold and assigned \$528,200 of future receipts (the "Purchased Amount") in exchange for net cash proceeds of \$368,600. Under the agreement, the Company agreed to pay the third party approximately \$19,000 weekly until the Purchased Amount has been collected.

In June 2023, Emmaus Medical entered into Standard Merchant Cash Advance Agreement with a third party pursuant to which it sold and assigned \$877,560 of future receipts (the "Purchased Amount") in exchange for net cash proceeds of \$600,000. Under the agreement, the Company agreed to pay the third party approximately \$34,000 weekly until the Purchased Amount has been collected.

Except as otherwise indicated above, the proceeds of the foregoing loans and other arrangements were used to augment the Company's working capital.

NOTE 8 — STOCKHOLDERS' DEFICIT

Warrants —In September 2022, in connection with the loans from Dr. Niihara and Mrs. Niihara, the Company granted Dr. Niihara a five-year warrant to purchase up to 500,000 shares of common stock of the Company at an exercise price of \$2.50 per share. Under ASC 480-10 and ASC 815, the warrant is classified as a liability. The fair value of the warrant liability was determined using Black-Scholes Merton model and the fair value of the warrant was \$67,000 and \$70,000 as of June 30, 2023 and December 31, 2022, respectively. For three and six months ended June 30, 2023, the change in fair value of approximately \$18,000 and \$4,000 was recorded in the condensed consolidated statements of operations.

Warrant issued for services - On January 12, 2023, the Company granted Dr. Niihara a five-year warrant to purchase up to 7,500,000 shares of common stock of the Company at an exercise price of \$4.50 in lieu of cash bonuses or salary increases. The fair value of the warrant was determined using the Black-Scholes Merton option pricing model. The fair value of the underlying shares was determined based on the market value of the Company's common stock. The expected volatility was adjusted using the historical volatility of the Company's common stock and comparable publicly traded securities. The Company also granted each of two consultants to the Company five-year warrants to purchase up to 250,000 shares of common stock at an exercise price of \$0.50 a share.

On January 27, 2023, the Company granted to a consulting company a five-year warrant to purchase up to 500,000 shares of common stock at an exercise price of \$0.47 a share. The warrants are subject to adjustment in the event of a stock split, reverse stock split and similar events. The fair value of the warrants was determined using the Black-Scholes Merton option pricing model. The fair value of the underlying shares was determined based upon the market value of the common stock. The expected volatility was adjusted using the historical volatility of the common stock and the market price of comparable public traded securities.

The estimated fair value of \$334,000 was recorded as professional services in general and administrative expenses and the estimated fair value of \$1.2 million of shared-based compensation was recognized in the condensed consolidated statement of operations for the six months ended June 30, 2023. Under ASC 480-10 and ASC 815, the warrants are classified as a liability. For the six month ended June 30, 2023, the change in fair value of approximately \$441,000 was recorded in the condensed consolidated statements of operations.

The following table presents the assumptions used to value the warrants:

	June 30, 2023	March 31, 2023	January 2023
Stock price	\$ 0.23	\$ 0.30	\$0.31 - \$0.49
Exercise price	\$0.47 - \$4.50	\$0.47 - \$4.50	\$0.47 - \$4.50
Expected term	4.11-4.58 years	4.36 - 4.83 years	5 years
Risk-free rate	4.21%-4.58%	3.62%-3.67%	3.53%-3.66%
Dividend yield	—	—	—
Volatility	128.78%-134.9%	122.09% - 126.95%	116.40% - 119.14%

A summary of outstanding warrants as of June 30, 2023 and December 31, 2022 is presented below:

	June 30, 2023		December 31, 2022	
	Number of Warrants	Weighted-Average Exercise Price	Number of Warrants	Weighted-Average Exercise Price
Warrants outstanding, beginning of period	6,610,520	\$ 2.22	8,236,017	\$ 5.78
Granted	8,500,000	4.03	500,000	2.50
Exercised	—	—	—	—
Cancelled, forfeited or expired	(427,801)	11.82	(2,125,497)	14.38
Warrants outstanding, end of period	14,682,719	\$ 2.96	6,610,520	\$ 2.22
Warrants exercisable end of period	<u>14,682,719</u>	\$ 2.96	<u>6,610,520</u>	\$ 2.22

As of June 30, 2023, the weighted-average remaining contractual life of outstanding warrants was 3.3 years.

Stock options— The Company's former 2011 Stock Incentive Plan permitted grants of incentive stock options to employees, including executive officers, and other share-based awards such as stock appreciation rights, restricted stock, stock units, stock bonus and unrestricted stock awards to employees, directors, and consultants for up to 9,000,000 shares of common stock. Options granted under the 2011 Stock Incentive Plan generally expire ten years after grant. Options granted to directors vest in quarterly installments and all other option grants vest over a minimum period of three years, in each case, subject to continuous service with the Company. The 2011 Stock Incentive Plan expired in May 2021 and no further awards may be made under the Plan. As of June 30, 2023 and December 31, 2022, stock options to purchase up to 2,050,116 shares and 4,412,940 shares, respectively, were outstanding under the 2011 Stock Incentive Plan.

The Company also formerly had an Amended and Restated 2012 Omnibus Incentive Compensation Plan under which the Company could grant incentive stock options and non-qualified stock option to selected employees including officers, non-employee consultants and non-employee directors. The Plan was terminated in September 2021. As of June 30, 2023 and December 31, 2022, stock options to purchase up to 246,224 shares and 247,847 shares, respectively, were outstanding under the Amended and Restated 2012 Omnibus Incentive Plan.

On September 29, 2021, the Board of Directors of the Company adopted the Emmaus Life Sciences, Inc. 2021 Stock Incentive Plan upon the recommendation of the Compensation Committee of the Board of Directors. The 2021 Stock Incentive Plan was approved by stockholders on November 23, 2021. No more than 4,000,000 shares of common stock may be issued pursuant to awards under the 2021 Stock Incentive Plan. The number of shares available for awards, as well as the terms of outstanding awards, is subject to adjustment as provided in the 2021 Stock Incentive Plan for stock splits, stock dividends, reverse stock splits, recapitalizations and other similar events. During the six months ended June 30, 2023, the Company granted options to purchase 850,000 shares, 300,000 shares and 100,000 shares of common stock to employees, non-employee directors and a consultant, respectively. All options are exercisable for ten years from the date of grant and will vest and become exercisable with respect to the underlying shares over three years for employees, one year for non-employee directors and immediately for the consultant. As of June 30, 2023, stock options to purchase up to 1,250,000 shares were outstanding under the 2021 Stock Incentive Plan, while there were no awards outstanding as of December 31, 2022.

Management has valued stock options at their date of grant utilizing the Black-Scholes-Merton Option pricing model. The fair value of the underlying shares was determined by the market value of the Company's common stock. The expected volatility was adjusted using the historical volatility of the common stock and a comparable public traded securities. The following table presents the assumptions used on the recent dates on which options were granted by the Company. The risk-free interest rate is based on the implied yield available on U.S. Treasury issues with a term approximating the expected life of the options depending on the date of the grant and expected life of the respective options.

	January 12, 2023
Stock price	\$ 0.31
Exercise price	\$ 4.50
Expected term	5-6 years
Risk-free rate	3.51-3.53%
Dividend yield	—
Volatility	108.16-116.40%

A summary of outstanding stock options as of June 30, 2023 and December 31, 2022 is presented below.

	June 30, 2023		December 31, 2022	
	Number of Options	Weighted- Average Exercise Price	Number of Options	Weighted- Average Exercise Price
Options outstanding, beginning of period	4,660,787	\$ 5.08	5,968,338	\$ 4.78
Granted	1,250,000	\$ 4.50	—	\$ —
Exercised	—	\$ —	—	\$ —
Cancelled, forfeited and expired	(2,364,447)	\$ 3.46	(1,307,551)	\$ 3.73
Options outstanding, end of period	3,546,340	\$ 5.95	4,660,787	\$ 5.08
Options exercisable, end of period	2,596,340	\$ 6.48	4,645,286	\$ 5.10
Options available for future grant	<u>2,750,000</u>		<u>4,000,000</u>	

During the three months ended June 30, 2023 and June 30, 2022, the Company recognized approximately \$26,000 and \$5,000, respectively of share-based compensation expense. During the six months ended June 30, 2023 and June 30, 2022, the Company recognized approximately \$63,000 and \$10,000, respectively, of share-based compensation expense. As of June 30, 2023, there was approximately \$141,000 of unrecognized share-based compensation expense related to unvested stock options which is expected to be recognized over the weighted-average remaining vesting period of 2.2 years.

Amended and restated warrants – The Company evaluated its outstanding amended and restated warrants to purchase up to 4,038,200 shares of common stock under ASC 815-40 and concluded that the warrants should be accounted for as equity.

In January 2023, the exercise price of outstanding amended and restated warrants was reduced to \$0.37 per share pursuant to the anti-dilution adjustment provisions of the warrants triggered by the conversion of an outstanding convertible promissory note into shares of common stock of the Company at a conversion price \$0.37 per share. The warrants were valued using the Black-Scholes Merton option pricing model and approximately \$41,000 in change in fair value was recorded as additional paid-in capital and reflected in accumulated deficit as of June 30, 2023.

NOTE 9 — INCOME TAX

The quarterly provision for or benefit from income taxes is computed based upon the estimated annual effective tax rate and the year-to-date pre-tax income (loss) and other comprehensive income.

For the three and six months ended June 30, 2023, the Company recorded a benefit for state income tax of \$34,000 and an income tax provision of \$15,000, respectively. For the three and six months ended June 30, 2022, the Company recorded a provision of \$182,000 and \$79,000, respectively. The Company did not record a provision for federal income tax due to its net operating loss carryforwards. The Company established a full valuation allowance against its federal and state deferred tax assets and there was no unrecognized tax benefit as of June 30, 2023 or June 30, 2022.

NOTE 10 — LEASES

Operating leases — The Company leases its office space under operating leases with unrelated entities.

The Company leases 21,293 square feet of office space for its headquarters in Torrance, California, at a base rental of \$85,920 per month, which lease will expire on September 30, 2026. In addition, the Company leases 1,163 square feet of office space in Dubai, United Arab Emirates, which lease will expire on June 19, 2026.

The lease expense during the three months ended June 30, 2023 and 2022 was approximately \$307,000 and \$294,000, respectively, and during the six months ended June 30, 2023 and 2022, was approximately \$587,000 and \$597,000, respectively.

Future minimum lease payments under the lease agreements were as follows as of June 30, 2023 (in thousands):

	Amount
2023 (six months)	\$ 542
2024	1,101
2025	1,132
2026	846
Total lease payments	3,621
Less: interest	621
Present value of lease liabilities	<u>\$ 3,000</u>

As of June 30, 2023, the Company had an operating lease right-of-use asset of \$2.6 million and lease liability of \$3.0 million reflected on the condensed consolidated balance sheet. The weighted average remaining term of the Company's leases as of June 30, 2023 was 3.1 years and the weighted-average discount rate was 12.9%.

NOTE 11 — COMMITMENTS AND CONTINGENCIES

API supply agreement — On June 12, 2017, the Company entered into an API Supply Agreement (the "API Agreement") with Telcon pursuant to which Telcon paid the Company approximately \$31.8 million in consideration of the right to supply 25% of the Company's requirements for bulk containers of PGLG for a fifteen-year term. The amount was recorded as a deferred trade discount. On July 12, 2017, the Company entered into a raw material supply agreement with Telcon which revised certain terms of the API supply Agreement (the "revised API agreement"). The revised API agreement is effective for a term of five years and will renew automatically for 10 successive one-year renewal periods, except as either party may determine. In the revised API agreement, the Company has agreed to purchase a cumulative total of \$47.0 million, over the term of the agreement. The revised API agreement provided for an annual API purchase target of \$5 million and a target "profit" (*i.e.*, gross margin) to Telcon of \$2.5 million. To the extent these targets are not met, Telcon may be entitled to payment of the shortfall or to offset the shortfall against the Telcon convertible bond and proceeds there of that are pledged as a collateral to secure our obligations. In September 2018, the Company entered into an agreement with Ajinomoto Health and Nutrition North America, Inc. ("Ajinomoto"), the producer of the PGLG, and Telcon to facilitate Telcon's purchase of PGLG from Ajinomoto for resale to the Company under the revised API agreement. The PGLG raw material purchased from Telcon is recorded in inventory at net realizable value and the excess purchase price is recorded against deferred trade discount. Refer to Notes 5 and 6 for more information.

NOTE 12 — RELATED PARTY TRANSACTIONS

The following table sets forth information relating to loans from related parties outstanding at any time during the six months ended June 30, 2023 (in thousands):

Class	Lender	Interest Rate	Date of Loan	Term of Loan	Principal Amount Outstanding at June 30, 2023	Highest Principal Outstanding	Amount of Principal Repaid	Amount of Interest Paid
Promissory note payable to related parties:								
	Willis Lee(2)	12%	10/29/2020	Due on Demand	100	100	—	—
	Soomi Niihara(1)	12%	12/7/2021	Due on Demand	700	700	—	—
	Hope International Hospice, Inc. (1)	10%	2/9/2022	Due on Demand	350	350	—	—
	Hope International Hospice, Inc. (1)	10%	2/15/2022	Due on Demand	210	210	—	—
	Soomi Niihara(1)	10%	2/15/2022	Due on Demand	100	100	—	—
	Hope International Hospice, Inc. (1)	12%	3/15/2022	Due on Demand	150	150	—	—
	Hope International Hospice, Inc. (1)	12%	3/30/2022	Due on Demand	150	150	—	—
	Wei Peu Derek Zen(2)	10%	3/31/2022	Due on Demand	200	200	—	—
	Willis Lee(2)	10%	4/14/2022	Due on Demand	45	45	—	—
	Hope International Hospice, Inc. (1)	10%	5/25/2022	Due on Demand	40	40	—	—
	Yutaka and Soomi Niihara(1)	12%	7/27/2022	5 years	402	402	—	12
	Hope International Hospice, Inc. (1)	10%	8/15/2022	Due on Demand	—	50	50	2
	Yutaka and Soomi Niihara(1)	10%	8/16/2022	5 years	250	250	—	6
	Yutaka and Soomi Niihara(1)	10%	8/16/2022	5 years	1,669	1,669	—	42
	Hope International Hospice, Inc. (1)	10%	8/17/2022	Due on Demand	50	50	—	—
	Yutaka and Soomi Niihara(1)	10%	8/17/2022	Due on Demand	60	60	—	—
	Seah Lim(2)	6%	9/16/2022	3 years	1,200	1,200	—	—
	Hope International Hospice, Inc. (1)	10%	10/20/2022	Due on Demand	100	100	—	—
	Hope International Hospice, Inc. (1)	10%	3/17/2023	Due on Demand	100	100	—	—
	Yutaka and Soomi Niihara(1)	10%	3/21/2023	Due on Demand	127	127	—	—
				Subtotal	\$ 6,003	\$ 6,053	\$ 50	\$ 62
Convertible notes payable - related parties								
	Wei Peu Derek Zen(2)	10%	1/18/2023	1 - 2 years	1,000	1,000	—	—
				Subtotal	1,000	1,000	—	—
				Total	\$ 7,003	\$ 7,053	\$ 50	\$ 62

The following table sets forth information relating to loans from related parties outstanding at any time during the year ended December 31, 2022:

Class	Lender	Interest Rate	Date of Loan	Term of Loan	Principal Amount Outstanding at December 31, 2022	Highest Principal Outstanding	Amount of Principal Repaid	Amount of Interest Paid
Current, Promissory note payable to related parties:								
	Willis Lee(2)	12%	10/29/2020	Due on Demand	100	100	—	—
	Soomi Niihara(1)	12%	12/7/2021	Due on Demand	700	700	—	—
	Soomi Niihara(1)	12%	1/18/2022	Due on Demand	—	300	300	32
	Yasushi Nagasaki(2)	10%	2/9/2022	Due on Demand	—	50	50	4
	Hope International Hospice, Inc. (1)	10%	2/9/2022	Due on Demand	350	350	—	—
	Hope International Hospice, Inc. (1)	10%	2/15/2022	Due on Demand	210	210	—	—
	Soomi Niihara(1)	10%	2/15/2022	Due on Demand	100	100	—	—
	George Sekulich(2)	10%	2/16/2022	Due on Demand	—	26	26	2
	Soomi Niihara(1)	10%	3/7/2022	Due on Demand	—	200	200	15
	Hope International Hospice, Inc. (1)	12%	3/15/2022	Due on Demand	150	150	—	—
	Hope International Hospice, Inc. (1)	12%	3/30/2022	Due on Demand	150	150	—	—
	Wei Peu Derek Zen(2)	10%	3/31/2022	Due on Demand	200	200	—	—
	Willis Lee(2)	10%	4/14/2022	Due on Demand	45	45	—	—
	Hope International Hospice, Inc. (1)	10%	5/25/2022	Due on Demand	40	40	—	—
	Yutaka and Soomi Niihara(1)	12%	7/27/2022	5 years	402	402	—	20
	Hope International Hospice, Inc. (1)	10%	8/15/2022	Due on Demand	50	50	—	—
	Yutaka and Soomi Niihara(1)	10%	8/16/2022	5 years	250	250	—	8
	Yutaka and Soomi Niihara(1)	10%	8/16/2022	5 years	1,669	1,669	—	56
	Hope International Hospice, Inc. (1)	10%	8/17/2022	Due on Demand	50	50	—	—
	Yutaka and Soomi Niihara(1)	10%	8/17/2022	Due on Demand	60	60	—	—
	Seah Lim(2)	6%	9/16/2022	3 years	1,200	1,200	—	—
	Hope International Hospice, Inc.	10%	10/20/2022	Due on Demand	100	100	—	—
				Subtotal	\$ 5,826	\$ 6,402	\$ 576	\$ 137
Revolving line of credit agreement								
	Yutaka Niihara(2)	5.25%	12/27/2019	Due on Demand	—	400	400	110
				Subtotal	\$ —	\$ 400	\$ 400	\$ 110
				Total	\$ 5,826	\$ 6,802	\$ 976	\$ 247

(a)Dr. Niihara, a Director and Chief Executive Officer of the Company, is also a director and the Chief Executive Officer of Hope International Hospice, Inc

(b)Officer or director.

See Notes 3, 5, 6 and 11 for a discussion of the Company's agreements with Telcon, which holds 4,147,491 shares of common stock of the Company, or approximately 7.7% of the common stock outstanding as of June 30, 2023. As of June 30, 2023, the Company held a Telcon convertible bond in the principal amount of approximately \$17.9 million as discussed in Note 5.

NOTE 13 — SUBSEQUENT EVENTS

The Company evaluated events subsequent to the balance sheet date through the date the financial statements were issued and determined that there were no such events requiring recognition or disclosure in the financial statement.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

In the following discussion, the terms, "we," "us," "our," "Emmaus" or the "Company" refer to Emmaus Life Sciences, Inc. and its direct and indirect subsidiaries.

Forward-Looking Statements

This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the audited consolidated financial statements and the related notes included in our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the Securities and Exchange Commission ("SEC") on March 31, 2023 (the "Annual Report").

This Quarterly Report contains forward-looking statements that involve substantial risks and uncertainties. All statements other than historical facts contained in this report, including statements regarding our future financial position, capital expenditures, cash flows, business strategy and plans and objectives of management for future operations are forward-looking statements. The words "anticipate," "believe," "expect," "plan," "intend," "seek," "estimate," "project," "could," "may" and similar expressions are intended to identify forward-looking statements. These statements include, among others, information regarding future operations, future capital expenditures, and future net cash flow. Such statements reflect our management's current views with respect to future events and financial performance and involve risks and uncertainties, including those set forth in the "Risk Factors" section of the Annual Report, many of which are beyond our control.

Should one or more of these risks or uncertainties occur, or should underlying assumptions prove to be incorrect, actual results may vary materially and adversely from those anticipated, believed, estimated or otherwise indicated. Consequently, all forward-looking statements made in this Form 10-Q are qualified by these cautionary statements. We undertake no duty to amend or update these statements beyond what is required by SEC reporting requirements.

Company Overview

We are a commercial-stage biopharmaceutical company engaged in the discovery, development, marketing and sale of innovative treatments and therapies, primarily for rare and orphan diseases. Our lead product, Endari® (prescription-grade L-glutamine oral powder), is approved by the U.S. Food and Drug Administration, or FDA, to reduce the acute complications of sickle cell disease ("SCD"), in adult and pediatric patients five years of age and older. In April 2022, Endari® was approved by the Ministry of Health and Prevention in the United Arab Emirates, or U.A.E, in adults and pediatric patients five years of age and older. In November and December of 2022, we received marketing authorizations for Endari® in Qatar and Kuwait, respectively. In July 2023, we received marketing approval for Endari® in Oman. Applications for marketing authorization in other Gulf Cooperation Council, or GCC, countries are pending. While the applications are pending, the FDA approval of Endari® can be referenced to allow access to Endari® on a named-patient basis.

Endari® is marketed and sold in the U.S. by our internal commercial sales team. Endari® is reimbursable by the Centers for Medicare and Medicaid Services, and every state provides coverage for Endari® for outpatient prescriptions to all eligible Medicaid enrollees within their state Medicaid programs. Endari® is also reimbursable by many commercial payors. We have agreements in place with the nation's leading distributors as well as physician group purchasing organizations and pharmacy benefits managers, making Endari® available at selected retail and specialty pharmacies nationwide. In April 2022, we launched a telehealth solution to afford SCD patients' direct access to Endari® remotely through a web portal managed by our strategic partners, including Asembia LLC and UpScript IP Holdings, LLC.

As of June 30, 2023, our accumulated deficit was \$257.4 million and we had cash and cash equivalents of \$1.4 million. We expect net revenues to continue to increase as we expand our commercialization of Endari® in the U.S. and the Middle East North Africa, or MENA, region. Until we can generate sufficient net revenues from Endari® sales, our future cash requirements are expected to be financed through loans from related parties, third-party loans, public or private equity or debt financings or possible corporate collaboration and licensing arrangements. We are unable to predict if or when we will become profitable.

Financial Overview

Revenues, net

We realize net revenues primarily from sales of Endari® to our distributors and specialty pharmacy providers. Distributors resell our products to other pharmacy and specialty pharmacy providers, health care providers, hospitals, and clinics. In addition to agreements with these distributors, we have contractual arrangements with specialty pharmacy providers, in-office dispensing providers, physician group purchasing organizations, pharmacy benefits managers and government entities that provide for government-mandated or privately negotiated rebates, chargebacks and discounts with respect to the purchase of our products. These various discounts, rebates, and chargebacks are referred to as “variable consideration.” Revenue from product sales is recorded net of variable consideration.

Under the Accounting Standards Codification (“ASC”) 606, we recognize revenue when our customers obtain control of our product, which typically occurs on delivery. Revenue is recognized in an amount that reflects the consideration that we expect to receive in exchange for the product, or transaction price. To determine revenue recognition for contracts with customers within the scope of ASC 606, we perform the following: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to our performance obligations in the contract; and (v) recognize revenue when (or as) we satisfy the relevant performance obligations.

Management estimates variable consideration using the expected-value amount method, which is the sum of probability-weighted amounts in a range of possible transaction prices. Actual variable consideration may differ from our estimates. If actual results vary from the estimates, we adjust the variable consideration in the period such variances become known, which adjustments are reflected in net revenues in that period. The following are our significant categories of variable consideration:

Sales Discounts: We afford our customers prompt payment discounts and additional discounts to encourage bulk orders to generate needed working capital. Sales at bulk discounts offered by us increased in late 2021 and adversely affected sales in the six months ended June 30, 2022.

Product Returns: We offer our distributors a right to return product principally based upon (i) overstocks, (ii) inactive product or non-moving product due to market conditions, and (iii) expired product. Product return allowances are estimated and recorded at the time of sale.

Government Rebates: We are subject to discount obligations under state Medicaid programs and the Medicare Part D prescription drug coverage gap program. We estimate Medicaid and Medicare Part D prescription drug coverage gap rebates based upon a range of possible outcomes that are probability-weighted for the estimated payor mix. These reserves are recorded in the same period the related revenues are recognized, resulting in a reduction of product revenues and the establishment of a current liability that is included as accounts payable and accrued expenses on our balance sheet. Our liability for these rebates consists primarily of estimates of claims expected to be received in future periods related to recognized revenues.

Chargebacks and Discounts: Chargebacks for fees and discounts represent the estimated obligations resulting from contractual commitments to sell products to certain specialty pharmacy providers, in-office dispensing providers, group purchasing organizations, and government entities at prices lower than the list prices charged to distributors. The distributors charge us for the difference between what they pay for the products and our contracted selling price to these specialty pharmacy providers, in-office dispensing providers, group purchasing organizations, and government entities. In addition, we have contractual agreements with pharmacy benefit managers who charge us for rebates and administrative fees in connection with the utilization of product. These reserves are established in the same period that the related revenues are recognized, resulting in a reduction of revenues. Chargeback amounts are generally determined at the time of resale of product by our distributors.

Cost of Goods Sold

Cost of goods sold consists primarily of expenses for raw materials, packaging, shipping, and distribution of Endari®.

Research and Development Expenses

Research and development expenses consist of expenditures for new products and technologies consisting primarily of fees paid to contract research organizations (“CRO”) that conduct clinical trials of Endari® or our product candidates, payroll-related expenses, study site payments, consultant fees and other related costs. The costs of later-stage clinical studies such as Phase 2 and 3 trials are generally higher than those of earlier studies. This is primarily due to the larger size, expanded scope, patient related healthcare and regulatory compliance costs, and generally longer duration of later-stage clinical studies.

Our contracts with CROs are generally based on time and materials expended, whereas study site agreements are generally based on costs per patient as well as other pass-through costs, including start-up costs and institutional review board fees. The financial terms of these agreements are subject to negotiation and vary from contract to contract and may result in uneven payment flows. Payments under some of these contracts depend on factors such as the successful enrollment of patients and the completion of clinical trial milestones.

Future research and development expenses will depend on any new product candidates or technologies that we may introduce into our research and development pipeline. In addition, we cannot predict which product candidates may be subject to future collaborations, when such arrangements will be secured, if at all, and to what degree, if any, such arrangements would affect our development plans and capital requirements.

Due to the inherently unpredictable nature of the drug approval process and applicable regulatory requirements, we are unable to estimate the amount of costs of obtaining regulatory approvals of Endari® outside of the U.S. or the development of our other preclinical and clinical programs. Clinical development timelines, the probability of success and development costs can differ materially from expectations and can vary widely. These and other risks and uncertainties relating to product development are described in the Annual Report under the headings “Risk Factors—Risks Related to Our Business” and “Risk Factors—Risks Related to Regulatory Oversight of our Business and Compliance with Law.”

General and Administrative Expense

General and administrative expense consists principally of salaries and related employee costs, including share-based compensation for our directors, executive officers, and employees. Other general and administrative expense includes facility costs, and professional fees and expenses for audit, legal, consulting, and tax services.

Selling Expenses

Selling expenses consist principally of salaries and related costs for personnel involved in the promotion, sales, and marketing of Endari®. Other selling expenses include advertising, third party consulting costs, the cost of in-house sales personnel and travel-related costs. We expect selling expenses to increase as we acquire additional sales personnel to support the commercialization of Endari® in the U.S. and abroad.

COVID-19

In retrospect, we believe our business and net revenues were adversely affected in 2020 and 2021 by lockdowns, travel-related restrictions and other governmental responses to the pandemic related to the COVID 19 pandemic which inhibited the ability of our sales force to visit doctors’ offices and clinics and may have adversely affected the willingness of SCD patients to seek the care of a physician or to comply with physician-prescribed care. Ongoing COVID-19 infections or future official responses could cause a temporary or prolonged decline in our revenues and have a material adverse effect on our results of operations and financial condition. COVID-19 or governmental responses also may adversely affect the timing and conduct of clinical studies or the ability of regulatory bodies to consider or grant approvals with respect to Endari® or our prescription grade L-glutamine, or PGLG, drug candidates or oversee the development of our drug candidates, may further divert the attention and efforts of the medical community to coping with COVID-19 or variants and disrupt the marketplace in which we operate. Any outbreak of COVID-19 among our executives or key employees or their families and loved ones could disrupt our management and operations and adversely affect the effectiveness of our management, Endari® sales, and results of operations and financial condition. The foregoing factors could also have an adverse effect on economic and business conditions and the broad stock market, in general, or the market price of our common stock, in particular.

Inflation

Inflation has not had a material impact on our expenses or results of operations over the past two years, but may result in increased manufacturing, research and development, general and administrative and selling expenses in the foreseeable future.

Environmental Expenses

The cost of compliance with environmental laws has not been material over the past two years and any such costs are included in general and administrative costs.

Inventories

Inventories consist of raw materials, finished goods and work-in-process and are valued on a first-in, first-out basis and at the lower of cost or net realizable value. Substantially all raw materials purchased during each of the six months ended June 30, 2023 and 2022 were supplied by one supplier.

Results of Operations:

Three months ended June 30, 2023 and 2022

Net Revenues. Net revenues increased by \$6.5 million, or 151%, to \$10.8 million for the three months ended June 30, 2023, compared to \$4.3 million for the three months ended June 30, 2022. The increase was primarily attributable to a \$4.1 million increase in net revenue in the MENA region in 2023 and a recovery in U.S. sales compared to the same period in 2022.

Cost of Goods Sold. Cost of goods sold increased by \$0.1 million, or 28%, to \$0.5 million for the three months ended June 30, 2023, compared to \$0.4 million for the three months ended June 30, 2022. This increase was primarily due to an increase of sales and to reduction in the reserve relating to Endari® inventory with a shelf-life of less than two years for the three months ended June 30, 2023 compared to the same period in 2022.

Research and Development Expenses. Research and development expenses remained consistent at \$0.3 million for the three months ended June 30, 2023, and for the three months ended June 30, 2022.

Selling Expenses. Selling expenses increased by \$0.6 million, or 30%, to \$2.5 million for the three months ended June 30, 2023, compared to \$2.0 million for the three months ended June 30, 2022. The increase was primarily due to an increase in payroll expenses related to sales personnel.

General and Administrative Expenses. General and administrative expenses increased by \$1.0 million, or 32%, to \$4.1 million for the three months ended June 30, 2023, compared to \$3.1 million for the three months ended June 30, 2022. The increase was primarily due to increases of \$0.4 million in transaction costs, \$0.4 million in professional fees and \$0.2 million in legal settlement.

Other Income (Expense). Other expense decreased by \$2.4 million, or 33%, to \$4.8 million for the three months ended June 30, 2023, compared to \$7.3 million of other expense for the three months ended June 30, 2022. The decrease was primarily due to a decrease of \$2.6 million in change in fair value of conversion feature derivative, partially offset by an increase of \$0.5 million in interest expense.

Net Loss. Net loss decreased by \$7.4 million, or 83%, to \$1.5 million for the three months ended June 30, 2023, compared to \$8.9 million for the three months ended June 30, 2022. The decrease was primarily a result of an increase of \$6.5 million in net revenues and a decrease of \$2.4 in other expense.

Six months ended June 30, 2023 and 2022

Net Revenues. Net revenues increased by \$10.0 million, or 133%, to \$17.5 million for the six months ended June 30, 2023, compared to \$7.5 million for the six months ended June 30, 2022. The increase was primarily attributable to a \$5.6 million increase in net revenues in the MENA region and a recovery in U.S. sales in 2023 compared to the same period in 2022.

Cost of Goods Sold. Cost of goods sold decreased by \$0.5 million, or 33%, to \$0.9 million for the six months ended June 30, 2023, compared to \$1.4 million for the six months ended June 30, 2022. This decrease was primarily due to a reduction of the reserve relating to Endari® inventory with a shelf-life of less than two years for the six months ended June 30, 2023 compared to the same period in 2022.

Research and Development Expenses. Research and development expenses decreased by 0.2 million, or 20%, to \$0.6 million for the six months ended June 30, 2023, compared to \$0.8 million for the six months ended June 30, 2022. The decrease was primarily due to completion of the sub-study under our Pilot/Phase 1 study of PGLG in diverticulosis in 2022.

Selling Expenses. Selling expenses increased by \$1.4 million, or 42%, to \$4.8 million for the six months ended June 30, 2023, compared to \$3.4 million for the six months ended June 30, 2022. The increase was primarily due to increases in payroll expenses and consulting fees.

General and Administrative Expenses. General and administrative expenses increased by \$2.5 million, or 39%, to \$9.0 million for the six months ended June 30, 2023, compared to \$6.5 million for the six months ended June 30, 2022. The increase was primarily due to increases of \$1.2 million in share-based compensation, \$0.7 million in transaction costs, \$0.4 million in professional fees and \$0.2 million in legal settlement.

Other Income (Expense). Other expense increased by \$1.3 million, or 22%, to \$7.2 million for the six months ended June 30, 2023, compared to \$5.8 million of other income for the six months ended June 30, 2022. The increase was primarily due to an increase of \$1.3 million in interest expenses.

Net Loss. Net loss decreased by \$5.4 million, or 52%, to \$5.0 million for the six months ended June 30, 2023, compared to \$10.4 million for the six months ended June 30, 2022. The decrease was primarily a result of an increase of \$10.0 million in net revenues, partially offset by an increase of \$3.8 million in operating expenses.

Liquidity and Capital Resources

Based on our losses to date, working capital deficit, anticipated future net revenues and operating expenses, debt repayment obligations, anticipated continued funding of EJ Holdings and cash and cash equivalents balance of \$1.4 million as of June 30, 2023, we do not have sufficient funds to satisfy our liabilities and obligations and operate our business without raising additional capital. We realized a net loss of \$5.0 million for the six months ended June 30, 2023, and anticipate that we will continue to incur net losses for the foreseeable future and until we can generate increased net revenues from Endari® sales or discontinue funding EJ Holdings or cease other activities. While we anticipate increased net revenues as we continue to expand our commercialization of Endari® in the U.S. and in the MENA region, there is no assurance that we will be able to increase our Endari® sales or attain sustainable profitability or that we will have sufficient capital resources to fund our operations until we are able to generate sufficient cash flow from operations.

Our subsidiary, Emmaus Medical, Inc., or Emmaus Medical, is party a purchase and sale agreement with Prestige Capital Finance, LLC, or Prestige Capital, pursuant to which Emmaus Medical may offer and sell to Prestige Capital from time to time eligible accounts receivable in exchange for Prestige Capital's down payment, or advance, to Emmaus Medical of 70% to 75% of the face amount of the accounts receivable, subject to a \$7,500,000 cap on advances at any time. The balance of the face amount of the accounts receivable will be reserved by Prestige Capital and paid to Emmaus Medical, less discount fees of Prestige Capital ranging from 2.25% to 7.25% of the face amount, as and when Prestige Capital collects the entire face amount of the accounts receivable.

Liquidity represents our ability to pay our liabilities when they become due, fund our business operations, fund the operations and retrofitting of EJ Holdings' amino acid production plant in Ube, Japan, and meet our contractual obligations, including our obligations to purchase API under our supply arrangements with Telcon, and execute our business plan. Our primary sources of liquidity are our cash balances at the beginning of each period, net revenues, proceeds from our accounts receivable factoring arrangement with Prestige Capital and similar sales of future receipts to other parties, proceeds from related-party loans and other financing activities. Our short-term and long-term cash requirements consist primarily of working capital requirements, general corporate needs, our contractual obligations to purchase API from Telcon, debt service under our convertible notes payable and notes payable and planned ongoing loan funding to sustain EJ Holdings' operations. We have no contractual commitment to provide funding to EJ Holdings, but plan to continue to do so for the foreseeable future to the extent we have cash available for this purpose.

As of June 30, 2023, we had outstanding \$16.8 million principal amount of convertible promissory notes and \$14.5 million principal amount of other notes payable. Our minimum lease payment obligations were \$3.0 million as of June 30, 2023, of which \$1.0 million was payable within 12 months.

Our API supply agreement with Telcon provides for an annual API purchase target of \$5 million and a target "profit" (*i.e.*, gross margin) to Telcon of \$2.5 million. To the extent these targets are not met, Telcon may be entitled to payment of the shortfall or to offset the shortfall against the Telcon convertible bond and proceeds thereof that are pledged as collateral to secure our obligations. In April 2023 and February 2022, Telcon retained cash collateral and made offsets against the outstanding balance of our Telcon convertible bond to compensate for target shortfalls under the API supply agreement.

Due to uncertainties regarding our ability to meet our current and future operating and capital expenses, there is substantial doubt about our ability to continue as a going concern for 12 months from the date that this condensed consolidated financial statements are issued, as referred to in the "Risk Factors" section of this Quarterly Report and Note 2 of the Notes to Condensed Consolidated Financial Statements included herein.

Cash flows for the six months ended June 30, 2023 and June 30, 2022

Net cash used in operating activities

Net cash used in operating activities decreased by \$3.2 million, or 55%, to \$2.6 million for the six months ended June 30, 2023 from \$5.8 million for the six months ended June 30, 2022. This decrease was primarily due to a decrease of \$6.7 million in loss from operations resulting from a \$10.0 million increase in net revenues partially offset by a \$3.8 million increase in operating expenses.

Net cash used in investing activities

Net cash used in investing activities decreased by \$0.4 million, or 94%, to \$27,000 for the six months ended June 30, 2023 from \$0.4 million for the six months ended June 30, 2022. The decrease was primarily due to a decrease of \$1 million in loans to equity method investee, partially offset by a decrease of \$0.6 million in sale of Telcon convertible note.

Net cash from financing activities

Net cash from financing activities decrease by \$3.0 million, or 60%, to \$2.0 million for the six months ended June 30, 2023 from \$4.9 million for the six months ended June 30, 2022. This decrease was due to a decrease of \$1.4 million in proceeds received from issuance of promissory notes and convertible notes in addition to an increase of \$1.6 million in repayment of promissory notes in 2023.

Off-Balance-Sheet Arrangements

We have no off-balance sheet arrangements.

Critical Accounting Estimates

Management's discussion and analysis of financial condition and results of operations is based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of certain assets, liabilities and expenses. On an ongoing basis, we evaluate these estimates and judgments, including those described below. We base our estimates on our historical experience and on various other assumptions that we believe to be reasonable under the present circumstances. These estimates and assumptions form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates.

Refer to "Critical Accounting Policies" in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Annual Report for our critical accounting policies. There were no material changes in our critical accounting policies during the six months ended June 30, 2023.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not required for a smaller reporting company.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures ("DCP") are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. DCP include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosures.

As of the end of the period covered by this Form 10-Q, we conducted an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our DCP. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Company's DCP were not effective.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal quarter ended June 30, 2023 which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Previously Identified Material Weakness

As previously reported, in connection with the preparation of our consolidated financial statements as of December 31, 2021, our management identified ongoing material weaknesses (the “Material Weaknesses”) in our internal control over financial reporting. The Material Weaknesses related to inadequate financial closing process, segregation of duties, including access control over information technology, especially financial information, inadequate documentation of policies and procedures over risk assessments, internal control and significant account processes, and insufficient entity risk assessment processes.

Since identifying the Material Weaknesses, we took several steps to remediate the Material Weaknesses, including:

- engaging a third-party accounting consulting firms to assist us in the review of our application of GAAP to complex debt financing transactions;
- using a GAAP Disclosure and SEC Reporting Checklist;
- continuing professional training and academic education on accounting subjects for accounting staff;
- enhancing attention to review controls related to our financial closing process and reporting;
- subscribing to relevant online services and other supplemental internal and external resources relating to SEC reporting;
- establishing a Disclosure Committee to ensure more effective internal communication regarding significant transactions and our financial reporting; and
- implementing an integrated cloud-based enterprise resource planning system to manage our financial information and replace our outdated financial accounting systems and software.

Management does not believe the Material Weakness materially affect the accuracy of our financial statements.

Part II. Other Information

Item 1. Legal Proceedings

Not applicable.

Item 1A. Risk Factors

The following should be read in conjunction with the “Risk Factors” section of the Annual Report and our Quarterly Report on Form 10-Q for the three months ended March 31, 2023 filed with the SEC on May 15, 2023.

The Company’s consolidated financial statements included in this Quarterly Report have been prepared on the basis that the Company will continue as a going concern. The Company incurred a net loss of \$5.0 million for the six months ended June 30, 2023 and had a working capital deficit of \$51.7 million at June 30, 2023. Management expects that the Company’s current liabilities and operating expenses, including the expected costs relating to the commercialization of Endari® in the MENA region and elsewhere, will exceed our existing cash balances and cash expected to be generated from operations for the foreseeable future. To meet the Company’s current liabilities and operating expenses, the Company will need to restructure or refinance its existing indebtedness and raise additional funds through related-party loans, third-party loans, equity and debt financings or licensing or other strategic agreements. The Company has no understanding or arrangement to restructure or refinance its indebtedness or for any additional financing, and there can be no assurance that the Company will be able to restructure or refinance its existing indebtedness or complete any additional equity or debt financings on favorable terms, or at all, or enter into licensing or other strategic arrangements. If the Company is unable to do so, it may need to curtail business activities unrelated to the marketing and sale of Endari® or seek to restructure the Company in bankruptcy. Due to the uncertainty of the Company’s ability to meet its current liabilities and operating expenses, there is substantial doubt about the Company’s ability to continue as a going concern for 12 months from the date that this condensed consolidated financial statements are issued. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Sales of Endari® depend on the availability of adequate coverage and reimbursement from third-party payors and governmental healthcare programs, such as Medicare and Medicaid in the U.S. and government payors in the MENA region. Patients who are prescribed medicine for the treatment of their conditions generally rely on third-party payors to reimburse all or a significant part of the costs associated with their prescription drugs. Coverage determination depends on financial, clinical and economic outcomes that often disfavors new drug products when more established or lower cost therapeutic alternatives are already available or subsequently become available. Although Endari® currently is reimbursable by the Centers for Medicare and Medicaid Services, and every state provides coverage for Endari® for outpatient prescriptions to all eligible Medicaid enrollees within their state Medicaid programs, the reimbursement amounts are subject to change and may not be adequate and may require higher co-payments that patients find unacceptable. The Company also has negotiated reimbursement rates for Endari® in the MENA region which are comparable to Medicare and Medicaid reimbursement rates. Patients are unlikely to use Endari® unless reimbursement is adequate to cover a significant portion of the cost of Endari®. Future coverage and reimbursement rates will likely be subject to increased scrutiny from payors in the U.S. and perhaps government payors in the MENA region. Third-party coverage and reimbursement for Endari® may cease to be available or adequate, which could have a material adverse effect on our business, results of operations, financial condition, and prospects.

The market for Endari® also depends on access to third-party payors’ drug formularies, which are lists of medications for which third-party payors provide coverage and reimbursement. The competition in the industry to be included in such formularies may lead to downward pricing pressures on us. Also, third-party payors may refuse to include Endari® in their formularies or otherwise restrict patient access to Endari® if a less costly generic equivalent or other alternative treatment is available.

Sales of Endari® in the MENA region are subject to lengthy reimbursement terms compared to U.S. sales, and management expects that our accounts receivable aging will be adversely affected by such terms as sales in the MENA region increase compared to our U.S. sales.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

(a) Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed/ Furnished
		Form	File No.	Exhibit	Filing Date	
10.1	Promissory Note dated April 24, 2023					*
10.2	Promissory Note dated May 3, 2023					*
10.3	Promissory Note dated May 26, 2023					*
10.4	Promissory Note dated June 14, 2023					*
31.1	Certification of Chief Executive Officer pursuant to Item 601(b) (31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					*
31.2	Certification of Chief Financial Officer pursuant of Item 601(b) (31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					*
32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					**
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL 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 (embedded within the Inline XBRL document)					

* Filed herewith.

** This exhibit shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in any filings.

EMMAUS LIFE SCIENCES, INC.

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.

Emmaus Life Sciences, Inc.

Dated: August 14, 2023

By: /s/ Yutaka Niihara
Name: Yutaka Niihara, M.D., M.P.H.
Its: Chief Executive Officer

By: /s/ Yasushi Nagasaki
Name: Yasushi Nagasaki
Its: Chief Financial Officer

EMMAUS LIFE SCIENCES, INC.
Promissory Note

Principal Amount: US\$1,830,000 Loan Date: 04/24/2023
 Currency: US dollars Term: Due on demand
 Interest Rate: 11.0% per year Loan Due Date: Due on demand
 Interest Payment Period: Interest is payable annually
 Lender: Eastwind Ltd.

FOR VALUE RECEIVED, Emmaus Life Sciences, Inc., a Delaware corporation, located at 21250 Hawthorne Blvd., Suite 800, Torrance, CA 90503 ("Borrower") agrees to pay to Lender the sum of the Principal Amount in the stated Currency, together with any accrued interest at the stated Interest Rate, under the following terms and conditions of this this Promissory Note ("Note").

1. Terms of Repayment (Balloon Payment): The entire unpaid Principal Amount and any accrued interest shall become immediately due and payable upon the stated Loan Due Date. Simple interest at the stated Interest Rate will accrue on the outstanding Principal Amount commencing on the Loan Date of this Note and the Borrower shall make payments of interest only as per the stated Interest Payment Period.

2. Prepayment: This Note may be prepaid in whole or in part at any time after six months of the Loan Date without premium or penalty. All prepayments shall first be applied to interest, and then to principal payments.

3. Place of Payment: All payments due under this Note shall be sent to the Lender's address, as noted in Attachment 1 hereto, or at such other place as the Lender or subsequently assigned holder of this Note may designate in writing in the future.

4. Default: In the event of default, the Borrower agrees to pay all costs and expenses incurred by the Lender, including all reasonable attorney fees as permitted by law for the collection of this Note upon default.

5. Acceleration of Debt: If the Borrower (i) fails to make any payment due under the terms of this Note or seeks relief under the U.S. Bankruptcy Code, (ii) fails to deliver shares to the Lender by the deadline set forth in Section 4 hereof, (iii) suffers an involuntary petition in bankruptcy or receivership that is not vacated within thirty (30) days, (iv) consents to the appointment of a receiver, trustee, assignee, liquidator or similar official or such appointment is not discharged or stayed within 30 days, (v) makes a general assignment for the benefit of its creditors or (vi) admits in writing that it is generally unable to pay its debts as they become due, the entire balance of this Note and any interest accrued thereon shall be immediately due and payable to the holder of this Note.

6. Modification: No modification or waiver of any of the terms of this Note shall be allowed unless by written agreement signed by the parties. No waiver of any breach or default hereunder shall be deemed a waiver of any subsequent breach or default of the same or similar nature.

7. Complete Note: This Note is the complete and exclusive statement of agreement of the parties with respect to matters in this Note. This Note replaces and supersedes all prior written or oral agreements or statements by and among the parties with respect to the matters covered by it. No representation, statement, condition or warranty not contained in this Note is binding on the parties.

8. Transfer of the Note: This Note may be transferred, in whole or in part, at any time or from time to time, by the Lender. The Borrower hereby waives any notice of the transfer of this Note by the Lender or by any subsequent holder of this Note, agrees to remain bound by the terms of this Note subsequent to any transfer, and agrees that the terms of this Note may be fully enforced by any subsequent holder of this Note. If this Note is to be transferred, the Lender shall surrender this Note to the Borrower, whereupon the Borrower will forthwith issue and deliver upon the order of the Lender a new Note registered as the Lender may request, representing the outstanding Principal Amount being transferred by the Lender and, if less than the entire outstanding Principal Amount is being transferred, a new Note to the Lender representing the outstanding Principal Amount not being transferred. This Note may not be transferred by the Borrower, by operation of law or otherwise, without the prior written consent of the Lender.

9. Lost, Stolen or Mutilated Note: Upon receipt by the Borrower of evidence reasonably satisfactory to the Borrower 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 Lender to the Borrower in customary form and, in the case of mutilation, upon surrender and cancellation of this Note, the Borrower shall execute and deliver to the Lender a new Note representing the outstanding Principal Amount and accrued and unpaid interest thereon.

10. Remedies: The remedies provided in this Note shall be cumulative and in addition to all other remedies available under this Note at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the Lender's right to pursue actual and consequential damages for any failure by the Borrower to comply with the terms of this Note.

11. Severability of Provisions: If any portion of this Note is deemed unenforceable, all other provisions of this Note shall remain in full force and effect.

12. Insufficient Authorized Shares: The Borrower shall take all reasonable best action necessary to increase the Borrower's authorized shares of common stock to an amount sufficient to allow Borrower to reserve the Required Reserve Amount for the Note.

13. Choice of Law: All terms and conditions of this Note shall be interpreted under the laws of California, U.S.A., without regard to conflict of law principles.

Signed Under Penalty of Perjury, this 24th day of April, 2023

Emmaus Life Sciences, Inc.

By: Yutaka Niihara, M.D., CEO

By: Lender

ATTACHMENT 1

Lender's Name: Eastwind ltd.

Lender's Address:

APEX FUNDING SOURCE LLC

Tel: (646) 518-1521

Sale of Future Receipts Agreement

Seller's Legal Name
EMMAUS MEDICAL, INC
Street Address
21250 HAWTHORNE BLVD STE 800
Mailing Address

D/B/A
EMMAUS LIFE SCIENCES
City, State
TORRANCE, CA
City, State

Form of Business Entity and State of Incorporation
Corporation CA
Zip
90503
Zip

Primary Contact Name
YUTAKA NIIHARA
Seller's Bank Account

Primary Contact Title

Primary Contact Phone Number

Name of Bank: __ ABA Transit/Routing #: __ Checking Account #:

Purchase Price Paid to Seller
\$ 380,000.00
Purchased Amount of Future Receipts
\$ 528,200.00

Initial Periodic Amount
\$ 18,864.29
What is the Initial Periodic Amount?

Only the terms following a ☒ apply:

- The Specified Percentage will at all times be 4.5 %
The initial Specified Percentage will be _% until
and, and, thereafter will be adjusted to _%.

The Initial Periodic Amount is an estimate of the Specified Percentage of your average sales revenue. We will debit the Periodic Amount from your Bank Account each Week , subject to your actual revenue. We based the Initial Periodic Amount on information you provided or made available to us to calculate your average revenue over a period of time prior to the date of this Agreement. Please refer to Section 4 of this Agreement for how you can adjust the Periodic Amount.

Periodic Frequency [daily (Mon. – Fri.), weekly]

Purchase Price	\$ 380,000.00	
Prior Balance(s)		(If applicable) paid to Buyer and/or third parties
Wire Fee	-	(If applicable)
Origination Fee	- \$ 11,400.00	
Net Amount Funded to Seller	\$ 368,600.00	

This Sale of Future Receipts Agreement ("Agreement") effective, May 3, 2023, is made by and between Apex Funding Source, LLC ("Buyer"), the business identified above ("Seller"), and each Guarantor identified below (each a "Guarantor").

- 1.Future Receipts.** Seller, hereby sells, and assigns to Buyer, without recourse, the Purchased Amount of the proceeds of each future sale made by Seller (collectively "Future Receipts") and will deliver the Specified Percentage of Future Receipts in accordance with this Agreement. "Future Receipts" includes all payments made by cash, check, Automated Clearing House ("ACH") or other electronic transfer, credit card, debit card, bank card, charge card (each such card shall be referred to herein as a "Payment Card") or other form of monetary payment in the ordinary course of Seller's business. As payment for the Purchased Amount, Buyer will pay to Seller the Purchase Price, minus any fees and amounts to satisfy prior balances shown above.
- 2.Buyer's Acceptance of Agreement.** The obligation of Buyer under this Agreement will not be effective unless and until Buyer has

completed its review of the Seller and has accepted this Agreement by delivering the Net Amount Funded to Seller, shown above. Prior to accepting this Agreement, Buyer may conduct a processing trial to confirm its access to Seller's Account, shown above (the "Account") and the ability to withdraw the Initial Periodic Amount. If the processing trial is not completed to the satisfaction of Buyer, Buyer will refund to Seller all funds that were obtained by Buyer during the processing trial.

3. Delivery of Purchased Amount. Seller authorizes Buyer to debit the Initial Periodic Amount or any updated periodic amount (the "Periodic Amount") from the Account each business day by either ACH or electronic check. Seller will provide Buyer with all authorization is a fundamental condition to induce Buyer to accept the Agreement. Consequently, such authorization is intended to be irrevocable during the course of this Agreement.

In the event that Seller changes or permits changes to the Account or the ACH authorization approved by the Buyer or adds an additional bank account, Buyer shall have the right, without waiving any of its rights and remedies and without notice to Seller or any Guarantor, to notify the new or additional bank of this Agreement and to direct such new or additional bank to remit to the Buyer all or any portion of the amounts received by such bank. Any such new account shall be deemed an Account.

4. Reconciliation and Adjusting the Periodic Amount (IMPORTANT PROTECTION FOR SELLER). The initial Periodic Amount is intended to represent the Specified Percentage of Seller's Future Receipts. At any time, Seller or Buyer may request a reconciliation of Seller's actual revenue to adjust the Periodic Amount to more closely reflect the Seller's actual Future Receipts times the Specified Percentage.

a. **How Seller may Request a Reconciliation.** Call Buyer at 646-518-1521 or email reconciliation@apexfundingsource.com.

b. **How Buyer may Request a Reconciliation.** Buyer may request a reconciliation in writing via regular mail or e-mail.

c. **Reconciliation Information.** Seller shall provide Buyer with a copy of Seller's most recent month's official Account statement (the "Reconciliation Information"). Upon receipt of the Reconciliation Information, Buyer shall promptly recalculate Seller's average revenue. If necessary to verify the Reconciliation Information, Buyer may request additional documentation including view-only access to the Account.

d. **Adjusting the Periodic Amount.** Within three (3) calendar days of Buyer's reasonable verification of the Reconciliation Information, Buyer shall adjust the Periodic Amount on a going-forward basis to more closely reflect Seller's actual Receipts times the Specified Percentage. Buyer will notify Seller prior to any such adjustment. After each adjustment made pursuant to this paragraph, the new dollar amount will be deemed the updated Periodic Amount until any subsequent adjustment.

e. **Failure to Provide Reconciliation Information.** If Seller requests a reconciliation and fails to provide the Reconciliation Information within ten (10) calendar days after Seller's reconciliation request, Buyer may consider Seller's reconciliation request withdrawn. If Buyer requests a reconciliation and Seller fails to provide the Reconciliation Information within ten {10} calendar days after Buyer's reconciliation request, Buyer may adjust the Periodic Amount based on the best information reasonably available to Buyer.

5. Nonrecourse Sale of Future Receipts (THIS IS NOT A LOAN). Seller is selling a portion of a future revenue stream to Buyer at a discount, not borrowing money from Buyer. There is no interest rate or payment schedule and no time period during which the Purchased Amount must be collected by Buyer. Seller acknowledges that it has no right to repurchase the Purchased Amount from Buyer. Buyer assumes the risk that Future Receipts may be remitted more slowly than Buyer may have anticipated or projected because Seller's business has slowed down, and the risk that the full Purchased Amount may never be remitted because Seller's business went bankrupt or Seller otherwise ceased operations in the ordinary course of business. Buyer is buying the Purchased Amount knowing the risks that Seller's business may slow down or fail, and Buyer assumes these risks based on Seller's representations, warranties and covenants in this Agreement that are designed to give Buyer a reasonable and fair opportunity to receive the benefit of its bargain. By this Agreement, Seller transfers to Buyer full and complete ownership of the Purchased Amount of Future Receipts and Seller retains no legal or equitable interest therein.

6. Fees and Charges. A list of all fees and charges applicable under this Agreement is contained in Appendix A. Some or all of the Origination Fee may be paid to a broker. Otherwise, Buyer is NOT CHARGING ANY BROKER FEES to Seller. If Seller is charged another such fee, Seller acknowledges that it is not being charged by Buyer.

7. Credit Report and Other Authorizations. Seller and each of the Guarantors signing above authorize Buyer, its agents and representatives and any credit reporting agency engaged by Buyer, to (i) investigate any references given or any other statements or data obtained from or about Seller or any of the Guarantors for the purpose of this Agreement, (ii) obtain consumer and business credit reports on the Seller and any of its Owners, and (iii) to contact personal and business references provided by the Seller in the Application, at any time now or for so long as Seller and/or Guarantors continue to have any obligations to Buyer as a consequence of this Agreement or for Buyer's ability to determine Seller's eligibility to enter into any future agreement with Buyer.

8. Authorization to Contact Current and Prior Banks. Seller hereby authorizes Buyer to contact any current or prior bank of the Seller in order to obtain whatever information it may require regarding Seller's transactions with any such bank. Such information may include but is not limited to, information necessary to verify the amount of Future Receipts previously processed on behalf of Seller and any fees that may have been charged by the bank. In addition, Seller authorizes Buyer to contact any current or prior bank of the Seller for collections and in order to confirm that Seller is exclusively using the Account identified above, or any other account approved by Buyer, for the deposit of all business receipts.

9. Right to Cancel. Seller understands that Buyer offers Seller a right to cancel this Agreement at any time within 1 business day after Buyer has delivered the Net Amount Funded. Seller may exercise this right by notifying Buyer that it is cancelling this Agreement and returning the Net Amount Funded to Buyer. For the Seller's right to cancel to be effective, Buyer must receive both the notice and the return of the Net Amount Funded within 1 business day after the Buyer has delivered the Net Amount Funded.

10. Financial Information. Seller authorizes Buyer and its agents to investigate its financial responsibility and history, and will provide to Buyer any authorizations, banking or financial statements, tax returns, etc., as Buyer deems necessary and reasonable prior to or at any time after execution of this Agreement. A photocopy of this authorization will be deemed acceptable as an authorization for release of financial and credit information. Buyer is authorized to update such information and financial and credit profiles from time to time as it deems appropriate. Seller waives, to the maximum extent permitted by law, any claim for damages against Buyer or any of its affiliates relating to any investigation undertaken by or on behalf of Buyer as permitted by this Agreement or disclosure of information as permitted by this Agreement.

11. Transactional History. Seller authorizes all of its banks and brokers and its Payment Card processor(s) to provide Buyer with Seller's banking, brokerage and/or processing history to determine qualification or continuation in this program, or for collections upon a breach of this Agreement.

12. Application of Amounts Received by Buyer. Buyer reserves the right to apply amounts received by it under this Agreement to any fees or other charges due to Buyer from Seller prior to applying such amounts to reduce the amount of any outstanding Purchased Amount.

13. Representations, Warranties and Covenants of Seller. As of the date of this Agreement and, unless expressly stated otherwise, continuing until Buyer has received 1) the Purchased Amount and 2) all fees and charges due under this Agreement, Seller represents, warrants and covenants to Buyer as follows:

a. **No Diversion of Future Receipts.** Seller must deposit all Future Receipts into the Account on a daily basis and must instruct Seller's credit card processor, which must be approved by Buyer (the "Processor") to deposit all Payment Card receipts of Seller into the Account on a daily basis. Seller agrees not to (i) change the Account, (ii) add an additional Account, (iii) revoke Buyer's authorization to debit the Account, (iv) close the Account without the express written consent of Buyer or, (v) take any other action with the intent to interfere with Buyer's right to collect the purchased Future Receipts.

b. **Stacking Prohibited.** Seller shall not enter into any merchant cash advance or any loan agreement that relates to or encumbers its Future Receipts or requires daily payments with any party other than Buyer for the duration of this Agreement. Buyer may share information regarding this Agreement with any third party in order to determine whether Seller is in compliance with this provision.

c. **Financial Condition and Financial Information.** Any bank statements and financial statements of Seller that have been furnished to Buyer, and future statements that will be furnished to Buyer, fairly represent the financial condition of Seller at such dates. Furthermore, Seller represents that all documents, forms and recorded interviews provided to or with Buyer are true, accurate and complete in all respects, and accurately reflect Seller's financial condition and results of operations at the time they are provided. Seller further agrees to authorize the release of any

past or future tax returns to Buyer.

d. **Governmental Approvals.** Seller is in compliance and shall comply with all applicable federal, state and local laws, rules and regulations and has valid permits, authorizations and licenses to own, operate and lease its properties and to conduct the businesses in which it is presently engaged and/or will engage in hereafter.

e. **Authority to Enter Into This Agreement.** Seller and the person(s) signing this Agreement on behalf of Seller, have full power and authority to incur and perform the obligations under this Agreement, all of which have been duly authorized.

f. **Change of Name or Location or Sale or Closing of Business.** Seller will not conduct Seller's businesses under any name other than as disclosed to Buyer or change any of its places of business without prior written consent of Buyer. Seller will not voluntarily sell, dispose, transfer or otherwise convey all or substantially all of its business or assets without (i) the express prior written consent of Buyer, and (ii) the written agreement of any purchaser or transferee assuming all of Seller's obligations under this Agreement pursuant to documentation satisfactory to Buyer. Except as disclosed to Buyer in writing, Seller has no current plans to close its business either temporarily, whether for renovations, repairs or any other purpose, or permanently. Seller will not voluntarily close its business on a temporary basis for renovations, repairs, or any other voluntary purposes. This provision, however, does not prohibit Seller from closing its business temporarily if such closing is required to conduct renovations or repairs that are required by local ordinance or other legal order, such as from a health or fire inspector, or if otherwise forced to do so by circumstances outside of the control of Seller. Prior to any such closure, Seller will provide Buyer 10 calendar days' notice to the extent practicable.

g. **No Pending or Contemplated Bankruptcy as of the Date of this Agreement.** As of the date of this Agreement, Seller does not contemplate and has not filed any petition for bankruptcy protection under Title 11 of the United States Code and there has been no involuntary petition brought or pending against Seller. Seller represents that it has not consulted with a bankruptcy attorney within six months prior to the date of this Agreement. Seller further warrants that as of the date of this Agreement (i) it does not anticipate filing a bankruptcy petition and (ii) it does not anticipate that an involuntary petition will be filed against it.

h. **Seller to Pay Taxes Promptly.** Seller will promptly pay all necessary taxes, including but not limited to employment and sales and use taxes.

i. **No Violation of Prior Agreements.** Seller's execution and performance of this Agreement will not conflict with any other agreement, obligation, promise, court order, administrative order or decree, law or regulation to which Seller is subject, including any agreement that prohibits the sale or pledge of Seller's Future Receipts.

j. **Seller's Knowledge and Representation.** Seller represents, warrants, and agrees that it is a sophisticated business entity familiar with the kind of transaction covered by the Agreement; it was represented by counsel or had full opportunity to consult with counsel.

k. **Accurate and Complete Information.** Seller represents, warrants, and agrees that all information provided to Buyer and all statements made to Buyer relating to this transaction in any way have been truthful, accurate, and complete. Seller further agrees that Seller will be truthful in all future statements to Buyer, and will provide Buyer with accurate and complete information regarding Seller's business as required by this Agreement.

14. Rights of Buyer.

a. **Acknowledgment of Security Interest and Security Agreement.** The Future Receipts sold by Seller to Buyer pursuant to this Agreement shall constitute and shall be construed and treated for all purposes as a true and complete sale, conveying good title to the Future Receipts free and clear of any liens and encumbrances, from Seller to Buyer. To the extent the Future Receipts are "accounts" or "payment intangibles" as those terms are defined in the Uniform Commercial Code as in effect in the state in which the Seller is located ("UCC") then: (i) the sale of the Future Receipts creates a security interest as defined in the UCC, (ii) this Agreement constitutes a "security agreement" under the UCC, and (iii) Buyer has all the rights of a secured party under the UCC with respect to such Future Receipts. Seller further agrees that, with or without a breach of this Agreement, Buyer may notify account debtors, or other persons obligated on the Future Receipts, or holding the Future Receipts, of Seller's sale of the Future Receipts and may instruct them to make payment or otherwise render performance to or for the benefit of Buyer.

b. **Financing Statements.** Seller authorizes Buyer to file one or more UCC-1 forms consistent with the UCC to give notice

that the Purchased Amount of Future Receipts is the sole property of Buyer. The UCC filing may state that such sale is intended to be a sale and not an assignment for security and may state that the Seller is prohibited from obtaining any financing that impairs the value of the Future Receipts or Buyer's right to collect same. Seller authorizes Buyer to debit the Account for all costs incurred by Buyer associated with the filing, amendment or termination of any UCC filings.

c. **Right of Access.** In order to ensure that Seller is complying with the terms of this Agreement, Buyer shall have the right to (i) enter during regular business hours, without notice, the premises of Seller's business for the purpose of inspecting and checking Seller's transaction processing terminals to ensure the terminals are properly programmed to submit and or batch Seller's daily receipts to the Processor and to ensure that Seller has not violated any other provision of this Agreement, (ii) Seller shall provide access to its employees and records and all other items as requested by Buyer; and (iii) have Seller provide information about its business operations, banking relationships, vendors, landlord and other information to allow Buyer to interview any relevant parties.

d. **Phone Recordings and Contact.** Seller agrees that any call between Buyer and Seller, and their agents and employees may be recorded or monitored. Further, Seller agrees that (i) it has an established business relationship with Buyer, its employees and agents and that Seller may be contacted from time-to-time regarding this or other business transactions, (ii) that such communications and contacts are not unsolicited or inconvenient, and (iii) that any such contact may be made at any phone number, email address, or facsimile number given to Buyer by the Seller, its agents or employees, including cellular telephones.

e. **ACH Authorization.** Seller represents and warrants that (i) the Account is solely owned by Seller; (ii) the person executing this Authorization on behalf of Seller is an authorized signer on the Account and has the power and authority to authorize Buyer to initiate ACH transactions to and from the Account, and (iii) the Account is a legitimate, open, and active bank account used solely for business purposes and not for personal, family or household purposes. If an ACH transaction is rejected by Seller's financial institution for any reason other than a stop payment order placed by Seller with its financial institution, including without limitation insufficient funds, Seller agrees that Buyer may resubmit up to two times any ACH transaction that is dishonored. Seller's bank may charge Seller fees for unsuccessful ACH entries. Seller agrees that Buyer will have no liability to Seller for such fees. In the event Buyer makes an error in processing any payment or credit, Seller authorizes Buyer to initiate ACH entries to or from the Account to correct the error. Seller acknowledges that the origination of ACH entries to and from the Account must comply with applicable law and applicable network rules. Seller agrees to be bound by the Rules and Operating Guidelines of NACHA (formerly known as the National Automated Clearing House Association). Seller will not dispute any ACH transaction initiated pursuant to this Authorization, provided the transaction corresponds to the terms of this Authorization. Seller requests the financial institution that holds the Account to honor all ACH entries initiated in accordance with this Authorization.

15. Remedies for Seller's Breach of this Agreement. If Seller violates any term or covenant in this Agreement, Buyer may proceed to protect and enforce its rights including, but not limited to, the following:

a. The Specified Percentage shall equal 100%. The full undelivered Purchased Amount plus all fees and charges (including legal fees) assessed under this Agreement will become due and payable in full immediately.

b. Buyer may enforce the provisions of the Personal Guaranty of Performance against each Owner.

c. Seller shall pay to Buyer all reasonable costs associated with Seller's breach. Buyer may proceed to protect and enforce its rights and remedies by arbitration or lawsuit. In any such arbitration or lawsuit, under which Buyer shall recover Judgment against Seller, Seller shall be liable for all of Buyer's costs, including but not limited to all reasonable attorneys' fees and court costs. However, the rights of Buyer under this provision shall be limited as provided in the arbitration provision set forth below.

d. Buyer may debit depository accounts wherever situated by means of ACH debit or facsimile signature on a computer-generated check drawn on any of Seller's banking accounts for all sums due to Buyer.

e. Subject to arbitration as provided in Section 30 of this Agreement, all rights, powers and remedies of Buyer in connection with this Agreement may be exercised at any time by Buyer after the occurrence of breach, are cumulative and not exclusive, and shall be in addition to any other rights, powers or remedies provided by law or equity.

16. Modifications, Amendments. No modification, amendment, waiver or consent of any provision of this Agreement shall be effective unless the same is in writing and signed by Buyer.

17.Assignment. Buyer may assign, transfer or sell its rights to receive the Purchased Amount or delegate its duties hereunder, either in whole or in part, with or without prior written notice to Seller.

18.Personal Guaranty of Performance. Guarantor agrees to irrevocably, absolutely and unconditionally guarantee to Buyer prompt and complete performance of the following obligations of Seller (the "Guaranteed Obligations"):

- a.Seller's obligation to not (i) change the Account, (ii) add an additional Account, (iii) revoke Buyer's authorization to debit the Account, (iv) close the Account without the express written consent of Buyer or (v) take any other action with the intent to interfere with Buyer's right to collect the purchased Future Receipts;
- b.Seller's obligation to not conduct Seller's businesses under any name other than as disclosed to Buyer;
- c.Seller's obligation to not change any of its places of business without prior written consent by Buyer;
- d.Seller's obligation to not voluntarily sell, dispose, transfer or otherwise convey its business or substantially all business assets without (i) the express prior written consent of Buyer, and (ii) the written agreement of any purchaser or transferee assuming all of Seller's obligations under this Agreement pursuant to documentation satisfactory to Buyer;
- e.Seller's obligation to not enter into any merchant cash advance or any loan agreement that relates to or encumbers its Future Receipts with any party other than Buyer for the duration of this Agreement without Buyer's prior written consent; and
- f.Seller's obligation to provide truthful, accurate, and complete information as required by this Agreement.

19.Guarantor Waivers. Buyer does not have to notify Guarantor of any of the following events and Guarantor will not be released from its obligations under the Agreement and this Personal Guaranty of Performance if it is not notified of: (i) Seller's failure to timely perform any obligation under the Agreement, (ii) any adverse change in Seller's financial condition or business, (iii) Buyer's acceptance of the Agreement, and (iv) any renewal, extension or other modification of the Agreement or Seller's other obligations to Buyer. In addition, Buyer may take any of the following actions without releasing Guarantor from any of its obligations under the Agreement and this Performance Guaranty: (i) renew, extend or otherwise modify the Agreement or Seller's other obligations to Buyer, and (ii) release Seller from its obligations to Buyer. Guarantor shall not seek reimbursement from Seller or any other guarantor for any amounts paid by it under the Agreement or this Performance Guaranty. Guarantor permanently waives and shall not seek to exercise any of the following rights that it may have against Seller, or any other guarantor, for any amounts paid by it, or acts performed by it, under the Agreement or this Performance Guaranty: (i) subrogation, (ii) reimbursement, (iii) performance, (iv) indemnification, or (v) contribution.

20.Guarantor Acknowledgement. Guarantor acknowledges that Guarantor understands the seriousness of the provisions of the Agreement, including the Jury Waiver, Class Action Waiver and Arbitration sections, and has had a full opportunity to consult with counsel their choice, and have consulted with counsel or have decided not to avail themselves of that opportunity.

21.Notices.

- a.**Notices from Buyer.** Buyer may send any notices, disclosures, terms and conditions, other documents, and any future changes to Seller by regular mail or by e-mail, at Buyer's option and Seller consents to such electronic delivery. Notices sent by e-mail are effective when sent. Notices sent by regular mail become effective three days after mailing to Seller's address set forth in this Agreement.
- b. **Notices from Seller and Guarantor.** Subject to Section 4 of this Agreement, Seller and Guarantor may send any notices to Buyer by e-mail only upon the prior written consent of Buyer, which consent may be withheld or revoked at any time in Buyer's sole discretion. Otherwise, any notices or other communications from Seller and Guarantor to Buyer must be delivered by certified mail, return receipt requested, to Buyer's address set forth in this Agreement. Notices sent to Buyer shall become effective only upon receipt by Buyer.

22.Binding Effect, Governing Law, Venue and Jurisdiction, Service of Process. This Agreement shall be binding upon and inure to the benefit of Seller, Buyer, Guarantor and their respective successors and assigns, except that Seller shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of Buyer which consent may be withheld in Buyer's sole discretion. Except as set forth in the Arbitration section, this Agreement shall be governed by and construed in

accordance with the laws of the state of New York, without regard to any applicable principles of conflicts of law. Any suit, action or proceeding arising hereunder, or the interpretation, performance or breach of this Agreement, shall, if Buyer so elects, be instituted in any court sitting in New York or the state where Seller is located, (the "Acceptable Forums"). Seller and Guarantor agree that the Acceptable Forums are convenient to it, and submit to the jurisdiction of the Acceptable Forums and waives any

and all objections to jurisdiction or venue. Should such proceeding be initiated in any other forum, Seller and Guarantor waive any right to oppose any motion or application made by Buyer to transfer such proceeding to an Acceptable Forum.

23. Service of Process. In addition to the methods of service allowed by New York State Civil Practice Law & Rules, Seller and Guarantor each hereby consents to service of process upon them by certified mail, and/or by first-class mail to the mailing address of the Seller listed on the first page of this Agreement, and hereby agrees that any process shall be deemed completing upon mailing, regardless of actual delivery. Seller and each Guarantor will have 30 calendar days thereafter in which to respond. If Seller or any Guarantor moves to an address other than the one identified in the first page, they shall provide Buyer with an updated mailing address.

24. Survival of Representations, Warranties and Covenants. All representations, warranties and covenants herein shall survive the execution and delivery of this Agreement and shall continue in full force until all obligations under this Agreement shall have been satisfied in full.

25. Interpretation. All parties hereto have had the opportunity to review this Agreement with an attorney of their own choosing and have relied only on their own attorney's guidance and advice or have been provided sufficient opportunity to have an attorney of their choosing review the Agreement. No construction determinations shall be made against either Party hereto as drafter.

26. Entire Agreement and Severability. This Agreement embodies the entire agreement between Seller and Buyer and supersedes all prior agreements and understandings relating to the subject matter hereof. In case any of the provisions in this Agreement is found to be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of any other provision contained herein shall not in any way be affected or impaired.

27. Execution. Facsimile signatures, or any other electronic means reflecting the party's signature hereto, shall be deemed acceptable for all purposes. The parties agree that if a duly authorized representative of each of the parties signs this Agreement and transmits such Agreement to the other party via facsimile or electronically transmitted portable document format, such transmission shall be treated in all manner and respects as an original signature (or counterpart thereof) and shall be considered to have the same binding legal effects as if it were the original signed version thereof delivered in person. At the request of a party hereto, each other party hereto shall re-execute original forms thereof and deliver them to all other parties. No party hereto shall raise the use of a facsimile machine or electronic transmission in portable document format to deliver a signature or the fact that any signature was transmitted or communicated through the use of facsimile machine or electronic transmission in portable document format as a defense to this Agreement and each such party forever waives any such defense. This Agreement may be signed in one or more counterparts, each of which shall constitute an original and all of which when taken together shall constitute one and the same agreement.

28. Monitoring, Recording, and Solicitations.

a. **Authorization to Contact by Phone.** Seller and Guarantor authorize Buyer, its affiliates, agents and independent contractors to contact Seller or Guarantor at any telephone number Seller or Guarantor provide to Buyer or from which Seller or Guarantor places a call to Buyer, or any telephone number where Buyer believes it may reach Seller or Guarantor, using any means of communication, including but not limited to calls or text messages to mobile, cellular, wireless or similar devices or calls or text messages using an automated telephone dialing system and/or artificial voices or prerecorded messages, even if Seller or Guarantor incurs charges for receiving such communications.

b. **Authorization to Contact by Other Means.** Seller and Guarantor also agree that Buyer, its affiliates, agents and independent contractors, may use any other medium not prohibited by law including, but not limited to, mail, e-mail and facsimile, to contact Seller and Guarantor. Seller and Guarantor expressly consent to conduct business by electronic means.

29. JURY WAIVER. THE PARTIES WAIVE THE RIGHT TO A TRIAL BY JURY IN ANY COURT IN ANY SUIT, ACTION OR PROCEEDING ON ANY MATTER ARISING IN CONNECTION WITH OR IN ANY WAY RELATED TO THE TRANSACTIONS OF WHICH THIS AGREEMENT IS A PART OR ITS ENFORCEMENT, EXCEPT WHERE SUCH WAIVER IS PROHIBITED BY LAW OR DEEMED BY A COURT OF LAW TO BE AGAINST PUBLIC POLICY. THE PARTIES ACKNOWLEDGE THAT EACH PARTY MAKES THIS WAIVER KNOWINGLY, WILLINGLY

AND VOLUNTARILY AND WITHOUT DURESS, AND ACKNOWLEDGE THEIR RIGHT TO REVIEW THE RAMIFICATIONS OF THIS WAIVER WITH THEIR ATTORNEYS.

30. CLASS ACTION WAIVER. BUYER, SELLER, AND EACH GUARANTOR ACKNOWLEDGE AND AGREE THAT THE AMOUNT AT ISSUE IN THIS TRANSACTION AND ANY DISPUTES THAT ARISE BETWEEN THEM ARE LARGE ENOUGH TO JUSTIFY DISPUTE RESOLUTION ON AN INDIVIDUAL BASIS. EACH PARTY HERETO WAIVES ANY RIGHT TO ASSERT ANY CLAIMS AGAINST THE OTHER PARTIES AS A REPRESENTATIVE OR MEMBER IN ANY CLASS OR REPRESENTATIVE ACTION, EXCEPT WHERE SUCH WAIVER IS PROHIBITED BY LAW OR DEEMED BY A COURT OF LAW TO BE AGAINST PUBLIC POLICY. TO THE EXTENT ANY PARTY IS PERMITTED BY LAW OR A COURT OF LAW TO PROCEED WITH A CLASS OR REPRESENTATIVE ACTION AGAINST THE OTHER, THE PARTIES AGREE THAT: (I) THE PREVAILING PARTY SHALL NOT BE ENTITLED TO RECOVER ATTORNEYS' FEES OR COSTS ASSOCIATED WITH PURSUING THE CLASS OR REPRESENTATIVE ACTION (NOT WITHSTANDING ANY OTHER PROVISION IN THIS AGREEMENT), AND (II) THE PARTY WHO INITIATES OR PARTICIPATES AS A MEMBER OF THE CLASS WILL NOT SUBMIT A CLAIM OR OTHERWISE PARTICIPATE IN ANY RECOVERY SECURED THROUGH THE CLASS OR REPRESENTATIVE ACTION.

31. ARBITRATION. IF BUYER, SELLER OR ANY GUARANTOR REQUESTS, THE OTHER PARTIES AGREE TO ARBITRATE ALL DISPUTES AND CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT. IF BUYER, SELLER OR ANY GUARANTOR SEEKS TO HAVE A DISPUTE SETTLED BY ARBITRATION, THAT PARTY MUST FIRST SEND TO ALL OTHER PARTIES, BY CERTIFIED MAIL, A WRITTEN NOTICE OF INTENT TO ARBITRATE. IF BUYER, SELLER OR ANY GUARANTOR DO NOT REACH AN AGREEMENT TO RESOLVE THE CLAIM WITHIN 30 DAYS AFTER THE NOTICE IS RECEIVED, BUYER, SELLER OR ANY GUARANTOR MAY COMMENCE AN ARBITRATION PROCEEDING WITH THE AMERICAN ARBITRATION ASSOCIATION ("AAA") OR THE FORUM. BUYER WILL PROMPTLY REIMBURSE SELLER OR GUARANTOR FOR ANY ARBITRATION FILING FEE, HOWEVER, IN THE EVENT THAT BOTH SELLER AND GUARANTOR MUST PAY FILING FEES, BUYER WILL ONLY REIMBURSE SELLER'S ARBITRATION FILING FEE AND, EXCEPT AS PROVIDED IN THE NEXT SENTENCE, BUYER WILL PAY ALL ADMINISTRATION AND ARBITRATOR FEES. IF THE ARBITRATOR FINDS THAT EITHER THE SUBSTANCE OF THE CLAIM RAISED BY SELLER OR GUARANTOR OR THE RELIEF SOUGHT BY SELLER OR GUARANTOR IS IMPROPER OR NOT WARRANTED, AS MEASURED BY THE STANDARDS SET FORTH IN FEDERAL RULE OF PROCEDURE 11(B), THEN BUYER WILL PAY THESE FEES ONLY IF REQUIRED BY THE AAA OR FORUM RULES. SELLER AND GUARANTOR AGREE THAT, BY ENTERING INTO THIS AGREEMENT, THEY ARE WAIVING THE RIGHT TO TRIAL BY JURY. BUYER, SELLER OR ANY GUARANTOR MAY BRING CLAIMS AGAINST ANY OTHER PARTY ONLY IN THEIR INDIVIDUAL CAPACITY, AND NOT AS A PLAINTIFF OR CLASS MEMBER IN ANY PURPORTED CLASS OR REPRESENTATIVE PROCEEDING. FURTHER, BUYER, SELLER AND ANY GUARANTOR AGREE THAT THE ARBITRATOR MAY NOT CONSOLIDATE PROCEEDINGS FOR MORE THAN ONE PERSON'S CLAIMS, AND MAY NOT OTHERWISE PRESIDE OVER ANY FORM OF A REPRESENTATIVE OR CLASS PROCEEDING, AND THAT IF THIS SPECIFIC PROVISION DEALING WITH THE PROHIBITION ON CONSOLIDATED, CLASS OR AGGREGATED CLAIMS IS FOUND UNENFORCEABLE, THEN THE ENTIRETY OF THIS ARBITRATION CLAUSE SHALL BE NULL AND VOID. THIS AGREEMENT TO ARBITRATE IS GOVERNED BY THE FEDERAL ARBITRATION ACT AND NOT BY ANY STATE LAW REGULATING THE ARBITRATION OF DISPUTES. THIS AGREEMENT IS FINAL AND BINDING EXCEPT TO THE EXTENT THAT AN APPEAL MAY BE MADE UNDER THE FAA. ANY ARBITRATION DECISION RENDERED PURSUANT TO THIS ARBITRATION AGREEMENT MAY BE ENFORCED IN ANY COURT WITH JURISDICTION. THE TERMS "DISPUTES" AND "CLAIMS" SHALL HAVE THE BROADEST POSSIBLE MEANING.

32. RIGHT TO OPT OUT OF ARBITRATION. SELLER AND GUARANTOR(S) MAY OPT OUT OF THE ARBITRATION PROVISION ABOVE. TO OPT OUT OF THE ARBITRATION CLAUSE, SELLER AND EACH GUARANTOR MUST SEND BUYER A NOTICE THAT THE SELLER AND EACH GUARANTOR DOES NOT WANT THE CLAUSE TO APPLY TO THIS AGREEMENT. FOR ANY OPT OUT TO BE EFFECTIVE, SELLER AND EACH GUARANTOR MUST SEND AN OPT OUT NOTICE TO THE FOLLOWING ADDRESS BY REGISTERED MAIL, WITHIN 14 DAYS AFTER THE DATE OF THIS AGREEMENT: 3050 BISCAYNE BLVD STE 502 MIAMI, FL 33137, ATTENTION: APEX FUNDING SOURCE.

33. Changing the Periodic Frequency. If the Periodic Frequency identified on the first page of this Agreement is weekly, then Buyer will debit the Account in an amount equal to the Periodic Amount no more than once per week. However, the parties agree that in the event that any debit entry initiated by Buyer is rejected or returned due to insufficient funds or for any other reason, then Buyer shall have the right to adjust the Periodic Amount to an amount equal to one-fifth of the Periodic Amount last debited pursuant to this Agreement. Prior to making the adjustment, Buyer shall notify Seller of its decision to change the periodic frequency of its debit entries pursuant to this section and identify the new Periodic Amount. Thereafter, Buyer may initiate debit entries of the new Periodic Amount on each business day. The Periodic Amount shall continue to be subject to further adjustment in the manner described in Section 4 of this Agreement.

Agreement of Seller: By signing below Seller agrees to the terms and conditions contained in this Agreement, and further agrees that this transaction is for business purposes.

Seller:

Agreed to by: _(Signature), its _(Title)

Agreement of Each Guarantor: By signing below each Guarantor agrees to the terms and conditions contained in this Agreement, and further agrees that this transaction is for business purposes.

Notice: This Agreement contains a personal guaranty of performance, and by signing below, you agree that you will be personally liable for the prompt and complete performance of certain obligations of Seller as described in this Agreement.

Guarantor Signature:
Signer's Title_ (title completed only if Guarantor is not an individual)

Guarantor Signature: _
Signer's Title_ (title completed only if Guarantor is not an individual)

Guarantor Signature: _

Signer's Title_

(title completed only if Guarantor is not an individual)

Guarantor Signature: _

Signer's Title _

(title completed only if Guarantor is not an individual)

Guarantor Name: EMMAUS LIFE SCIENCES, INC. Guarantor Signature: _____
Signer's Title _____
{title completed only if Guarantor is not an individual}

Guarantor Signature: _

Appendix A – List of Fees and Charges

The Agreement provides that Seller shall be liable for the following amounts, in addition to the Purchased Amount of Future Receipts:

- 1. Origination Fee as set forth on Page 1 of the Agreement.**
- 2. The Wire Fee as set forth on Page 1 of the Agreement.**
- 3. All costs Buyer incurs because Seller fails to notify Buyer in a timely manner that the Initial Periodic Amount if any subsequent Periodic Amount will not be available in the Account.**
- 4. All costs incurred by Buyer associated with the filing, amendment or termination of any UCC filings.**
- 5. If Seller breaches the Agreement, all costs of collections, including attorney fees and all costs related to the enforcement of any other remedies available to Buyer.**

**AUTHORIZATION AGREEMENT
FOR AUTOMATED CLEARING HOUSE TRANSACTIONS**

Apex Funding Source LLC ("Seller") hereby authorizes

("Buyer") to present

automated clearing house (ACH) debits to the following checking account in the amount of fees and other payments due to Buyer from Seller under the terms of that Purchase and Sale of Future Receipts Agreement (the "Agreement") entered into between Seller and Buyer, as it may be amended, supplemented or replaced from time to time. Seller also authorizes Buyer to initiate additional entries (debits and credits) to correct any erroneous transfers. In addition, if Seller breaches the Agreement, Seller authorizes Buyer to debit any and all accounts controlled by Seller or controlled by any entity with the same Federal Tax Identification Number as Seller up to the total amount, including but not limited to, all fees and charges, due to Buyer from Seller under the terms of the Agreement.

Seller agrees to be bound by the Rules and Operating Guidelines of NACHA and represents and warrants that the designated account is established and used primarily for commercial/business purposes, and not for consumer, family or household purposes. Seller authorizes Buyer to contact Seller's financial institution to obtain available funds information and/or to verify any information Seller has provided about the designated checking account and to correct any missing, erroneous or out-of-date information. Seller understands and agrees that any revocation or attempted revocation of this Authorization will constitute a breach of the Agreement for the Sale of Future Receipts. In the event that Seller closes the designated checking account, or the designated checking account has insufficient funds for any ACH transaction under this Authorization, Seller authorizes Buyer to contact Seller's financial institution and obtain information (including account number, routing number and available balance) concerning any other deposit account(s) maintained by Seller with Seller's financial institution, and to initiate ACH transactions under this Authorization to such additional account(s). To the extent necessary, Seller grants Buyer a limited Power of Attorney to take action in Seller's name to facilitate this authorization.

Transfer Funds To/From: Name of Bank:

ABA Transit/Routing #: _

Checking Account #:

This authorization is to remain in full force and effect until Buyer has received all amounts due or that may become due to Buyer under the Agreement.

Signature of Authorized Representative: _

Seller's Tax ID:

Date: May 3, 2023

[Attached Voided Check Here]

Early Delivery and Performance Offer

Apex Funding Source LLC (“Apex”, “we” “us”) is offering EMMAUS MEDICAL, INC. discount for early delivery and performance under your Sale of Future Receipts Agreement (the “Agreement”).

{"you"} a

Pursuant to your Agreement with us, we have purchased a total of \$ 528,200.00 of your Future Receipts (the "Purchased Amount") and you have agreed to deliver those Future Receipts in periodic amounts as described in the Agreement.

However, you may also elect to deliver the Purchased Amount to us on an accelerated basis in a discounted amount. We call this the "Discounted Purchase Amount".

If you pay us a Discounted Purchase Amount of \$ 437,000.00 on or before 30 Calendar Days , we will accept the Discounted Purchase Amount in full satisfaction of your contractual obligations under the Agreement.

If you pay us a Discounted Purchase Amount of \$ 456,000.00 on or before 90 Calendar Days , we will accept the Discounted Purchase Amount in full satisfaction of your contractual obligations under the Agreement.

This Early Delivery and Performance Offer will be unavailable and is withdrawn if:

- The funds used to pay the Discounted Purchase Amount come from Apex Funding Source LLC (or our affiliate or assignee) or from any another person in the form of a business loan or other financing, or from the sale of your Future Receipts**
- There has been a modification to your Agreement.**
- You are in breach or default of your Agreement.**

Please note that your Agreement also provides you with the ability to adjust the periodic amount you remit to us. Refer to Section 4 of this Agreement to learn how you can request an adjustment to the periodic amount.

Please sign below to acknowledge your receipt of this Early Delivery and Performance Offer

EMMAUS MEDICAL, INC
:

Agreed to by: _(Signature), its _(Title)

OFFER SUMMARY – PURCHASE OF FUTURE RECEIPTS

Funding Provided	\$380,000	This is how much funding Apex Funding Source LLC will provide. Due to deductions or payments to others, the total funds that will be provided to you directly is \$368,600. For more information on what amounts will be deducted, please review the attached document "Itemization of Amount Financed." The total funds provided to you directly may change if the amounts needed to pay toward or satisfy other obligations changes between when we prepared this disclosure and funding.
Estimated Annual Percentage Rate (APR)	138.94%	<p>APR is the estimated cost of your financing expressed as a yearly rate. APR incorporates the amount and timing of the funding you receive, fees you pay, and the periodic payments you make. This calculation assumes your estimated average monthly income through sales of goods and services will be \$1,929,345.14 Since your actual income may vary from our estimate, your effective APR may also vary.</p> <p>APR is not an interest rate. The cost of this financing is based upon fees charged by Apex Funding Source LLC rather than interest that accrues over time.</p>
Finance Charge	\$159,600	This is the dollar cost of your financing.
Estimated Total Payment Amount	\$528,200	This is the total dollar amount of payments we estimate you will make under the contract.
Estimated Monthly Cost	\$84,889.30	Although you do not make payments on a monthly basis, this is our calculation of your average monthly cost based upon the payment amounts disclosed below.
Estimated Payment	\$18,864.29/each week	

Payment Terms	<p>We based your Estimated Payment of \$18,864.29 on 4.5% of your estimated daily sales revenue. This financing does not have a fixed payment schedule and there is no minimum payment amount. Because we cannot predict the exact dollar amount of sales revenue your business will collect in the future, your periodic payment is “Estimated.”</p> <p>You have the right to lower the periodic payment amount to better reflect 4.5% of your actual sales revenue. For more details on your right to change the payment amount, see Section 4 of your contract.</p> <p>We will debit your business bank account each week. If a debit is scheduled for a bank holiday, the payment will be debited the next business day, plus the regularly scheduled payment scheduled for that day.</p>	
Estimated Term	210 Calendar Days	<p>Based on assumptions we made about your income, this is our estimate of how long it will take to collect amounts due to us under</p> <p>your contract.</p>
Prepayment	<p>If you pay off the financing faster than required, you still must pay all or a portion of the finance charge, up to \$159,600 based upon our estimates.</p> <p>If you pay off the financing faster than required, you will not be required to pay additional fees.</p>	

Applicable law requires this information to be provided to you to help you make an informed decision. By signing below, you are confirming that you received this information.

ITEMIZATION OF AMOUNT FINANCED

1. Amount Given Directly to You	\$368,600
2. Origination Fee	\$11,400
3. Wire Fee	
4. Amount paid on your behalf to third parties (4a + 4b + 4c)	\$0
4a. [name of third party] \$	
4b. [name of third party] \$	
4c. [name of third party] \$	
5. Amount Paid on Your Account with Us	\$0.00
6. Amount Provided to You or on Your Behalf (1 + 2 + 3+4+5)	\$380,000
7. Prepaid Finance Charges:	\$11,400
7a. Origination Fee	
7b. Wire Fee	

8. Amount Financed (6 minus 7)

\$368,600



EMMAUS MEDICAL JAPAN
Promissory Note

Principal Amount: JPY90,792,400 Loan Date: 05/26/2023
 Currency: Japanese Yen Term: Due on demand
 Interest Rate: 11.0% Loan Due Date: Due on demand
 Interest Payment Period: Interest is payable annually
 Lender: Shigeru Matsuda

FOR VALUE RECEIVED, Emmaus Medical, Japan, a Japanese corporation, located at Bizmarks Akasaka 4F, 2-16-6, Akasaka, Minato-ku 107-0052 Tokyo Japan ("Borrower") agrees to pay to Lender the sum of the Principal Amount in the stated Currency, together with any accrued interest at the stated Interest Rate, under the following terms and conditions of this this Promissory Note ("Note").

- 1. Terms of Repayment (Balloon Payment):** The entire unpaid Principal Amount and any accrued interest shall become immediately due and payable upon the stated Loan Due Date. Simple interest at the stated Interest Rate will accrue on the outstanding Principal Amount commencing on the Loan Date of this Note and the Borrower shall make payments of interest only as per the stated Interest Payment Period.
- 2. Prepayment:** This Note may be prepaid in whole or in part at any time after six months of the Loan Date without premium or penalty. All prepayments shall first be applied to interest, and then to principal payments.
- 3. Place of Payment:** All payments due under this Note shall be sent to the Lender's address, as noted in Attachment 1 hereto, or at such other place as the Lender or subsequently assigned holder of this Note may designate in writing in the future.
- 4. Default:** In the event of default, the Borrower agrees to pay all costs and expenses incurred by the Lender, including all reasonable attorney fees as permitted by law for the collection of this Note upon default.
- 5. Acceleration of Debt:** If the Borrower (i) fails to make any payment due under the terms of this Note or seeks relief under the Japanese Bankruptcy Code, (ii) fails to deliver shares to the Lender by the deadline set forth in Section 4 hereof, (iii) suffers an involuntary petition in bankruptcy or receivership that is not vacated within thirty (30) days, (iv) consents to the appointment of a receiver, trustee, assignee, liquidator or similar official or such appointment is not discharged or stayed within 30 days, (v) makes a general assignment for the benefit of its creditors or (vi) admits in writing that it is generally unable to pay its debts as they become due, the entire balance of this Note and any interest accrued thereon shall be immediately due and payable to the holder of this Note.

6. Modification: No modification or waiver of any of the terms of this Note shall be allowed unless by written agreement signed by the parties. No waiver of any breach or default hereunder shall be deemed a waiver of any subsequent breach or default of the same or similar nature.

7. Complete Note: This Note is the complete and exclusive statement of agreement of the parties with respect to matters in this Note. This Note replaces and supersedes all prior written or oral agreements or statements by and among the parties with respect to the matters covered by it. No representation, statement, condition or warranty not contained in this Note is binding on the parties.

8. Transfer of the Note: This Note may be transferred, in whole or in part, at any time or from time to time, by the Lender. The Borrower hereby waives any notice of the transfer of this Note by the Lender or by any subsequent holder of this Note, agrees to remain bound by the terms of this Note subsequent to any transfer, and agrees that the terms of this Note may be fully enforced by any subsequent holder of this Note. If this Note is to be transferred, the Lender shall surrender this Note to the Borrower, whereupon the Borrower will forthwith issue and deliver upon the order of the Lender a new Note registered as the Lender may request, representing the outstanding Principal Amount being transferred by the Lender and, if less than the entire outstanding Principal Amount is being transferred, a new Note to the Lender representing the outstanding Principal Amount not being transferred. This Note may not be transferred by the Borrower, by operation of law or otherwise, without the prior written consent of the Lender.

9. Lost, Stolen or Mutilated Note: Upon receipt by the Borrower of evidence reasonably satisfactory to the Borrower 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 Lender to the Borrower in customary form and, in the case of mutilation, upon surrender and cancellation of this Note, the Borrower shall execute and deliver to the Lender a new Note representing the outstanding Principal Amount and accrued and unpaid interest thereon.

10. Remedies: The remedies provided in this Note shall be cumulative and in addition to all other remedies available under this Note at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the Lender's right to pursue actual and consequential damages for any failure by the Borrower to comply with the terms of this Note.

11. Severability of Provisions: If any portion of this Note is deemed unenforceable, all other provisions of this Note shall remain in full force and effect.

12. Insufficient Authorized Shares: The Borrower shall take all reasonable best action necessary to increase the Borrower's authorized shares of common stock to an amount sufficient to allow Borrower to reserve the Required Reserve Amount for the Note.

13. Choice of Law: All terms and conditions of this Note shall be interpreted under the laws in Japan.

Signed Under Penalty of Perjury, this 26th day of May, 2023

Emmaus Medical, Japan

By: Yutaka Niihara, MD, Board of Director

By: Lender

ATTACHMENT 1

Lender's Name: Shigeru Matsuda

Lender's Address:

15 America Ave Suite 303, Lakewood, NJ 08701
(646) 437-6010

STANDARD MERCHANT CASH ADVANCE AGREEMENT

This is an Agreement dated 06/14/2023 by and between Slate Advance ("SA2") and each merchant listed below ("Merchant").

Merchant's Legal Name: EMMAUS MEDICAL, INC. and all entities listed on addendum - "MERCHANT LIST"

D/B/A: EMMAUS MEDICAL

Fed ID #: 87-0419387

Type of Entity: Corporation

Business Address 21250 Hawthorne Boulevard City: Torrance State: CA Zip: 90503

Contact Address City: State: Zip:

Email Address: Phone Telephone:

Purchase Price <i>This is the amount being paid to Merchant(s) for the Receivables Purchased Amount (defined below). This amount may be paid in installments if there is an Addendum stating that it will be paid in installments.</i>	<u>\$618,000.00</u>
Receivables Purchased Amount <i>This is the amount of Receivables (defined in Section 1 below) being sold. This amount may be sold in installments if there is an Addendum stating that it will be sold in installments.</i>	<u>\$877,560.00</u>
Specified Percentage <i>This is the percentage of Receivables (defined below) to be delivered until the Receivables Purchased Amount is paid in full.</i>	<u>25.00%</u>
Net Funds Provided <i>This is the net amount being paid to or on behalf of Merchant(s) after deduction of applicable fees listed in Section 2 below. This amount may be paid in installments if there is an Addendum stating that it will be paid in installments.</i>	<u>\$600,000.00</u>

I have read and agree to the terms and conditions set forth above:

Name: YUTAKA NIIHARA

Name:

Title:

Title:

Date: 06/14/2023

Date: 06/14/2023

Net Amount to Be Received Directly by Merchant(s) <i>This is the net amount being received directly by Merchant(s) after deduction of applicable fees listed in Section 2 below and the payment of any part of the Purchase Price elsewhere pursuant to any Addendum to this Agreement. This amount may be paid in installments if there is an Addendum stating that it will be paid in installments. If any deduction is being made from the Purchase Price to pay off another obligation by Merchant(s), then the Net Amount to be Received Directly by Merchant(s) is subject to change based on any change in the amount of the other obligation(s) to be paid off.</i>	<u>\$600,000.00</u>
Initial Estimated Payment <i>This is only applicable if an Addendum for Estimated Payments is being signed. This is the initial amount of periodic payments collected from Merchant(s) as an approximation of no more than the Specified Percentage of the Receivables and is subject to reconciliation as set forth in Section 4 below.</i>	<u>\$33,752.31 per week</u>

TERMS AND CONDITIONS

1. Sale of Future Receipts. Merchant(s) hereby sell, assign, and transfer to SA2 (making SA2 the absolute owner) in consideration of the funds provided ("Purchase Price") specified above, all of each Merchant's future accounts, contract rights, and other obligations arising from or relating to the payment of monies from each Merchant's customers and/or other third party payors (the "Receivables", defined as all payments made by cash, check, credit or debit card, electronic transfer, or other form of monetary payment in the ordinary course of each merchant's business), for the payment of each Merchant's sale of goods or services until the amount specified above (the "Receivables Purchased Amount") has been delivered by Merchant(s) to SA2. Each Merchant hereby acknowledges that until the Receivables Purchased Amount has been received in full by SA2, each Merchant's Receivables, up to the balance of the Receivables Purchased Amount, are the property of SA2 and not the property of any Merchant. Each Merchant agrees that it is a fiduciary for SA2 and that each Merchant will hold Receivables in trust for SA2 in its capacity as a fiduciary for SA2.

The Receivables Purchased Amount shall be paid to SA2 by each Merchant irrevocably authorizing only one depositing account acceptable to SA2 (the "Account") to remit the percentage specified above (the "Specified Percentage") of each Merchant's settlement amounts due from each transaction, until such time as SA2 receives payment in full of the Receivables Purchased Amount. Each Merchant hereby authorizes SA2 to ACH debit the specified remittances and any applicable fees listed in Section 2 from the Account on a daily basis as of the next business day after the date of this Agreement and will provide SA2 with all required access codes and monthly bank statements. Each Merchant understands that it will be held responsible for any fees resulting from a rejected ACH attempt or an Event of Default (see Section 2). SA2 is not responsible for any overdrafts or rejected transactions that may result from SA2's ACH debiting the Specified Percentage amounts under the terms of this Agreement.

2. Additional Fees. In addition to the Receivables Purchased Amount, each Merchant will be held responsible to SA2 for the following fees, where applicable:

A. \$18,000.00 - to cover underwriting and the ACH debit program, as well as related expenses. This will be deducted from payment of the Purchase Price.

B. Wire Fee - Merchant(s) shall receive funding electronically to the Account and will be charged \$50.00 for a Fed Wire or \$0.00 for a bank ACH. This will be deducted from payment of the Purchase Price.

C. Blocked Account/Default - \$2,500.00 - If SA2 considers an Event of Default to have taken place under Section

32.

I have read and agree to the terms and conditions set forth above:

Name: YUTAKA NIIHARA

Name:

Title:

Title:

Date: 06/14/2023

Date: 06/14/2023

D.UCC Fee - \$195.00 – to cover SA2 filing a UCC-1 financing statement to secure its interest in the Receivables Purchased Amount. A \$195.00 UCC termination fee will be charged if a UCC filing is terminated.

E.Court costs, arbitration fees, collection agency fees, attorney fees, expert fees, and any other expenses incurred in litigation, arbitration, or the enforcement of any of SA2's legal or contractual rights against each Merchant and/or each Guarantor, if required, as explained in other Sections of this Agreement.

3. Cap on Collection of the Receivables Purchased Amount. The amount that SA2 will collect from Merchant(s) towards the Receivables Purchased Amount during any specific week will be capped at \$33,752.31 (the

"Cap"). If the Specified Percentage of all Receivables for a specific week is less than the Cap, then in addition to the Specified Percentage of Receivables for that week, SA2 will be permitted to collect any Receivable it did not previously collect due to the Cap such that the total amount collected during that week does not exceed the Cap. The Cap is not applicable to make up for a business day on which SA2 is closed and does not ACH debit the Account, to subsequent attempts to collect a rejected or blocked ACH payment, to debit any amount due pursuant to a reconciliation as set forth in Section 4, for the collection of any of the fees listed in Section 2, or if any Event of Default listed in Section 32 is considered by SA2 to have taken place.

4. Reconciliations. Any Merchant may request that SA2 conduct a reconciliation in order to ensure that the amount that SA2 has collected equals the Specified Percentage of Merchant(s)'s Receivables under this Agreement. A request for a reconciliation by any Merchant must be made by giving written notice of the request to SA2 or by sending an e-mail to stating that a reconciliation is being requested. In order to effectuate the reconciliation, any Merchant must produce with its request the login and password for the Account and any and all statements covering the period from the date of this Agreement through the date of the request for a reconciliation. SA2 will complete each reconciliation requested by any Merchant within two business days after receipt of proper notice of a request for one accompanied by the information and documents required for it. SA2 may also conduct a reconciliation on its own at any time by reviewing Merchant(s)'s Receivables covering the period from the date of this Agreement until the date of initiation of the reconciliation, each such reconciliation will be completed within two business days after its initiation, and SA2 will give each Merchant written notice of the determination made based on the reconciliation within one business day after its completion. If a reconciliation determines that SA2 collected more than it was entitled to, then SA2 will credit to the Account all amounts to which SA2 was not entitled. If a reconciliation determines that SA2 collected less than it was entitled to, then SA2 will debit from the Account all additional amounts to which SA2 was entitled. Nothing herein limits the amount of times that a reconciliation may be requested or conducted.

5. Prepayments. Although there is no obligation to do so, any Merchant may prepay any amount towards the Receivables Purchased Amount. There will be no penalty for any prepayment made by any Merchant. Any Merchant may elect to terminate this Agreement by prepaying SA2 the amount of the balance of the Receivables Purchased Amount at that time.

6. Merchant Deposit Agreement. Merchant(s) shall appoint a bank acceptable to SA2, to obtain electronic fund transfer services and/or "ACH" payments. Merchant(s) shall provide SA2 and/or its authorized agent with all of the information, authorizations, and passwords necessary to verify each Merchant's Receivables. Merchant(s) shall authorize SA2 and/or its agent(s) to deduct the amounts owed to SA2 for the Receivables as specified herein from settlement amounts which would otherwise be due to each Merchant and to pay such amounts to SA2 by permitting SA2 to withdraw the Specified Percentage by ACH debiting of the account. The authorization shall be irrevocable absent SA2's written consent.

7. Term of Agreement. The term of this Agreement is indefinite and shall continue until SA2 receives the full Receivables Purchased Amount, or earlier if terminated pursuant to any provision of this Agreement. The provisions of

I have read and agree to the terms and conditions set forth above:

Name: YUTAKA NIIHARA

Title:

Date: 06/14/2023

Name:

Title:

Date: 06/14/2023

Sections 4, 6, 7, 8, 10, 11, 13, 14, 15, 17, 18, 19, 22, 23, 27, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, and 55 shall survive any termination of this Agreement.

8. Ordinary Course of Business. Each Merchant acknowledges that it is entering into this Agreement in the ordinary course of its business and that the payments to be made from each Merchant to SA2 under this Agreement are being made in the ordinary course of each Merchant's business.

9. Financial Condition. Each Merchant and each Guarantor (Guarantor being defined as each signatory to the Guarantee of this Agreement) authorizes SA2 and its agent(s) to investigate each Merchant's financial responsibility and history, and will provide to SA2 any bank or financial statements, tax returns, and other documents and records, as SA2 deems necessary prior to or at any time after execution of this Agreement. A photocopy of this authorization will be

deemed as acceptable for release of financial information. SA2 is authorized to update such information and financial profiles from time to time as it deems appropriate.

10. Monitoring, Recording, and Electronic Communications. SA2 may choose to monitor and/or record telephone calls with any Merchant and its owners, employees, and agents. By signing this Agreement, each Merchant agrees that any call between SA2 and any Merchant or its representatives may be monitored and/or recorded. Each Merchant and each Guarantor grants access for SA2 to enter any Merchant's premises and to observe any Merchant's premises without any prior notice to any Merchant at any time after execution of this Agreement.

SA2 may use automated telephone dialing, text messaging systems, and e-mail to provide messages to Merchant(s), Owner(s) (Owner being defined as each person who signs this Agreement on behalf of a Merchant), and Guarantor(s) about Merchant(s)'s account. Telephone messages may be played by a machine automatically when the telephone is answered, whether answered by an Owner, a Guarantor, or someone else. These messages may also be recorded by the recipient's answering machine or voice mail. Each Merchant, each Owner, and each Guarantor gives SA2 permission to call or send a text message to any telephone number given to SA2 in connection with this Agreement and to play pre-recorded messages and/or send text messages with information about this Agreement and/or any Merchant's account over the phone. Each Merchant, each Owner, and each Guarantor also gives SA2 permission to communicate such information to them by e-mail. Each Merchant, each Owner, and each Guarantor agree that SA2 will not be liable to any of them for any such calls or electronic communications, even if information is communicated to an unintended recipient. Each Merchant, each Owner, and each Guarantor acknowledge that when they receive such calls or electronic communications, they may incur a charge from the company that provides them with telecommunications, wireless, and/or Internet services, and that SA2 has no liability for any such charges.

11. Accuracy of Information Furnished by Merchant and Investigation Thereof. To the extent set forth herein, each of the parties is obligated upon his, her, or its execution of the Agreement to all terms of the Agreement. Each Merchant and each Owner signing this Agreement represent that he or she is authorized to sign this Agreement for each Merchant, legally binding said Merchant to its obligations under this Agreement and that the information provided herein and in all of SA2's documents, forms, and recorded interview(s) is true, accurate, and complete in all respects. SA2 may produce a monthly statement reflecting the delivery of the Specified Percentage of Receivables from Merchant(s) to SA2. An investigative report may be made in connection with the Agreement. Each Merchant and each Owner signing this Agreement authorize SA2, its agents and representatives, and any credit-reporting agency engaged by SA2, to (i) investigate any references given or any other statements obtained from or about each Merchant or any of its Owners for the purpose of this Agreement, and (ii) pull credit report at any time now or for so long as any Merchant and/or Owners(s) continue to have any obligation to SA2 under this Agreement or for SA2's ability to determine any Merchant's eligibility to enter into any future agreement with SA2. Any misrepresentation made by any Merchant or Owner in connection with this Agreement may constitute a separate claim for fraud or intentional misrepresentation.

Authorization for soft pulls: Each Merchant and each Owner understands that by signing this Agreement, they are providing 'written instructions' to SA2 under the Fair Credit Reporting Act, authorizing SA2 to obtain information from their

I have read and agree to the terms and conditions set forth above:

Name: YUTAKA NIIHARA

Title:

Date: 06/14/2023

Name:

Title:

Date: 06/14/2023

personal credit profile or other information from Experian, TransUnion, and Equifax. Each Merchant and each Guarantor authorizes SA2 to obtain such information solely to conduct a pre-qualification for credit.

Authorization for hard pulls: Each Merchant and each Owner understands that by signing this Agreement, they are providing 'written instructions' to SA2 under the Fair Credit Reporting Act, authorizing SA2 to obtain information from their personal credit profile or other information from Experian, TransUnion, and Equifax. Each Merchant and each Guarantor authorizes SA2 to obtain such information in accordance with a merchant cash advance application.

12. Transactional History. Each Merchant authorizes its bank to provide SA2 with its banking and/or credit card processing history.

13. Indemnification. Each Merchant and each Guarantor jointly and severally indemnify and hold harmless each Merchant's credit card and check processors (collectively, "Processor") and Processor's officers, directors, and shareholders against all losses, damages, claims, liabilities, and expenses (including reasonable attorney and expert fees) incurred by Processor resulting from (a) claims asserted by SA2 for monies owed to SA2 from any Merchant and (b) actions taken by any Processor in reliance upon information or instructions provided by SA2.

14. No Liability. In no event will SA2 be liable for any claims asserted by any Merchant under any legal theory for lost profits, lost revenues, lost business opportunities, exemplary, punitive, special, incidental, indirect, or consequential damages, each of which is waived by each Merchant and each Guarantor.

15. Sale of Receivables. Each Merchant and SA2 agree that the Purchase Price under this Agreement is in exchange for the Receivables Purchased Amount and that such Purchase Price is not intended to be, nor shall it be construed as a loan from SA2 to any Merchant. SA2 is entering into this Agreement knowing the risks that each Merchant's business may decline or fail, resulting in SA2 not receiving the Receivables Purchased Amount. Any Merchant going bankrupt or going out of business or experiencing a slowdown in business or a delay in collecting Receivables will not on its own without anything more be considered a breach of this Agreement. Each Merchant agrees that the Purchase Price in exchange for the Receivables pursuant to this Agreement equals the fair market value of such Receivables. SA2 has purchased and shall own all the Receivables described in this Agreement up to the full Receivables Purchased Amount as the Receivables are created. Payments made to SA2 in respect to the full amount of the Receivables shall be conditioned upon each Merchant's sale of products and services and the payment therefor by each Merchant's customers in the manner provided in this Agreement. Although certain jurisdictions require the disclosure of an Annual Percentage Rate or APR in connection with this Agreement, those disclosures do not change the fact that the transaction encompassed by this Agreement is not a loan and does not have an interest rate.

16. Power of Attorney. Each Merchant irrevocably appoints SA2 as its agent and attorney-in-fact with full authority to take any action or execute any instrument or document to settle all obligations due to SA2, or, if SA2 considers an Event of Default to have taken place under Section 32, to settle all obligations due to SA2 from each Merchant, including without limitation (i) to obtain and adjust insurance; (ii) to collect monies due or to become due under or in respect of any of the Collateral (which is defined in Section 31); (iii) to receive, endorse and collect any checks, notes, drafts, instruments, documents, or chattel paper in connection with clause (i) or clause (ii) above; (iv) to sign each Merchant's name on any invoice, bill of lading, or assignment directing customers or account debtors to make payment directly to SA2; and (v) to file any claims or take any action or institute any proceeding which SA2 may deem necessary for the collection of any of the unpaid Receivables Purchased Amount from the Collateral, or otherwise to enforce its rights with respect to payment of the Receivables Purchased Amount.

17. Protections Against Default. The following Protections 1 through 7 may be invoked by SA2, immediately and without notice to any Merchant in the event SA2 considers any Event of Default listed in Section 32 to have taken place.

I have read and agree to the terms and conditions set forth above:

Name: YUTAKA NIIHARA	Name:
Title:	Title:
Date: 06/14/2023	Date: 06/14/2023

Protection 1: The full uncollected Receivables Purchased Amount plus all fees due under this Agreement may become due and payable in full immediately.

Protection 2. SA2 may enforce the provisions of the Guarantee against Guarantor. Protection 3. SA2 may enforce its security interest in the Collateral identified in Section 31.

Protection 4. SA2 may proceed to protect and enforce its rights and remedies by litigation or arbitration. Protection 5. If requested by SA2, Merchant shall deliver to SA2 an executed assignment of lease of each Merchant's premises in favor of SA2. Upon breach of any provision in this Section 17, SA2 may exercise its rights under such assignment of lease.

Protection 6. SA2 may debit any Merchant's depository accounts wherever situated by means of ACH debit or electronic or facsimile signature on a computer-generated check drawn on any Merchant's bank account or otherwise, in an amount consistent with the terms of this Agreement.

Protection 7. SA2 will have the right, without waiving any of its rights and remedies and without notice to any Merchant and/or Guarantor, to notify each Merchant's credit card and/or check processor of the sale of Receivables hereunder and to direct such credit card processor to make payment to SA2 of all or any portion of the amounts received by such credit card processor on behalf of each Merchant. Each Merchant hereby grants to SA2 an irrevocable power-of-attorney, which power-of-attorney will be coupled with an interest, and hereby appoints SA2 and its representatives as

each Merchant's attorney-in-fact to take any and all action necessary to direct such new or additional credit card and/or check processor to make payment to SA2 as contemplated by this Section.

18. Protection of Information. Each Merchant and each person signing this Agreement on behalf of each Merchant and/or as Owner, in respect of himself or herself personally, authorizes SA2 to disclose information concerning each Merchant, Owner and/or Guarantor's credit standing and business conduct to agents, affiliates, subsidiaries, and credit reporting bureaus. Each Merchant, Guarantor, and Owner hereby waives to the maximum extent permitted by law any claim for damages against SA2 or any of its affiliates relating to any (i) investigation undertaken by or on behalf of SA2 as permitted by this Agreement or (ii) disclosure of information as permitted by this Agreement.

19. Confidentiality. Each Merchant understands and agrees that the terms and conditions of the products and services offered by SA2, including this Agreement and any other SA2 documents (collectively, "Confidential Information") are proprietary and confidential information of SA2. Accordingly, unless disclosure is required by law or court order, Merchant(s) shall not disclose Confidential Information of SA2 to any person other than an attorney, accountant, financial advisor, or employee of any Merchant who needs to know such information for the purpose of advising any Merchant ("Advisor"), provided such Advisor uses such information solely for the purpose of advising any Merchant and first agrees in writing to be bound by the terms of this Section 19.

20. D/B/As. Each Merchant hereby acknowledges and agrees that SA2 may be using "doing business as" or "d/b/a" names in connection with various matters relating to the transaction between SA2 and each Merchant, including the filing of UCC-1 financing statements and other notices or filings.

21. Financial Condition and Financial Information. Each Merchant represents, warrants, and covenants that its bank and financial statements, copies of which have been furnished to SA2, and future statements which will be furnished hereafter at the request of SA2, fairly represent the financial condition of each Merchant at such dates, and that since those dates there have been no material adverse changes, financial or otherwise, in such condition, operation, or ownership of any Merchant. Each Merchant has a continuing affirmative obligation to advise SA2 of any material adverse change in its financial condition, operation, or ownership.

22. Governmental Approvals. Each Merchant represents, warrants, and covenants that it is in compliance and shall comply with all laws and has valid permits, authorizations, and licenses to own, operate, and lease its properties and

I have read and agree to the terms and conditions set forth above:

Name: YUTAKA NIIHARA

Title:

Date: 06/14/2023

Name:

Title:

Date: 06/14/2023

to conduct the business in which it is presently engaged.

23. Authorization. Each Merchant represents, warrants, and covenants that it and each person signing this Agreement on behalf of each Merchant has full power and authority to incur and perform the obligations under this Agreement, all of which have been duly authorized.

24. Electronic Check Processing Agreement. Each Merchant represents, warrants, and covenants that it will not, without SA2's prior written consent, change its Processor, add terminals, change its financial institution or bank account, or take any other action that could have any adverse effect upon any Merchant's obligations under this Agreement.

25. Change of Name or Location. Each Merchant represents, warrants, and covenants that it will not conduct its business under any name other than as disclosed to SA2 or change any place(s) of its business without prior written consent from SA2.

26. Estoppel Certificate. Each Merchant represents, warrants, and covenants that it will, at any time, and from time to time, upon at least two day's prior written notice from SA2 to that Merchant, execute, acknowledge, and deliver to SA2 and/or to any other person or entity specified by SA2, a statement certifying that this Agreement is unmodified and in full force and effect (or, if there have been modifications, that the same is in full force and effect as modified and stating the modifications) and stating the dates which the Receivables Purchased Amount or any portion thereof have been paid.

27. No Bankruptcy. Each Merchant represents, warrants, and covenants that as of the date of this Agreement, it does not contemplate and has not filed any petition for bankruptcy protection under Title 11 of the United States Code and there has been no involuntary petition brought or pending against any Merchant. Each Merchant further warrants that it does not anticipate filing any such bankruptcy petition and it does not anticipate that an involuntary petition will be filed against it.

28. Unencumbered Receivables. Each Merchant represents, warrants, and covenants that it has good, complete, and marketable title to all Receivables, free and clear of any and all liabilities, liens, claims, charges, restrictions, conditions, options, rights, mortgages, security interests, equities, pledges, and encumbrances of any kind or nature whatsoever or any other rights or interests that may be inconsistent with this Agreement or adverse to the interests of SA2, other than any for which SA2 has actual or constructive knowledge as of the date of this Agreement.

29. Stacking. Each Merchant represents, warrants, and covenants that it will not enter into with any party other than SA2 any arrangement, agreement, or commitment that relates to or involves the Receivables, whether in the form of a purchase of, a loan against, collateral against, or the sale or purchase of credits against Receivables without the prior written consent of SA2.

30. Business Purpose. Each Merchant represents, warrants, and covenants that it is a valid business in good standing under the laws of the jurisdictions in which it is organized and/or operates, and each Merchant is entering into this Agreement for business purposes and not as a consumer for personal, family, or household purposes.

31. Security Interest. To secure each Merchant's performance obligations to SA2 under this Agreement and any future agreement with SA2, each Merchant hereby grants to SA2 a security interest in collateral (the "Collateral"), that is defined as collectively: (a) all accounts, including without limitation, all deposit accounts, accounts-receivable, and other receivables, chattel paper, documents, and instruments, as those terms are defined by Article 9 of the Uniform Commercial Code (the "UCC"), now or hereafter owned or acquired by any Merchant; and (b) all proceeds, as that term is defined by Article 9 of the UCC. The parties acknowledge and agree that any security interest granted to SA2 under any other agreement between any Merchant or Guarantor and SA2 (the "Cross-Collateral") will secure the obligations hereunder and under this Agreement. Negative Pledge: Each Merchant agrees not to create, incur, assume, or permit to exist, directly or indirectly,

I have read and agree to the terms and conditions set forth above:

Name: YUTAKA NIIHARA

Title:

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Title:

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any lien on or with respect to any of the Collateral or the Cross-Collateral, as applicable.

Each Merchant agrees to execute any documents or take any action in connection with this Agreement as SA2 deems necessary to perfect or maintain SA2's first priority security interest in the Collateral and the Cross - Collateral, including the execution of any account control agreements. Each Merchant hereby authorizes SA2 to file any financing statements deemed necessary by SA2 to perfect or maintain SA2's security interest, which financing statements may contain notification that each Merchant has granted a negative pledge to SA2 with respect to the Collateral and the Cross - Collateral, and that any subsequent lienor may be tortiously interfering with SA2's rights. Each Merchant shall be liable for and SA2 may charge and collect all costs and expenses, including but not limited to attorney fees, which may be incurred by SA2 in protecting, preserving, and enforcing SA2's security interest and rights. Each Merchant further acknowledges that SA2 may use another legal name and/or D/B/A or an agent when designating the Secured Party when SA2 files the above-referenced financing statement(s).

32. Events of Default. An "Event of Default" may be considered to have taken place if any of the following occur:

(1) Any representation or warranty by any Merchant to SA2 that proves to have been made intentionally false or misleading in any material respect when made;

(2) Any Merchant changes the Account without providing written notice to SA2 within one business day thereafter;

(3) SA2 is not provided with updated login or password information for the Account within one business day after any such change is made by any Merchant;

(4) Any Merchant fails to send bank statements, merchant account statements, or bank login information for the

Account within two business days after a written request for same is made by SA2;

(5) Any Merchant causes any ACH debit to the Account by SA2 to be blocked or stopped without providing any advance written notice to SA2, which notice may be given by e-mail to ;

(6) Any Merchant intentionally prevents SA2 from collecting any part of the Receivables Purchased Amount; or

(7) Any Merchant causes any ACH debit to the Account by any person or entity to be stopped or otherwise returned that would result in an ACH Return Code of R08, R10, or R29 and that Merchant does not within two business days thereafter provide SA2 with written notice thereof explaining why that Merchant caused the ACH debit to be stopped or otherwise returned, which notice may be given by e-mail to .

33. Remedies. In case any Event of Default occurs and is not waived, SA2 may proceed to protect and enforce its rights or remedies by suit in equity or by action at law, or both, whether for the specific performance of any covenant, agreement, or other provision contained herein, or to enforce the discharge of each Merchant's obligations hereunder, or any other legal or equitable right or remedy. All rights, powers, and remedies of SA2 in connection with this Agreement, including each Protection listed in Section 17, may be exercised at any time by SA2 after the occurrence of an Event of Default, are cumulative and not exclusive, and will be in addition to any other rights, powers, or remedies provided by law or equity. In case any Event of Default occurs and is not waived, SA2 may elect that Merchant(s) be required to pay to SA2 25% of the unpaid balance of the Receivables Purchased Amount as liquidated damages for any reasonable expenses incurred by SA2 in connection with recovering the unpaid balance of the Receivables Purchased Amount ("Reasonable Expenses"), SA2 will not be required to itemize or prove its Reasonable Expenses, and all Merchant(s) and all Guarantor(s) agree that the Reasonable Expenses bear a reasonable relationship to SA2's actual expenses incurred in connection with recovering the unpaid balance of the Receivables Purchased Amount.

34. Assignment. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns, except that Merchant(s) shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of SA2, which consent may be withheld in SA2's sole discretion. SA2 may assign, transfer, or sell its rights under this Agreement, including, without limitation, its rights to receive the Receivables Purchased Amount, and its rights under Section 31 of this Agreement, the Guarantee, and any other agreement, instrument, or document executed in connection with the transactions contemplated by this Agreement (a "Related Agreement"), or delegate its duties

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Name:

Title:

Title:

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hereunder or thereunder, either in whole or in part. From and after the effective date of any such assignment or transfer by SA2, whether or not any Merchant has actual notice thereof, this Agreement and each Related Agreement shall be deemed amended and modified (without the need for any further action on the part of any Merchant or SA2) such that the assignee shall be deemed a party to this Agreement and any such Related Agreement and, to the extent provided in the assignment document between SA2 and such assignee (the "Assignment Agreement"), have the rights and obligations of SA2 under this Agreement and such Related Agreements with respect to the portion of the Receivables Purchased Amount set forth in such Assignment Agreement, including but not limited to rights in the Receivables, Collateral and Additional Collateral, the benefit of each Guarantor's guaranty regarding the full and prompt performance of every obligation that is a subject of the Guarantee, SA2's rights under Section 17 of this Agreement (Protections Against Default), and to receive damages from any Merchant following a breach of this Agreement by any Merchant. In connection with such assignment, SA2 may disclose all information that SA2 has relating to any Merchant or its business. Each Merchant agrees to acknowledge any such assignment in writing upon SA2's request.

35. Notices. All notices, requests, consents, demands, and other communications hereunder shall be delivered by certified mail, return receipt requested, or by overnight delivery with signature confirmation to the respective parties to this Agreement at their addresses set forth in this Agreement and shall become effective only upon receipt. Written notice may also be given to any Merchant or Guarantor by e-mail to the E-mail Address listed on the first page of this Agreement or by text message to the Phone Number listed on the first page of this Agreement if that phone number is for a mobile phone. Each Merchant must set its spam or junk mail filter to accept e-mails sent by and its domain. This Section is not applicable to service of process or notices in any legal proceedings.

36. Choice of Law. Each Merchant acknowledges and agrees that this Agreement was made in the State of New

York, that the Purchase Price is being paid by SA2 in the State of New York, that the Receivables Purchased Amount is being delivered to SA2 in the State of New York, and that the State of New York has a reasonable relationship to the transactions encompassed by this Agreement. This Agreement, any dispute or claim relating hereto, whether sounding in contract, tort, law, equity, or otherwise, the relationship between SA2 and each Merchant, and the relationship between SA2 and each Guarantor will be governed by and construed in accordance with the laws of the State of New York, without regard to any applicable principles of conflict of laws. Each Merchant represents that it does not have a principal place of business located in the Commonwealth of Virginia and that therefore the provisions of Chapter 22.1 of Title 6.2 of the Virginia Code are not applicable to this Agreement.

37. Venue and Forum Selection. Any litigation relating to this Agreement, whether sounding in contract, tort, law, equity, or otherwise, or involving SA2 on one side and any Merchant or any Guarantor on the other must be commenced and maintained in any court located in the Counties of Kings, Nassau, New York, or Sullivan in the State of New York (the "Acceptable Forums"). The parties agree that the Acceptable Forums are convenient, submit to the jurisdiction of the Acceptable Forums, and waive any and all objections to the jurisdiction or venue of the Acceptable Forums. If any litigation is initiated in any other venue or forum, the parties waive any right to oppose any motion or application made by any party to transfer such litigation to an Acceptable Forum. The parties agree that this Agreement encompasses the transaction of business within the City of New York and that the Civil Court of the City of New York ("Civil Court") will have jurisdiction over any litigation relating to this Agreement that is within the jurisdictional limit of the Civil Court. Notwithstanding any provision in this Agreement to the contrary, in addition to the Acceptable Forums, any action or proceeding to enforce a judgment or arbitration award against any Merchant or Guarantor or to restrain or collect any amount due to SA2 may be commenced and maintained in any other court that would otherwise be of competent jurisdiction, and each Merchant and each Guarantor agree that those courts are convenient, submit to the jurisdiction of those courts, waive any and all objections to the jurisdiction or venue of those courts, and may oppose any motion or application made by any party to transfer any such litigation to an Acceptable Forum.

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Name: YUTAKA NIIHARA

Title:

Date: 06/14/2023

Name:

Title:

Date: 06/14/2023

38. Jury Waiver. The parties agree to waive trial by jury in any dispute between them.

39. Counterclaim Waiver. In any litigation or arbitration commenced by SA2, each Merchant and each Guarantor will not be permitted to interpose any counterclaim.

40. Statutes of Limitations. Each Merchant and each Guarantor agree that any claim, whether sounding in contract, tort, law, equity, or otherwise, that is not asserted against SA2 within one year after its accrual will be time barred. Notwithstanding any provision in this Agreement to the contrary, each Merchant and each Guarantor agree that any application made by any of them to stay an arbitration initiated against any of them by SA2 will be time barred if made more than 20 days after receipt of the demand for arbitration.

41. Costs. Each Merchant and each Guarantor must pay all of SA2's reasonable costs associated with a breach by any Merchant of the covenants in this Agreement and the enforcement thereof, including but not limited to collection agency fees, attorney fees, which may include a contingency fee of up to 40% of the amount claimed, expert witness fees, and costs of suit.

42. Prejudgment and Postjudgment Interest. If SA2 becomes entitled to the entry of a judgment against any Merchant or any Guarantor, then SA2 will be entitled to the recovery of prejudgment interest at a rate of 24% per annum (or 16% per annum if any Merchant is a sole proprietorship), or the maximum rate permitted by applicable law if less, and upon entry of any such judgment, it will accrue interest at a postjudgment rate of 24% per annum (or 16% per annum if any Merchant is a sole proprietorship), or the maximum rate permitted by applicable law if less, which rate will govern over the statutory rate of interest up until actual satisfaction of the judgment.

43. Legal Fees. If SA2 prevails in any litigation or arbitration with any Merchant or any Guarantor, then that Merchant and/or Guarantor must pay SA2's reasonable attorney fees, which may include a contingency fee of up to 40% of the amount claimed.

44. Class Action Waiver. SA2, each Merchant, and each Guarantor agree that they may bring claims against each other relating to this Agreement only in their individual capacities, and not as a plaintiff or class action member in any purported class or representative proceedings.

45. Arbitration. Any action or dispute, whether sounding in contract, tort, law, equity, or otherwise, relating to this Agreement or involving SA2 on one side and any Merchant or any Guarantor on the other, including, but not limited to issues of arbitrability, will, at the option of any party to such action or dispute, be determined by arbitration in the State of New York. A judgment of the court shall be entered upon the award made pursuant to the arbitration. The arbitration will be administered either by Arbitration Services, Inc. under its Commercial Arbitration Rules as are in effect at that time, which rules are available at www.arbitrationservicesinc.com, or by Mediation And Civil Arbitration, Inc. under its Commercial Arbitration Rules as are in effect at that time, which rules are available at www.mcarbitration.org. Once an arbitration is initiated with one of these arbitral forums, it must be maintained exclusively before that arbitral forum and the other arbitral forum specified herein may not be used. Notwithstanding any provision to the contrary in the arbitration rules of the arbitral forum selected, the arbitration will be heard by a single arbitrator and not by a panel of arbitrators, any arbitration hearing relating to this Agreement must be held in the Counties of Nassau, New York, Queens, or Kings in the State of New York, and any witness in an arbitration hearing who does not reside in or have a place for the regular transaction of business located in New York City or the Counties of Nassau, Suffolk, or Westchester in the State of New York will be permitted to appear and testify remotely by telephone or video conferencing.

Each Merchant acknowledges and agrees that this Agreement is the product of communications conducted by telephone and the Internet, which are instrumentalities of interstate commerce, that the transactions contemplated under

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this Agreement will be made by wire transfer and ACH, which are also instrumentalities of interstate commerce, and that this Agreement therefore evidences a transaction affecting interstate commerce. Accordingly, notwithstanding any provision in this Agreement to the contrary, all matters of arbitration relating to this Agreement will be governed by and construed in accordance with the provisions of the Federal Arbitration Act, codified as Title 9 of the United States Code, however any application for injunctive relief in aid of arbitration or to confirm an arbitration award may be made under Article 75 of the New York Civil Practice Law and Rules or the laws of the jurisdiction in which the application is made, and the application will be governed by and construed in accordance with the laws under which the application is made, without regard to any applicable principles of conflict of laws. The arbitration agreement contained herein may also be enforced by any employee, agent, attorney, member, manager, officer, subsidiary, affiliate entity, successor, or assign of SA2.

46. Service of Process. Each Merchant and each Guarantor consent to service of process and legal notices made by First Class or Priority Mail delivered by the United States Postal Service and addressed to the Contact Address set forth on the first page of this Agreement or any other address(es) provided in writing to SA2 by any Merchant or any Guarantor, and unless applicable law or rules provide otherwise, any such service will be deemed complete upon dispatch. Each Merchant and each Guarantor agrees that it will be precluded from asserting that it did not receive service of process or any other notice mailed to the Contact Address set forth on the first page of this Agreement if it does not furnish a certified mail return receipt signed by SA2 demonstrating that SA2 was provided with notice of a change in the Contact Address.

47. Survival of Representation, etc. All representations, warranties, and covenants herein shall survive the execution and delivery of this Agreement and shall continue in full force until all obligations under this Agreement shall have been satisfied in full and this Agreement shall have terminated unless specified otherwise in this Agreement.

48. Waiver. No failure on the part of SA2 to exercise, and no delay in exercising, any right under this Agreement, shall operate as a waiver thereof, nor shall any single or partial exercise of any right under this Agreement preclude any other or further exercise thereof or the exercise of any other right. The remedies provided hereunder are cumulative and not exclusive of any remedies provided by law or equity.

49. Independent Sales Organizations/Brokers. Each Merchant and each Guarantor acknowledge that it may have been introduced to SA2 by or received assistance in entering into this Agreement or its Guarantee from an independent sales organization or broker ("ISO"). Each Merchant and each Guarantor agree that any ISO is separate from and is not an agent or representative of SA2. Each Merchant and each Guarantor acknowledge that SA2 is not bound by any promises or agreements made by any ISO that are not contained within this Agreement. Each Merchant and each Guarantor exculpate from liability and agree to hold harmless and indemnify SA2 and its officers, directors, members, shareholders, employees, and agents from and against all losses, damages, claims, liabilities, and expenses (including reasonable attorney and expert fees) incurred by any Merchant or any Guarantor resulting from any act or omission by any ISO. Each Merchant and each Guarantor acknowledge that any fee that they paid to any ISO for its services is separate and apart from any payment under this Agreement. Each Merchant and each Guarantor acknowledge that SA2 does not in any way require the use of an ISO and that any fees charged by any ISO are not required as a condition or incident to this Agreement.

50. Modifications: Agreements. No modification, amendment, waiver, or consent of any provision of this Agreement shall be effective unless the same shall be in writing and signed by all parties.

51. Severability. If any provision of this Agreement is deemed invalid or unenforceable as written, it will be construed, to the greatest extent possible, in a manner which will render it valid and enforceable, and any limitation on the scope or duration of any such provision necessary to make it valid and enforceable will be deemed to be part thereof. If any provision of this Agreement is deemed void, all other provisions will remain in effect.

52. Headings. Headings of the various articles and/or sections of this Agreement are for convenience only and
I have read and agree to the terms and conditions set forth above:

Name: YUTAKA NIIHARA
Title:
Date: 06/14/2023

Name:
Title:
Date: 06/14/2023

do not necessarily define, limit, describe, or construe the contents of such articles or sections.

53. Attorney Review. Each Merchant acknowledges that it has had an opportunity to review this Agreement and all addenda with counsel of its choosing before signing the documents or has chosen not to avail itself of the opportunity to do so.

54. Entire Agreement. This Agreement, inclusive of all addenda, if any, executed simultaneously herewith constitutes the full understanding of the parties to the transaction herein and may not be amended, modified, or canceled except in writing signed by all parties. Should there arise any conflict between this Agreement and any other document preceding it, this Agreement will govern. This Agreement does not affect any previous agreement between the parties unless such an agreement is specifically referenced herein. This Agreement will not be affected by any subsequent agreement between the parties unless this Agreement is specifically referenced therein.

55. Counterparts: Fax and Electronic Signatures. This Agreement may be executed electronically and in counterparts. Facsimile and electronic copies of this Agreement will have the full force and effect of an original.

I have read and agree to the terms and conditions set forth above:

Name: YUTAKA NIIHARA

Title:

Date: 06/14/2023

Name:

Title:

Date: 06/14/2023

STANDARD MERCHANT CASH ADVANCE AGREEMENT

EACH UNDERSIGNED HEREBY ACCEPTS THE TERMS OF THIS AGREEMENT

FOR THE MERCHANT/OWNER (#1)

_____	_____	
Print Name	Title	Signature
SS#:	Driver License Number:	

FOR THE MERCHANT/OWNER (#2)

_____	_____	
Print Name	Title	Signature
SS#:	Driver License Number:	

Approved for Slate Advance by: _

I have read and agree to the terms and conditions set forth above:

Name: YUTAKA NIIHARA

Title:

Date: 06/14/2023

Name:

Title:

Date: 06/14/2023

STANDARD MERCHANT CASH ADVANCE AGREEMENT

GUARANTEE

G1. Personal Guarantee of Performance. This is a personal guaranty of performance, dated 06/14/2023, of the Standard Merchant Cash Advance Agreement, dated 06/14/2023 ("Agreement"), inclusive of all addenda, if any, executed simultaneously therewith, by and between Slate Advance ("SA2") and EMMAUS MEDICAL, INC. and all entities listed on addendum - "MERCHANT LIST" ("Merchant"). Each undersigned Guarantor hereby guarantees each Merchant's performance of all of the representations, warranties, and covenants made by each Merchant to SA2 in the Agreement, inclusive of all addenda, if any, executed simultaneously herewith, as the Agreement may be renewed, amended, extended, or otherwise modified (the "Guaranteed Obligations"). Each Guarantor's obligations are due at the time of any breach by any Merchant of any representation, warranty, or covenant made by any Merchant in the Agreement.

G2. Communications. SA2 may use automated telephone dialing, text messaging systems, and e-mail to provide messages to Guarantor(s) about Merchant(s)'s account. Telephone messages may be played by a machine automatically when the telephone is answered, whether answered by an Owner, a Guarantor, or someone else. These messages may also be recorded by the recipient's answering machine or voice mail. Each Guarantor gives SA2 permission to call or send a text message to any telephone number given to SA2 in connection with this Agreement and to play pre-recorded messages and/or send text messages with information about this Agreement and/or any Merchant's account over the phone. Each Guarantor also gives SA2 permission to communicate such information to them by e-mail. Each Guarantor agrees that SA2 will not be liable to any of them for any such calls or electronic communications, even if information is communicated to an unintended recipient. Each Guarantor acknowledges that when they receive such calls or electronic communications, they may incur a charge from the company that provides them with telecommunications, wireless, and/or Internet services, and that SA2 has no liability for any such charges.

G3. Guarantor Waivers. If SA2 considers any Event of Default to have taken place under the Agreement, then SA2 may enforce its rights under this Guarantee without first seeking to obtain payment from any Merchant, any other guarantor, or any Collateral or Cross-Collateral SA2 may hold pursuant to this Guarantee or any other agreement or guarantee. SA2 does not have to notify any Guarantor of any of the following events and Guarantor(s) will not be released from its obligations under this Guarantee even if it is not notified of: (i) any Merchant's failure to pay timely any amount owed under the Agreement; (ii) any adverse change in any Merchant's financial condition or business; (iii) any sale or other disposition of any collateral securing the Guaranteed Obligations or any other guarantee of the Guaranteed Obligations; (iv) SA2's acceptance of the Agreement with any Merchant; and (v) any renewal, extension, or other modification of the Agreement or any Merchant's other obligations to SA2. In addition, SA2 may take any of the following actions without releasing any Guarantor from any obligations under this Guarantee: (i) renew, extend, or otherwise modify the Agreement or any Merchant's other obligations to SA2; (ii) if there is more than one Merchant, release a Merchant from its obligations to SA2 such that at least one Merchant remains obligated to SA2; (iii) sell, release, impair, waive, or otherwise fail to realize upon any collateral securing the Guaranteed Obligations or any other guarantee of the Guaranteed Obligations; and (iv) foreclose on any collateral securing the Guaranteed Obligations or any other guarantee of the Guaranteed Obligations in a manner that impairs or precludes the right of Guarantor to obtain reimbursement for payment under the Agreement. Until the Receivables Purchased Amount and each Merchant's other obligations to SA2 under the Agreement and this Guarantee are paid in full, each Guarantor shall not seek reimbursement from any Merchant or any other guarantor for any amounts paid by it under the Agreement. Each Guarantor permanently waives and shall not seek to exercise any of the following rights that it may have against any Merchant, any other guarantor, or any collateral provided by any Merchant or any other guarantor, for any amounts paid by it or acts performed by it under this Guarantee: (i) subrogation; (ii) reimbursement; (iii) performance; (iv) indemnification; or (v) contribution.

G4. Joint and Several Liability. The obligations hereunder of the persons or entities constituting each Guarantor under this Guarantee are joint and several.

I have read and agree to the terms and conditions set forth above:

Name: YUTAKA NIIHARA

Title:

Date: 06/14/2023

Name:

Title:

Date: 06/14/2023

STANDARD MERCHANT CASH ADVANCE AGREEMENT

G5. Choice of Law. Each Guarantor acknowledges and agrees that the Agreement and this Guarantee were made in the State of New York, that the Purchase Price is being paid by SA2 in the State of New York, that the

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Title:

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STANDARD MERCHANT CASH ADVANCE AGREEMENT

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Receivables Purchased Amount is being delivered to SA2 in the State of New York, and that the State of New York has a reasonable relationship to the transactions encompassed by the Agreement and this Guarantee. The Agreement, this Guarantee, any dispute or claim relating to the Agreement or this Guarantee, whether sounding in contract, tort, law, equity, or otherwise, the relationship between SA2 and each Merchant, and the relationship between SA2 and each Guarantor will be governed by and construed in accordance with the laws of the State of New York, without regard to any applicable principles of conflict of laws.

G6. Venue and Forum Selection. Any litigation, whether sounding in contract, tort, law, equity, or otherwise, relating to the Agreement or this Guarantee or involving SA2 on one side and any Merchant or any Guarantor on the other must be commenced and maintained in any court located in the Counties of Kings, Nassau, New York, or Sullivan in the State of New York (the "Acceptable Forums"). The parties agree that the Acceptable Forums are convenient, submit to the jurisdiction of the Acceptable Forums, and waive any and all objections to the jurisdiction or venue of the Acceptable Forums. If any litigation is initiated in any other venue or forum, the parties waive any right to oppose any motion or application made by any party to transfer such litigation to an Acceptable Forum. The parties agree that this Guarantee encompasses the transaction of business within the City of New York and that the Civil Court of the City of New York ("Civil Court") will have jurisdiction over any litigation relating to this Guarantee that is within the jurisdictional limit of the Civil Court. Notwithstanding any provision in this Agreement to the contrary, in addition to the Acceptable Forums, any action or proceeding to enforce a judgment or arbitration award against any Merchant or Guarantor or to restrain or collect any amount due to SA2 may be commenced and maintained in any other court that would otherwise be of competent jurisdiction, and each Merchant and each Guarantor agree that those courts are convenient, submit to the jurisdiction of those courts, waive any and all objections to the jurisdiction or venue of those courts, and may oppose any motion or application made by any party to transfer any such litigation to an Acceptable Forum.

G7. Jury Waiver. Each Guarantor agrees to waive trial by jury in any dispute with SA2.

G8. Counterclaim Waiver. In any litigation or arbitration commenced by SA2, each Merchant and each Guarantor will not be permitted to interpose any counterclaim.

G9. Statutes of Limitations. Each Merchant and each Guarantor agree that any claim, whether sounding in contract, tort, law, equity, or otherwise, that is not asserted against SA2 within one year of its accrual will be time barred. Notwithstanding any provision in the Agreement or this Guarantee to the contrary, each Merchant and each Guarantor agree that any application made by any of them to stay an arbitration initiated against any of them by SA2 will be time barred if made more than 20 days after receipt of the demand for arbitration.

G10. Costs. Each Merchant and each Guarantor must pay all of SA2's reasonable costs associated with a breach by any Merchant of the covenants in this Agreement or this Guarantee and the enforcement thereof, including but not limited to collection agency fees, expert witness fees, and costs of suit.

G11. Prejudgment and Postjudgment Interest. If SA2 becomes entitled to the entry of a judgment against any Merchant or any Guarantor, then SA2 will be entitled to the recovery of prejudgment interest at a rate of 24% per annum (or 16% per annum if any Merchant is a sole proprietorship), or the maximum rate permitted by applicable law if less, and upon entry of any such judgment, it will accrue interest at a postjudgment rate of 24% per annum (or 16% per annum if any Merchant is a sole proprietorship), or the maximum rate permitted by applicable law if less, which rate will govern over the statutory rate of interest up until actual satisfaction of the judgment.

G12. Legal Fees. If SA2 prevails in any litigation or arbitration with any Merchant or any Guarantor, then that Merchant and/or Guarantor must pay SA2's reasonable attorney fees, which may include a contingency fee of up to 40% of the amount claimed.

I have read and agree to the terms and conditions set forth above:

Name: YUTAKA NIIHARA

Name:

Title:

Title:

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STANDARD MERCHANT CASH ADVANCE AGREEMENT

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G13. Class Action Waiver. SA2, each Merchant, and each Guarantor agree that they may bring claims against

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Title:

Date: 06/14/2023

Name:

Title:

Date: 06/14/2023

STANDARD MERCHANT CASH ADVANCE AGREEMENT

each other relating to this Agreement only in their individual capacities, and not as a plaintiff or class action member in any purported class or representative proceedings.

G14. Arbitration. Any action or dispute, whether sounding in contract, tort, law, equity, or otherwise, relating to the Agreement, this Guarantee, or involving SA2 on one side and any Merchant or any Guarantor on the other, including, but not limited to issues of arbitrability, will, at the option of any party to such action or dispute, be determined by arbitration in the State of New York. A judgment of the court shall be entered upon the award made pursuant to the arbitration. The arbitration will be administered either by Arbitration Services, Inc. under its Commercial Arbitration Rules as are in effect at that time, which rules are available at www.arbitrationservicesinc.com, or by Mediation And Civil Arbitration, Inc. under its Commercial Arbitration Rules as are in effect at that time, which rules are available at www.mcarbitration.org. Once an arbitration is initiated with one of these arbitral forums, it must be maintained exclusively before that arbitral forum and the other arbitral forum specified herein may not be used. Notwithstanding any provision to the contrary in the arbitration rules of the arbitral forum selected, the arbitration will be heard by a single arbitrator and not by a panel of arbitrators, any arbitration relating to the Agreement or this Guarantee must be held in the Counties of Nassau, New York, Queens, or Kings in the State of New York, and any witness in an arbitration hearing who does not reside in or have a place for the regular transaction of business located in New York City or the Counties of Nassau, Suffolk, or Westchester in the State of New York will be permitted to appear and testify remotely by telephone or video conferencing.

Each Guarantor acknowledges and agrees that the Agreement and this Guarantee are the products of communications conducted by telephone and the Internet, which are instrumentalities of interstate commerce, that the transactions contemplated under the Agreement will be made by wire transfer and ACH, which are also instrumentalities of interstate commerce, and that the Agreement and this Guarantee therefore evidence a transaction affecting interstate commerce. Accordingly, notwithstanding any provision in the Agreement or this Guarantee to the contrary, all matters of arbitration relating to the Agreement or this Guarantee will be governed by and construed in accordance with the provisions of the Federal Arbitration Act, codified as Title 9 of the United States Code, however any application for injunctive relief in aid of arbitration or to confirm an arbitration award may be made under Article 75 of the New York Civil Practice Law and Rules or the laws of the jurisdiction in which the application is made, and the application will be governed by and construed in accordance with the laws under which the application is made, without regard to any applicable principles of conflict of laws. The arbitration agreement contained herein may also be enforced by any employee, agent, attorney, member, manager, officer, subsidiary, affiliate entity, successor, or assign of SA2.

G15. Service of Process. Each Merchant and each Guarantor consent to service of process and legal notices made by First Class or Priority Mail delivered by the United States Postal Service and addressed to the Contact Address set forth on the first page of the Agreement or any other address(es) provided in writing to SA2 by any Merchant or any Guarantor, and unless applicable law or rules provide otherwise, any such service will be deemed complete upon dispatch. Each Merchant and each Guarantor agrees that it will be precluded from asserting that it did not receive service of process or any other notice mailed to the Contact Address set forth on the first page of the Agreement if it does not furnish a certified mail return receipt signed by SA2 demonstrating that SA2 was provided with notice of a change in the Contact Address.

G16. Severability. If any provision of this Guarantee is deemed invalid or unenforceable as written, it will be construed, to the greatest extent possible, in a manner which will render it valid and enforceable, and any limitation on the scope or duration of any such provision necessary to make it valid and enforceable will be deemed to be part thereof. If any provision of this Guarantee is deemed void, all other provisions will remain in effect.

G17. Survival. The provisions of Sections G2, G3, G4, G5, G6, G7, G8, G9, G10, G11, G12, G13, G14, G15, G16, G17, G18, G19, G20, and G21 shall survive any termination of this Guarantee.

G18. Headings. Headings of the various articles and/or sections of this Guarantee are for convenience only and do not necessarily define, limit, describe, or construe the contents of such articles or sections.

STANDARD MERCHANT CASH ADVANCE AGREEMENT

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G19. Attorney Review. Each Guarantor acknowledges that it has had an opportunity to review this Guarantee, the Agreement, and all addenda with counsel of its choosing before signing the documents or has chosen not to avail itself of the opportunity to do so.

G20. Entire Agreement. This Guarantee, inclusive of all addenda, if any, executed simultaneously herewith may not be amended, modified, or canceled except in writing signed by all parties. Should there arise any conflict between this Guarantee and any other document preceding it, this Guarantee will govern. This Guarantee does not affect any previous agreement between the parties unless such an agreement is specifically referenced in the Agreement or herein. This Guarantee will not be affected by any subsequent agreement between the parties unless this Guarantee is specifically referenced therein.

G21. Counterparts; Fax and Electronic Signatures. This Guarantee may be executed electronically and in counterparts. Facsimile and electronic copies of this Guarantee will have the full force and effect of an original.

THE TERMS, DEFINITIONS, CONDITIONS AND INFORMATION SET FORTH IN THE "STANDARD MERCHANT CASH ADVANCE AGREEMENT", INCLUDING THE "TERMS AND CONDITIONS", ARE HEREBY INCORPORATED IN AND MADE A PART OF THIS GUARANTEE. CAPITALIZED TERMS NOT DEFINED IN THIS GUARANTEE SHALL HAVE THE MEANING SET FORTH IN THE STANDARD MERCHANT CASH ADVANCE AGREEMENT, INCLUDING THE TERMS AND CONDITIONS.

EACH UNDERSIGNED HEREBY ACCEPTS THE TERMS OF THIS GUARANTEE

GUARANTOR (#1)

By: _____
(Print Name)

(Signature)

SS# _____ Driver License Number

GUARANTOR (#2

)
By: _____
(Print Name)

(Signature)

SS# _____ Driver License Number

BANK INFORMATION

Dear Merchant,

We look forward to being your funding partner.

You authorize Slate Advance to collect the Receivables Purchased Amount under this Agreement by ACH debiting your bank account with the bank listed below.

Slate Advance will require viewing access to your bank account each business day.

Slate Advance will also require viewing access to your bank account, prior to funding, as part of our underwriting process.

Please fill out the form below with the information necessary to access your account.

Name of Bank:

Name of account: EMMAUS MEDICAL, INC.

Account number:

Routing number: Bank Portal Website:

Username:

Password:

Security Question/Answer 1:

Security Question/Answer 2:

Security Question/Answer 3:

Any other information necessary to
access your account:

If you have any questions please feel free to contact us directly at (646) 437-6010.

DUM TO STANDARD MERCHANT CASH ADVANCE AGREEMENT FOR ESTIMATED PAYMENTS

This is an Addendum, dated 06/14/2023, to the Standard Merchant Cash Advance Agreement ("Agreement"), dated 06/14/2023, between Slate Advance ("SA2") and EMMAUS MEDICAL, INC. and all entities listed on addendum - "MERCHANT LIST" ("Merchant"). This Addendum incorporates the Agreement by reference. The terms of this Addendum will control to the extent they conflict with any of the terms in the Agreement.

Instead of debiting the 25.00% Specified Percentage of Merchant's Receivables, SA2 may instead debit \$33,752.31 ("Estimated Payment") from the Account every week. The Estimated Payment is intended to be an approximation of no more than the Specified Percentage. The Estimated Payment is subject to any Cap imposed by Section 3 of the Agreement.

Any Merchant may give written notice to SA2 requesting that SA2 conduct a reconciliation in order to ensure that the amount that SA2 has collected equals the Specified Percentage of Merchant(s)'s Receivables under this Agreement. Any Merchant may give written notice requesting a reconciliation. A request for reconciliation may also be made by e-mail to and such notice will be deemed to have been received if and when SA2 sends a reply e-mail (but not a read receipt). If such reconciliation determines that SA2 collected more than it was entitled to, then within seven days thereafter, SA2 will credit to the Account all amounts to which SA2 was not entitled and decrease the Estimated Payment so that it is consistent with the Specified Percentage of Merchant(s)'s Receivables from the date of the Agreement through the date of the reconciliation. If such reconciliation determines that SA2 collected less than it was entitled to, then within seven days thereafter, SA2 will debit from the Account all additional amounts to which SA2 was entitled and increase the Estimated Payment so that it is consistent with the Specified Percentage of Merchant(s)'s Receivables from the date of the Agreement through the date of the reconciliation, with the increase being subject to any Cap in place on collections. In order to effectuate this reconciliation, any Merchant must produce with its request the login and password for the Account and any and all bank statements and merchant statements covering the period from the date of this Agreement through the date of the request for a reconciliation. SA2 will complete each such reconciliation within two business days after receipt of a written request for one accompanied by the information and documents required for it. Nothing herein limits the amount of times that such a reconciliation may be requested.

FOR THE MERCHANT/OWNER (#1)

By: _____
(Print Name) (Print Title) (Signature)

FOR THE MERCHANT/OWNER (#2)

By: _____
(Print Name) (Print Title) (Signature)

O STANDARD MERCHANT CASH ADVANCE AGREEMENT FOR ADDITIONAL FEES

This is an Addendum, dated 06/14/2023, to the Standard Merchant Cash Advance Agreement ("Agreement"), dated 06/14/2023, between Slate Advance ("SA2") and EMMAUS MEDICAL, INC. and all entities listed on addendum - "MERCHANT LIST" ("Merchant"). This Addendum incorporates the Agreement by reference. The terms of this Addendum will control to the extent they conflict with any of the terms in the Agreement.

Each Merchant may be held responsible for an NSF/ Rejected ACH Fee of \$50.00 for each time an ACH debit to the Account by SA2 is returned or otherwise rejected. No Merchant will be held responsible for such a fee if any Merchant gives SA2 advance notice of no more than one business day in advance that the Account has insufficient funds to be debited by SA2 and no Merchant is otherwise in default of the terms of the Agreement. Each such fee may be deducted from any payment collected by SA2 or may be collected in addition to any other payment collected by SA2 under this Agreement.

FOR THE MERCHANT/OWNER (#1)

By: (Print Name) (Print Title) (Signature)

FOR THE MERCHANT/OWNER (#2)

By: (Print Name) (Print Title) (Signature)

DECLARATION OF ORDINARY COURSE OF BUSINESS

Each undersigned hereby declares the following:

1.I am duly authorized to sign the Standard Merchant Cash Advance Agreement ("Agreement"), dated 06/14/2023, between Slate Advance ("SA2") and EMMAUS MEDICAL, INC. and all entities listed on addendum - "MERCHANT LIST" ("Merchant") on behalf of Merchant.

2.This Declaration incorporates by reference the Agreement and every addendum to it.

3.I acknowledge that I am authorized to sign the Agreement and every addendum to it on behalf of each Merchant.

4.I acknowledge that I had sufficient time to review the Agreement and every addendum to it before signing it.

5.I acknowledge that I had an opportunity to seek legal advice from counsel of my choosing before signing the Agreement and every addendum to it.

6.I acknowledge that each Merchant is entering into the Agreement voluntarily and without any coercion.

7.I acknowledge that each Merchant is entering into the Agreement in the ordinary course of its business.

8.I acknowledge that the payments to be made from any Merchant to SA2 under the Agreement are being made in the ordinary course of each Merchant's business.

9.I am aware of each Merchant's right to request a reconciliation of the payments made under the Agreement at any time.

10.I DECLARE UNDER PENALTY OF PERJURY THAT THE FOREGOING IS TRUE AND CORRECT.

Executed on :

FOR THE MERCHANT/OWNER (#1)

By: (Print Name) (Print Title) (Signature)

FOR THE MERCHANT/OWNER (#2)

By: (Print Name) (Print Title) (Signature)

ADDENDUM TO STANDARD MERCHANT CASH ADVANCE AGREEMENT – MERCHANT LIST

This is an Addendum, dated 06/14/2023, to the Standard Merchant Cash Advance Agreement ("Agreement") of Slate Advance ("SA2"), dated 06/14/2023. This Addendum incorporates the Agreement by reference. Each Contact Address set forth in this Addendum will be treated as if it is set forth as a Contact Address on Page 1 of the Agreement. The terms of this Addendum will control to the extent they conflict with any of the terms in the Agreement.

The following entities and/or sole proprietorships will be a Merchant under the Agreement:

Merchant #1's Legal Name: EMMAUS MEDICAL, INC.

D/B/A: EMMAUS MEDICAL

Type of Entity: Corporation Fed ID #: _____

Business Address: 21250 Hawthorne Boulevard City: Torrance State: CA Zip: 90503

Contact Address: _____ City: _____ State: _____ Zip: _____

FOR MERCHANT #1

By: _____

(Print Name and Title) (Signature)

By: _____

(Print Name and Title) (Signature)

Merchant #2's Legal Name: EMMAUS LIFE SCIENCES, INC.

D/B/A: EMMAUS LIFE SCIENCES

Type of Entity: Corporation Fed ID #: _____

Business Address: _____ City: _____ State: _____ Zip: _____

Contact Address: _____ City: _____ State: _____ Zip: _____

FOR MERCHANT #2

By: _____

(Print Name and Title) (Signature)

By: _____

(Print Name and Title) (Signature)

Merchant #3's Legal Name: EMI HOLDING, INC.

D/B/A: EMI HOLDING

Type of Entity: Corporation Fed ID #: _____

Business Address: _____ City: _____ State: _____ Zip: _____

Contact Address: _____ City: _____ State: _____ Zip: _____

FOR MERCHANT #3

By: _____

(Print Name and Title) (Signature)

By: _____

(Print Name and Title) (Signature)

Merchant #4's Legal Name: NEWFIELD NUTRITION CORPORATION

D/B/A: NEWFIELD NUTRITION CORPORATION

Type of Entity: Corporation Fed ID #: _____

Business Address: _____ City: _____ State: _____ Zip: _____

Contact Address: _____ City: _____ State: _____ Zip: _____

FOR MERCHANT #4

By: _____

(Print Name and Title) (Signature)

By:

(Print Name and Title)

(Signature)

AUTHORIZATION TO INITIATE ACH DEBIT ENTRIES

Name of Company Slate Advance

CUSTOMER INFORMATION

I (We) hereby authorize Company as shown above, hereinafter called COMPANY, to initiate debit entries to my (our) bank account as detailed below, and to debit the same to such account. Should a transaction be returned, I (we) further authorize debiting this account for non-sufficient fund fees according to applicable State Law. I (we) acknowledge that the origination of ACH transactions to my (our) account must comply with the provisions of U.S. Law.

Full Name on Account: EMMAUS MEDICAL, INC. Account #:

Routing #:

Account Type (select one): ☐Checking ☐Savings

Account Class (select one): ☐Consumer Account ☐Business Account

Debit Payment Details:

Payment Amount: \$33,752.31 Number of payments: 26

Date of next payment: Frequency of payments: weekly

(example: one-time, monthly, etc.)

I agree to be bound by the ACH Rules as defined by the National ACH Association (NACHA). I understand that this authorization is to remain in full force and effect until Company has received written notification from me of its termination at least five (5) business days prior to the payment due date. I further understand that canceling my ACH authorization does not relieve me of the responsibility of paying my account in full, and that if I cancel or revoke this authorization before any remaining debt is paid in full, the Company may take additional actions including legal actions to secure the debt.

Date: 06/14/2023 (Authorized Signer for Account)

Customer Printed Name:

Customer Contact Telephone #:

OPTION ADDENDUM

This is an addendum to the Cash Advance Agreement ("Agreement") entered into between Slate Advance and EMMAUS MEDICAL, INC. ("Merchant") dated 06/14/2023. This addendum concerns Receivables Purchased Amount of \$877,560.00 as specified on page 1 of the Agreement.

1) This Option Addendum is not valid if paid by a finance/ factoring company including Slate Advance.

This addendum shall confirm that if the merchant pays \$716,880.00 on or before 30 calendar days from the time of funding , the balance will be considered paid in full.

This addendum shall confirm that if the merchant pays \$772,500.00 on or before 90 calendar days from the time of funding , the balance will be considered paid in full.

I have read and agree to the terms and conditions set forth above:

Name:

Title:

Date: 06/14/2023

Name:

Title:

Date: 06/14/2023

Certification of Chief Executive Officer pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Yutaka Niihara, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Emmaus Life Sciences, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under 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 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 14, 2023

/s/ Yutaka Niihara
Yutaka Niihara, M.D., M.P.H.
Chief Executive Officer
(Principal Executive Officer)

Certification of Chief Financial Officer pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Yasushi Nagasaki, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Emmaus Life Sciences, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under 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 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 14, 2023

/s/ Yasushi Nagasaki
Yasushi Nagasaki
Chief Financial Officer
(Principal Financial Officer)

Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report of Emmaus Life Sciences, Inc. (the “Company”) on Form 10-Q for the quarter ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned, in the capacities and on the date indicated below, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

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

/s/ Yutaka Niihara
Yutaka Niihara, M.D., M.P.H.
Chief Executive Officer
(Principal Executive Officer)
August 14, 2023

/s/ Yasushi Nagasaki
Yasushi Nagasaki
Chief Financial Officer
(Principal Financial and Accounting Officer)
August 14, 2023
