

**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 September 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 November 10, 2023.

EMMAUS LIFE SCIENCES, INC.
For the Quarterly Period Ended September 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)

	As of	
	September 30, 2023	December 31, 2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,505	\$ 2,021
Accounts receivable, net	4,587	375
Inventories, net	1,650	2,379
Prepaid expenses and other current assets	1,515	1,514
Total current assets	9,257	6,289
Property and equipment, net	60	75
Equity method investment	17,737	18,828
Right of use assets	2,510	2,799
Investment in convertible bond	17,596	19,971
Other assets	293	263
Total assets	<u>\$ 47,453</u>	<u>\$ 48,225</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 16,285	\$ 13,549
Operating lease liabilities, current portion	831	703
Conversion feature derivative, notes payable	1,251	3,248
Other current liabilities	14,400	12,917
Warrant derivative liabilities	522	70
Notes payable, current portion, net of discount	8,488	6,814
Notes payable to related parties	2,422	2,367
Convertible notes payable, net of discount	15,819	14,655
Convertible notes payable to related parties, net of discount	899	—
Total current liabilities	60,917	54,323
Operating lease liabilities, less current portion	2,070	2,553
Other long-term liabilities	17,240	21,714
Notes payable, less current portion, net of discount	156	380
Notes payable to related parties, net of discount	3,400	3,346
Total liabilities	83,783	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 September 30, 2023 and December 31, 2022, respectively	54	50
Additional paid-in capital	222,439	220,815
Accumulated other comprehensive loss	(1,503)	(2,619)
Accumulated deficit	(257,320)	(252,337)
Total stockholders' deficit	(36,330)	(34,091)
Total liabilities & stockholders' deficit	<u>\$ 47,453</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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
REVENUES, NET	\$ 5,018	\$ 4,939	\$ 22,530	\$ 12,460
COST OF GOODS SOLD	214	540	1,151	1,943
GROSS PROFIT	4,804	4,399	21,379	10,517
OPERATING EXPENSES				
Research and development	414	432	1,023	1,196
Selling	1,497	1,664	6,345	5,076
General and administrative	2,869	2,963	11,826	9,413
Total operating expenses	4,780	5,059	19,194	15,685
INCOME (LOSS) FROM OPERATIONS	24	(660)	2,185	(5,168)
OTHER INCOME (EXPENSE)				
Loss on debt extinguishment	(647)	(421)	(647)	(421)
Change in fair value of warrant derivative liabilities	589	51	1,034	1,341
Change in fair value of conversion feature derivative, notes payable	3,069	3,850	2,100	3,235
Realized loss on investment in convertible bond	—	—	(297)	(133)
Net loss on equity method investment	(381)	(431)	(1,347)	(1,490)
Foreign exchange loss	(821)	(1,470)	(3,227)	(5,131)
Interest and other income	181	175	514	530
Interest expense	(1,909)	(1,520)	(5,204)	(3,544)
Total other income (expenses)	81	234	(7,074)	(5,613)
INCOME (LOSS) BEFORE INCOME TAXES	105	(426)	(4,889)	(10,781)
Income tax provision (benefit)	38	(35)	53	44
NET INCOME (LOSS)	67	(391)	(4,942)	(10,825)
COMPONENTS OF OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized loss on debt securities available for sale (net of tax)	(1,614)	(3,047)	(249)	(7,112)
Reclassification adjustment for gain included in net income	—	—	403	7
Foreign currency translation adjustments	225	481	962	1,455
OTHER COMPREHENSIVE INCOME (LOSS)	(1,389)	(2,566)	1,116	(5,650)
COMPREHENSIVE LOSS	\$ (1,322)	\$ (2,957)	\$ (3,826)	\$ (16,475)
NET INCOME (LOSS) PER COMMON SHARE - BASIC	\$ 0.00	\$ (0.01)	\$ (0.09)	\$ (0.22)
NET LOSS PER COMMON SHARE - DILUTED	\$ (0.01)	\$ (0.01)	\$ (0.09)	\$ (0.22)
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING -BASIC	53,637,554	49,558,501	52,414,903	49,397,690
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING - DILUTED	138,375,065	49,558,501	52,414,903	49,397,690

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 paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Total stockholders' deficit
	Shares	Amount				
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	53,637,554	54	222,415	(114)	(257,387)	(35,032)
Share-based compensation	—	—	24	—	—	24
Unrealized loss on debt securities available for sale (net of tax)	—	—	—	(1,614)	—	(1,614)
Foreign currency translation effect	—	—	—	225	—	225
Net income	—	—	—	—	67	67
Balance, September 30, 2023	<u>53,637,554</u>	<u>\$ 54</u>	<u>\$ 222,439</u>	<u>\$ (1,503)</u>	<u>\$ (257,320)</u>	<u>\$ (36,330)</u>

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

	Common stock		Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Total stockholders' deficit
	Shares	Amount				
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	49,558,501	50	220,800	(3,339)	(252,146)	(34,635)
Share-based compensation	—	—	3	—	—	3
Unrealized loss on debt securities available for sale (net of tax)	—	—	—	(3,047)	—	(3,047)
Foreign currency translation effect	—	—	—	481	—	481
Net loss	—	—	—	—	(391)	(391)
Balance, September 30, 2022	<u>49,558,501</u>	<u>\$ 50</u>	<u>\$ 220,803</u>	<u>\$ (5,905)</u>	<u>\$ (252,537)</u>	<u>\$ (37,589)</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)

	Nine Months Ended September 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (4,942)	\$ (10,825)
Adjustments to reconcile net loss to net cash flows used in operating activities		
Depreciation and amortization	26	40
Inventory reserve	85	1,240
Amortization of discount of notes payable and convertible notes payable	1,849	1,303
Foreign exchange adjustments	3,167	5,072
Realized loss on investment on convertible bond	297	133
Loss on equity method investment	1,347	1,490
Loss on debt extinguishment	647	421
Loss on leased assets	—	22
Share-based compensation	1,239	13
Shares issued for services	—	55
Fair value of warrants issued for services	334	—
Change in fair value of warrant derivative liabilities	(1,034)	(1,341)
Change in fair value of conversion feature derivative, notes payable	(2,100)	(3,235)
Changes in fair value option instrument	(32)	—
Net changes in operating assets and liabilities		
Accounts receivable	(4,215)	(485)
Inventories	636	390
Prepaid expenses and other current assets	(3)	176
Other non-current assets	66	446
Accounts payable and accrued expenses	3,237	1,479
Other current liabilities	95	(3,199)
Other long-term liabilities	(3,238)	55
Net cash flows used in operating activities	(2,539)	(6,750)
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	(2,647)	(4,226)
Net cash flows used in investing activities	(426)	(1,325)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable issued	5,706	4,283
Proceeds from notes payable issued, related parties	227	5,469
Proceeds from convertible notes payable issued	1,000	—
Proceeds from convertible notes payable issued, related party	1,000	—
Payments of notes payable	(5,341)	(2,689)
Payments of notes payable, related party	(110)	—
Net cash flows provided by financing activities	2,482	7,063
Effect of exchange rate changes on cash	(33)	(88)
Net decrease in cash and cash equivalents	(516)	(1,100)
Cash and cash equivalents, beginning of period	2,021	2,279
Cash and cash equivalents, end of period	<u>\$ 1,505</u>	<u>\$ 1,179</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW ACTIVITIES		
Interest paid	\$ 1,679	\$ 817
Income taxes paid	\$ 35	\$ 16
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Renewal of notes payable, including interest capitalized	\$ 618	\$ —
Conversion of convertible note payable to common stock	\$ 1,500	\$ —
Newly acquired right-of-use lease asset	<u>\$ 189</u>	<u>\$ —</u>

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 nine months ended September 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 condensed 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 \$4.9 million for the nine months ended September 30, 2023 and had a working capital deficit of \$51.7 million as of September 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 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. Except as described below under “Factoring accounts receivable,” the Company has no understanding or arrangement for any additional financing, and there can be no assurance that the Company will be able to restructure or refinance its existing indebtedness or 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 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 these 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.

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 \$366,000 and \$730,000 of factoring accounts receivable and other current liabilities included approximately \$8,000 and \$55,000 of liabilities from factoring at September 30, 2023 and December 31, 2022, respectively. For the three months ended September 30, 2023 and 2022, the Company incurred approximately \$100,000 and \$121,000, respectively, of factoring fees. For the nine months ended September 30, 2023 and 2022, the Company incurred approximately \$440,000 and \$275,000, respectively of factoring fees.

Net income (loss) per share — In accordance with Accounting Standard Codification (“ASC”) 260, “*Earnings per Share*,” the basic net income (loss) per common share is computed by dividing net income (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 September 30, 2023 and September 30, 2022, the Company had outstanding potentially dilutive securities exercisable for or convertible into 108,292,553 shares and 52,635,590 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 each of the nine months ended September 30, 2023 and September 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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Endari®	\$ 4,933	\$ 4,763	\$ 21,925	\$ 12,072
Other	85	176	605	388
Revenues, net	<u>\$ 5,018</u>	<u>\$ 4,939</u>	<u>\$ 22,530</u>	<u>\$ 12,460</u>

The following table summarizes the revenue allowance and accrual activities for the nine months ended September 30, 2023 and September 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	1,677	3,228	387	5,293
Adjustments related to prior period sales	(213)	136	25	(52)
Credits and payments made	(1,853)	(2,300)	(442)	(4,595)
Balance as of September 30, 2023	<u>\$ 969</u>	<u>\$ 4,782</u>	<u>\$ 385</u>	<u>\$ 6,136</u>
Balance as of December 31, 2021	\$ 1,481	\$ 3,133	\$ 539	\$ 5,153
Provision related to sales in the current year	1,859	1,828	210	3,897
Adjustments related to prior period sales	(56)	18	569	531
Credits and payments made	(2,379)	(1,656)	(977)	(5,012)
Balance as of September 30, 2022	<u>\$ 905</u>	<u>\$ 3,323</u>	<u>\$ 341</u>	<u>\$ 4,569</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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Customer A	32 %		8 %	23 %
Customer B	21 %		35 %	27 %
Customer C	12 %		13 %	12 %
Customer D	21 %		15 %	11 %
Customer E	5 %		0 %	4 %

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 September 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):

	September 30, 2023		December 31, 2022	
Raw materials and components	\$	1,362	\$	1,393
Work-in-process		228		513
Finished goods		5,100		5,428
Inventory reserve		(5,040)		(4,955)
Total inventories, net	\$	<u>1,650</u>	\$	<u>2,379</u>

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

	September 30, 2023		December 31, 2022	
Prepaid insurance	\$	132	\$	598
Prepaid expenses		736		467
Other current assets		647		449
Total prepaid expenses and other current assets	\$	<u>1,515</u>	\$	<u>1,514</u>

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

	September 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		(455)		(430)
Total property and equipment, net	\$	<u>60</u>	\$	<u>75</u>

During the three months ended September 30, 2023 and 2022, depreciation expense was approximately \$7,000 and \$9,000, respectively. During the nine months ended September 30, 2023 and 2022, depreciation expense was approximately \$26,000 and \$30,000, 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 September 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 September 30, 2023 and December 31, 2022 (in thousands):

Investment in convertible bond	September 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	(249)	(3,084)
Balance, end of period	<u>\$ 17,596</u>	<u>\$ 19,971</u>

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

	September 30, 2023	December 31, 2022
Principal outstanding (South Korean won)	KRW 23.6 billion	KRW 26.5 billion
Stock price	KRW 790	KRW 1,015
Expected life (in years)	7.04	7.79
Selected yield	13.25 %	13.50 %
Expected volatility (Telcon common stock)	75.50 %	78.50 %
Risk-free interest rate (South Korea government bond)	3.96 %	3.74 %
Expected dividend yield	—	—
Conversion price	KRW818(US\$0.60)	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 nine months ended September 30, 2023, the Company made \$2.6 million of loans to EJ Holdings. As of September 30, 2023 and December 31, 2022, the loans receivable from EJ Holdings with foreign currency revaluation were approximately \$24.4 million and \$25.0 million, respectively, as reflected in equity method investment on the condensed consolidated balance sheets. The Company has suspended indefinitely further loan financing to EJ Holdings to focus on supporting the commercial expansion of Endari® in the U.S. and the MENA region.

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 to date and will be dependent on third-party loans or other financing. There is no assurance 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 from the purchase of the plant, or December 25, 2024. There is no assurance, therefore, the Company will recoup all or any 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 to date, and that the EJ Holdings' activities to date have been 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 Company's investment in EJ Holdings is evaluated for impairment, an impairment charge would be recorded if facts and circumstances indicate that the carrying value may not be recoverable.

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

	Three Month Ended September 30,		Nine Month Ended September 30,	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Revenue, net	\$ 43	\$ 46	\$ 143	\$ 148
Net loss	\$ (952)	\$ (1,077)	\$ (3,367)	\$ (3,725)
Net loss attributable to the Company (40%)	\$ (381)	\$ (431)	\$ (1,347)	\$ (1,490)

NOTE 6 — SELECTED FINANCIAL STATEMENT - LIABILITIES

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

	September 30, 2023	December 31, 2022
Accounts payable:		
Clinical and regulatory expenses	\$ 680	\$ 361
Professional fees	723	626
Selling expenses	1,542	1,363
Manufacturing costs	770	650
Non-employee director compensation	693	484
Other vendors	397	301
Total accounts payable	4,805	3,785
Accrued interest payable, related parties	590	144
Accrued interest payable	2,726	2,381
Accrued expenses:		
Payroll expenses	1,310	1,263
Government rebates and other rebates	5,131	5,536
Due to customers	844	—
Other accrued expenses	879	440
Total accrued expenses	8,164	7,239
Total accounts payable and accrued expenses	<u>\$ 16,285</u>	<u>\$ 13,549</u>

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

	September 30, 2023	December 31, 2022
Trade discount	\$ 3,300	\$ 1,200
Unearned revenue (a)	10,000	10,000
Other current liabilities	1,100	1,717
Total other current liabilities	<u>\$ 14,400</u>	<u>\$ 12,917</u>

(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 September 30, 2023 and December 31, 2022 (in thousands):

	September 30, 2023	December 31, 2022
Trade discount	\$ 17,205	\$ 21,682
Other long-term liabilities	35	32
Total other long-term liabilities	<u>\$ 17,240</u>	<u>\$ 21,714</u>

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 \$674,000 and \$20,000 of PGLG from Telcon in nine months ended September 30, 2023 and September 30, 2022, respectively, of which \$681,000 and \$644,000 were reflected in accounts payable as of September 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 nine months ended September 30, 2023 and 2022 of the target shortfall.

NOTE 7 — NOTES PAYABLE

Notes payable consisted of the following at September 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 September 30, 2023	Unamortized Discount September 30, 2023	Carrying Amount September 30, 2023	Underlying Shares September 30, 2023
Notes payable							
2013	10%	Due on demand	—	\$ 669	\$ —	\$ 669	—
2022	10%-12%	Due on demand	—	1,268	—	1,268	—
2023	11%-60%	Due on demand - 56 weeks		6,835	128	6,707	—
				\$ 8,772	\$ 128	\$ 8,644	—
		Current		\$ 8,615	\$ 127	\$ 8,488	—
		Non-current		\$ 157	\$ 1	\$ 156	—
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	—	4,916	151	4,795 (c)	—
2023	10%	Due on demand		227	—	227	—
				\$ 5,943	\$ 151	\$ 5,822	—
		Current		\$ 2,422	\$ —	\$ 2,422	—
		Non-current		\$ 3,521	\$ 151	\$ 3,400	—
Convertible notes payable							
2021	2%	3 years	\$ 0.17 (b)	12,640	971	11,669	84,737,511
2023	13%	6 month	\$ 10.00 (a)	3,150	—	3,150	327,004
2023	10%	1 year	\$ 0.29	1,000	—	1,000	3,472,838
				\$ 16,790	\$ 971	\$ 15,819	88,537,353
		Current		\$ 16,790	\$ 971	\$ 15,819	88,537,353
Convertible notes payable - related parties							
2023	10%	1 - 2 years	\$ 0.50	1,000	101	899	2,140,273
				\$ 1,000	\$ 101	\$ 899	2,140,273
		Current		\$ 1,000	\$ 101	\$ 899	2,140,273
		Total		\$ 32,505	\$ 1,351	\$ 31,184	90,677,626

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 \$30,000 and \$63,000 of the fair value of embedded derivative as of September 30, 2023 and December 31, 2022, respectively.

The weighted-average stated annual interest rate of notes payable was 11% and 8% as of September 30, 2023 and December 31, 2022, respectively. The weighted-average effective annual interest rate of notes payable for the periods ended September 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 September 30, 2023, future contractual principal payments due on notes payable were as follows (in thousands):

Year Ending		
2023 (three months)	\$	24,784 (a)
2024		3,200
2025		2,200
2027		2,321
Total	\$	<u>32,505</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 September 30, 2023, the conversion price was \$0.17 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 September 30, 2023 and December 31, 2022 (in thousands):

Convertible promissory notes	September 30, 2023	December 31, 2022
Balance, beginning of period	\$ 3,248	\$ 7,507
Change in fair value included in the statement of operations	(2,088)	(4,259)
Balance, end of period	<u>\$ 1,160</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 September 30, 2023 and December 31, 2022 was based upon following assumptions:

Convertible promissory notes	September 30, 2023		December 31, 2022	
Stock price	\$	0.13	\$	0.26
Conversion price	\$	0.17	\$	0.37
Selected yield		28.15 %		27.50 %
Expected volatility		50 %		50 %
Time until maturity (in years)		0.41		1.16
Dividend yield		—		—
Risk-free rate		5.54 %		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, the former Chairman of the Board 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 \$30,000 and \$63,000 as of September 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 September 2023, the Company repaid in full the outstanding balance of the loan and recognized debt extinguishment loss of \$312,000 as the Company entered into another agreement discussed below.

In January 2023, Wei Peu 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.

On July 19, 2023, the conversion feature of the convertible promissory note no longer meet the scope exception in ASC 815-10-15-70(a) and 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 September 30, 2023 (in thousand):

\$1 million convertible promissory note	September 30, 2023
Balance, beginning of period	\$ —
Fair value as of July 19, 2023	103
Change in fair value included in the statement of operations	(12)
Balance, end of period	<u>\$ 91</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 July 19, 2023 and September 30, 2023 was based upon following assumptions:

\$1 million convertible promissory note	September 30, 2023		July 19, 2023	
Stock price	\$	0.13	\$	0.25
Conversion price	\$	0.50	\$	0.50
Selected yield		21.49 %		20.61 %
Expected volatility		50 %		50 %
Time until maturity (in years)		1.30		1.50
Dividend yield		—		—
Risk-free rate		5.33 %		5.03 %

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 was due on demand after two months and on maturity on August 15, 2023 and bore interest at the rate of 5% per month. The loan was paid in full in October 2023. Refer to Note 13 for further details.

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 July 2023, Emmaus Medical reentered into a new Revenue Purchase Agreement pursuant to which it sold and assigned \$828,000 of future receipt in exchange for repayment of \$204,000 indebtedness from the previous agreement and net cash proceeds of approximately \$300,000. Under the new agreement, the Company agreed to pay the third party approximately \$26,000 weekly until the Future Receipts have been collected. The Company recognized debt extinguishment loss of \$81,000.

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, the Company agreed to pay the third party approximately \$22,000 weekly until the Future Receipts have been collected. In July 2023, Emmaus Medical reentered into a new Revenue Based Financing Agreement pursuant to which it sold and assigned \$828,000 of future receipt in exchange for repayment of \$222,000 indebtedness under the previous agreement and net cash proceeds of approximately \$276,000. Under the new agreement, the Company agreed to pay the third party approximately \$26,000 weekly until the Future Receipts have been collected. The Company recognized debt extinguishment loss of \$87,000.

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 September 2023, the Company repaid in full the outstanding balance of the loan and recognized debt extinguishment loss of \$43,000 as the Company entered into another agreement discussed below.

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. In September 2023, the Company repaid in full the outstanding balance of the loan and recognized debt extinguishment loss of \$124,000 as the Company entered into another agreement discussed below.

In September 2023, the Company entered into a Business Loan and Security Agreement with a third-party lender pursuant to which the lender loaned the Company \$2.2 million, of which the Company received net proceeds of approximately \$2.1 million after deduction of the lender's origination fee but without deduction for other transaction expenses. The portion of proceeds were used to prepay indebtedness of the Company under the Agreement for the Purchase and Sales of Future Receipts, the Sales of Future Receipt Agreement, Standard Merchant Cash Advance Agreement referred to above.

In September 2023, Smart Start Investments Limited, of which Wei Peu Zen is a director and 9.96% shareholder, loaned the Company \$1 million in exchange for a convertible promissory note of the Company. The convertible promissory note is due on September 5, 2024, bears interest at the annual rate of 10% payable at maturity, and is convertible at the option of the holder into shares of the Company's common stock at a conversion rate of \$0.29 a share, subject to adjustment in the event of a stock split, reverse stock split or similar event.

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 \$25,000 and \$70,000 as of September 30, 2023 and December 31, 2022, respectively. For the three and nine months ended September 30, 2023, the change in fair value of warrant derivative liabilities of approximately \$41,000 and \$45,000 was recorded in the condensed consolidated statements of operations.

Warrant issued for services - On January 12, 2023, the Company granted Dr. Niihara a 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 warrant is exercisable during the five-year period from the grant date, subject to earlier termination upon the termination of Dr. Niihara's service to the Company. 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 nine months ended September 30, 2023. Under ASC 480-10 and ASC 815, the warrants are classified as a liability. For the three and nine months ended September 30, 2023, the Company recorded the change in fair value of approximately \$548,000 and 989,000, respectively, in the condensed consolidated statements of operations.

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

	September 30, 2023		June 30, 2023		March 31, 2023	
Stock price	\$	0.13	\$	0.23	\$	0.30
Exercise price		\$0.47 - \$4.50		\$0.47 - \$4.50		\$0.47 - \$4.50
Expected term		3.86-4.33 years		4.11-4.58 years		4.36 - 4.83 years
Risk-free rate		4.67%-4.71%		4.21%-4.58%		3.62%-3.67%
Dividend yield		—		—		—
Volatility		127.75%-134.24%		128.78%-134.9%		122.09% - 126.95%

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

	September 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	(714,929)	11.53	(2,125,497)	14.38
Warrants outstanding, end of period	14,395,591	\$ 2.80	6,610,520	\$ 2.22
Warrants exercisable end of period	<u>14,395,591</u>	\$ 2.80	<u>6,610,520</u>	\$ 2.22

As of September 30, 2023, the weighted-average remaining contractual life of outstanding warrants was 3.2 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 September 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 September 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 nine months ended September 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 September 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 September 30, 2023 and December 31, 2022 is presented below.

	September 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	2,696,340	\$ 6.41	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 September 30, 2023 and September 30, 2022, the Company recognized approximately \$24,000 and \$3,000, respectively of share-based compensation expense. During the nine months ended September 30, 2023 and September 30, 2022, the Company recognized approximately \$1,239,000 and \$13,000, respectively, of share-based compensation expense. As of September 30, 2023, there was approximately \$118,000 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 2.1 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 September 30, 2023. Such warrants to purchase up to 1,656,900 shares of common stock expired in October 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 nine months ended September 30, 2023, the Company recorded an income tax provision of \$38,000 and \$53,000, respectively. For the three and nine months ended September 30, 2022, the Company recorded an income tax benefit of \$35,000 and provision of \$44,000, 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 September 30, 2023 or September 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 2,427 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 September 30, 2023 and 2022 was approximately \$291,000 and \$272,000, respectively, and during the nine months ended September 30, 2023 and 2022, was approximately \$878,000 and \$868,000, respectively.

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

	Amount
2023 (three months)	\$ 282
2024	1,138
2025	1,171
2026	856
Total lease payments	3,447
Less: interest	546
Present value of lease liabilities	<u>\$ 2,901</u>

As of September 30, 2023, the Company had an operating lease right-of-use asset of \$2.5 million and lease liability of \$2.9 million reflected on the condensed consolidated balance sheet. The weighted average remaining term of the Company's leases as of September 30, 2023 was 3.0 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 nine months ended September 30, 2023 (in thousands):

Class	Lender	Interest Rate	Date of Loan	Term of Loan	Principal Amount Outstanding at September 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 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	—	36
	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	—	19
	Yutaka and Soomi Niihara(1)	10%	8/16/2022	5 years	1,669	1,669	—	125
	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	6
	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	5,943	6,053	110	188
Convertible notes payable - related parties								
	Wei Peu Zen(2)	10%	1/18/2023	1 - 2 years	1,000	1,000	—	—
				Subtotal	1,000	1,000	—	—
				Total	\$ 6,943	\$ 7,053	\$ 110	\$ 188

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 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

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

(2)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 September 30, 2023. As of September 30, 2023, the Company held a Telcon convertible bond in the principal amount of approximately \$17.4 million as discussed in Note 5.

NOTE 13 — SUBSEQUENT EVENTS

Subsequent to September 30, 2023, the Company entered into Addendum to Revenue Purchase Agreement with a third party pursuant to which it sold \$1,377,500 of future accounts receivable in exchange for net cash proceeds of \$950,000. Under the Addendum, payments of \$81,029 are due weekly until the initial loan converts to a term loan in the principal amount of \$1.2 million. The portion of net proceeds from the transaction were used to repay a \$500,000 promissory note issued in February 2023 and for working capital and general corporate purposes.

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 September 30, 2023, our accumulated deficit was \$257.3 million and we had cash and cash equivalents of \$1.5 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 nine months ended September 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 preclinical and clinical trials of Endari® and 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. In September 2023, we suspended most preclinical activities related to our product candidates to focus on commercial expansion of Endari® in the U.S. and the MENA region. 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

We do not believe that lockdowns, travel-related restrictions and other governmental responses to the COVID 19 endemic impacted our results of operations for the nine month ended September 30, 2022 or 2023. Ongoing COVID-19 infections, however, or future official responses to public health emergencies 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® 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 nine months ended September 30, 2023 and 2022 were supplied by one supplier.

Results of Operations:

Three months ended September 30, 2023 and 2022

Net Revenues. Net revenues increased by \$0.1 million, or 2%, to \$5.0 million for the three months ended September 30, 2023, compared to \$4.9 million for the three months ended September 30, 2022.

Cost of Goods Sold. Cost of goods sold decreased by \$0.3 million, or 60%, to \$0.2 million for the three months ended September 30, 2023, compared to \$0.5 million for the three months ended September 30, 2022. This decrease was primarily due to reduction in the reserve relating to Endari® inventory with a shelf-life of less than two years for the three months ended September 30, 2023 compared to the same period in 2022.

Research and Development Expenses. Research and development expenses remained consistent at \$0.4 million for the three months ended September 30, 2023 as compared to the three months ended September 30, 2022.

Selling Expenses. Selling expenses decreased by \$0.2 million, or 10%, to \$1.5 million for the three months ended September 30, 2023, compared to \$1.7 million for the three months ended September 30, 2022. The decrease was primarily due to a decrease in payroll expenses related to a reduction in sales personnel.

General and Administrative Expenses. General and administrative expenses decreased by \$0.1 million, or 3%, to \$2.9 million for the three months ended September 30, 2023, compared to \$3.0 million for the three months ended September 30, 2022. The decrease was primarily due to a decrease in payroll expenses.

Other Income (Expense). Other income decreased by \$0.2 million, or 65%, to \$0.1 million for the three months ended September 30, 2023, compared to \$0.2 million of other expense for the three months ended September 30, 2022. The decrease was primarily due to a decrease of \$0.8 million in change in fair value of conversion feature derivative, partially offset by an increase of \$0.4 million in interest expense.

Net Income. Net income increased by \$0.5 million, or 117%, to \$0.1 million in net income for the three months ended September 30, 2023, compared to \$0.4 million in net loss for the three months ended September 30, 2022. The increase was primarily a result of an increase of \$0.1 million in net revenues and a decrease of \$0.3 million in operating expenses.

Nine months ended September 30, 2023 and 2022

Net Revenues. Net revenues increased by \$10.1 million, or 81%, to \$22.5 million for the nine months ended September 30, 2023, compared to \$12.5 million for the nine months ended September 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 \$0.8 million, or 41%, to \$1.2 million for the nine months ended September 30, 2023, compared to \$1.9 million for the nine months ended September 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 nine months ended September 30, 2023 compared to the same period in 2022.

Research and Development Expenses. Research and development expenses decreased by 0.2 million, or 14%, to \$1.0 million for the nine months ended September 30, 2023, compared to \$1.2 million for the nine months ended September 30, 2022. The decrease was primarily due to completion of the sub-study under our Pilot/Phase I study of PGLG in diverticulosis in 2022. In September 2023, we suspended most preclinical activities related to our product candidates, and we expect research and development expenses to decline in future periods until we undertake new clinical studies or resume preclinical activities.

Selling Expenses. Selling expenses increased by \$1.3 million, or 25%, to \$6.3 million for the nine months ended September 30, 2023, compared to \$5.1 million for the nine months ended September 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 \$2.4 million, or 26%, to \$11.8 million for the nine months ended September 30, 2023, compared to \$9.4 million for the nine months ended September 30, 2022. The increase was due to increases of \$1.2 million in share-based compensation, \$0.7 million in transaction costs, and \$0.5 million in professional fees.

Other Income (Expense). Other expense increased by \$1.5 million, or 26%, to \$7.1 million for the nine months ended September 30, 2023, compared to \$5.6 million of other income for the nine months ended September 30, 2022. The increase was primarily due to an increase of \$1.7 million in interest expenses and a decrease of \$1.1 million in change in fair value of conversion feature derivative partially offset by a decrease \$1.9 million in foreign exchange loss.

Net Loss. Net loss decreased by \$5.9 million, or 54%, to \$4.9 million for the nine months ended September 30, 2023, compared to \$10.8 million for the nine months ended September 30, 2022. The decrease was primarily a result of an increase of \$10.1 million in net revenues, partially offset by increases of \$3.5 million in operating expenses and \$1.5 million in other expenses.

Liquidity and Capital Resources

Based on our losses to date, working capital deficit, anticipated future net revenues and operating expenses, debt repayment obligations and cash and cash equivalents balance of \$1.5 million as of September 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 \$4.9 million for the nine months ended September 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. In the three months ended September 30, 2023, we suspended indefinitely any further loan financing to EJ Holdings and most preclinical activities related to our product candidates and effected reductions in employee and consulting expenses, which helped to improve our cash from operations and liquidity. 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 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 other notes payable.

As of September 30, 2023, we had outstanding \$17.8 million principal amount of convertible promissory notes and \$14.7 million principal amount of other notes payable. Our minimum lease payment obligations were \$2.9 million as of September 30, 2023, of which \$0.8 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 nine months ended September 30, 2023 and September 30, 2022

Net cash used in operating activities

Net cash used in operating activities decreased by \$4.2 million, or 62%, to \$2.5 million for the nine months ended September 30, 2023 from \$6.8 million for the nine months ended September 30, 2022. This decrease was primarily due to a decrease of \$5.9 million in net loss.

Net cash used in investing activities

Net cash used in investing activities decreased by \$0.9 million, or 68%, to \$0.4 million for the nine months ended September 30, 2023 from \$1.3 million for the nine months ended September 30, 2022. The decrease was primarily due to a decrease of \$1.6 million in loans to equity method investee, partially offset by a decrease of \$0.7 million in deemed sale of our Telcon convertible note.

Net cash from financing activities

Net cash from financing activities decrease by \$4.6 million, or 65%, to \$2.5 million for the nine months ended September 30, 2023 from \$7.1 million for the nine months ended September 30, 2022. This decrease was due to a decrease of \$1.8 million in proceeds received from issuance of promissory notes and convertible notes in addition to an increase of \$2.8 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 nine months ended September 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 Co-presidents who serve as our chief executive officers and Chief Financial Officer, of the effectiveness of our DCP. Based on that evaluation, our chief executive officers 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 September 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 \$4.9 million for the nine months ended September 30, 2023 and had a working capital deficit of \$51.7 million at September 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, except for the factored accounts receivable arrangement of our Emmaus Medical subsidiary, 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 certain business activities related to the marketing and sale of Endari® or seek to restructure the Company in bankruptcy, or otherwise. 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 these 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.

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	
4.1	Convertible Promissory Note dated September 5, 2023					*
10.1	Promissory Note dated July 19, 2023					*
10.2	Promissory Note dated July 19, 2023					*
10.3	Promissory Note dated September 28, 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.

Dated: November 13, 2023

Emmaus Life Sciences, Inc.

By: /s/ Willis C. Lee
Name: Willis C. Lee
Its: Co-President and Chief Operating Officer

By: /s/ George Sekulich
Name: George Sekulich
Its: Co-President and Chief Commercial Officer

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

NEITHER THIS SECURITY NOR ANY SECURITY INTO WHICH IT IS CONVERTIBLE HAS BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE SECURITIES LAWS, AND, ACCORDINGLY, MAY NOT BE PLEDGED, TRANSFERRED, ASSIGNED, OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OR SUCH STATE SECURITIES LAWS.

THIS NOTE IS REGISTERED WITH THE COMPANY AS TO BOTH PRINCIPAL AND INTEREST AND, ACCORDINGLY, IS IN “REGISTERED FORM” WITHIN THE MEANING OF SECTIONS 871(H) AND 881(C) OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED.

CONVERTIBLE PROMISSORY NOTE

Due September 5, 2024

\$1,000,000.00 Dated September 5, 2023

FOR VALUE RECEIVED, the undersigned, EMMAUS LIFE SCIENCES, INC., a Delaware corporation (“Borrower”), hereby promises to pay to the order of Smart Start Investments Limited or its assigns (the “Holder”) the principal amount of One Million and No/100th Dollars (\$1,000,000.00), together with interest thereon at the rate provided herein, on the terms set forth below.

SECTION 1. DEFINITIONS AND RULES OF CONSTRUCTION

1.1 Definitions. For purposes of this Note, the following definitions shall apply:

“Acceleration Notice” has the meaning specified in Section 6.2.

“Borrower” means the party named as such in the preamble of this Note and any successor permitted in this Note.

“Business Day” means a day that is not a Legal Holiday.

“Common Stock” means the common stock, \$0.001 par value per share, of Borrower.

“Conversion Amount” has the meaning specified in Section 3.1(a).

“Conversion Price” has the meaning specified in Section 3.1(a).

“Default” means any event which is, or after notice or passage of time or both would be, an Event of Default.

“Event of Default” has the meaning specified in Section 6.1.

“GAAP” means generally accepted accounting principles set forth in the Financial Accounting Standards Board Accounting Standards Codification in effect in the United States at the time and for the period as to which such accounting principles are to be applied.

“Holder” has the meaning specified in the preamble to this Note.

“Legal Holiday” is a Saturday, Sunday or a day on which state or federally chartered banking institutions in California are not required to be open.

“Maturity Date” has the meaning specified in Section 4.1(b).

“Note” means this Convertible Promissory Note, in the principal amount set forth in the preamble hereof, issued to the Holder and evidenced by this instrument and any renewal or replacement thereof.

“Outstanding Balance” means the outstanding principal amount of this Note, plus accrued and unpaid interest thereon.

“Person” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or other agency or political subdivision thereof.

“Purchase Agreement” means the Securities Purchase Agreement, of even date herewith, entered into between Borrower and the Holder in connection with the purchase and sale of this Note.

“Surviving Person” has the meaning specified in Section 5.1.

“U.S. Legal Tender” means such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts.

1.2 Rules of Construction. Unless the context otherwise requires:

- (a) capitalized terms have the meanings assigned to them;
- (b) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;
- (c) “or” is not exclusive;
- (d) words in the singular include the plural, and words in the plural include the singular;

(e)provisions apply to successive events and transactions;

(f)“herein,” “hereof” and other words of similar import refer to this Note as a whole and not to any particular section or other subdivision; and

(g)references to “Section” or “Sections” means such Section or Sections of this Note, unless stated otherwise.

SECTION 2.THE NOTE

2.1Registrar and Paying Agent. This Note may be presented for payment or for registration of retransfer or for exchange at Borrower’s principal executive office. Borrower shall give prompt written notice to the Holder of any change in the location of such office.

2.2Transfer and Exchange. When this Note is presented to Borrower with a request to register the transfer of this Note or to exchange this Note for an equal principal amount of Notes of like tenor, Borrower shall register the transfer or make the exchange as requested.

2.3Replacement Note. If this Note is mutilated and is surrendered to Borrower, or if the Holder claims and submits to Borrower an affidavit or other evidence reasonably satisfactory to Borrower to the effect that this Note has been lost, destroyed or wrongfully taken, Borrower shall issue a replacement Note, provided, that, if required by Borrower, the Holder shall agree in writing to indemnify Borrower from any loss they may suffer as a result of the replacement of this Note.

SECTION 3.CONVERSION

3.1Conversion Provisions. This Note may be converted into shares of Common Stock under the circumstances set forth below:

(a)Conversion at the Option of the Holder. The Holder shall have the right and option at any time during the period commencing on the date hereof and expiring on the Maturity Date to convert all or any portion of the principal amount of this Note into fully paid, validly issued and nonassessable shares of Common Stock at an initial conversion price of \$0.29, which price is subject to adjustment as set forth herein (as so adjusted, the “Conversion Price”). In order to exercise its conversion rights contained herein, the Holder shall give written notice to Borrower, in the form attached to this Note, that the Holder elects to convert such portion, up to the whole thereof, of the then outstanding principal amount hereof specified in such notice (the “Conversion Amount”). The number of shares of Common Stock to which Holder shall be entitled upon conversion shall be the quotient obtained by dividing the Conversion Amount by the Conversion Price. Such conversion shall be deemed to have been effected concurrently with the delivery of the notice to convert, and the Holder shall be treated for all purposes as the record holder of the shares of Common Stock issuable upon such conversion at such time. Borrower shall deliver to the Holder one or more stock certificates representing such shares (or other evidence of such shares if Common Stock is then uncertificated) within three Business Days after the conversion. If the Conversion Amount includes less than all of the outstanding principal amount of this Note, Borrower shall execute and deliver to the Holder a new note of

like tenor as this Note evidencing the remaining outstanding principal amount hereof, against the Holder's surrender to Borrower of this Note.

(b) Adjustments.

(i) If the outstanding shares of Common Stock at any time while this Note remains outstanding shall be subdivided or split into a greater number of shares, or a dividend in Common Stock shall be paid in respect of Common Stock, the Conversion Price in effect immediately prior to such subdivision or split or at the record date of such dividend shall, simultaneously with the effectiveness of such subdivision or split or immediately after the record date of such dividend (as the case may be) shall be proportionately decreased. If the outstanding shares of Common Stock shall be combined or reverse-split into a smaller number of shares, the Conversion Price in effect immediately prior to such combination or reverse split shall, simultaneously with the effectiveness of such combination or reverse split, be proportionately increased.

(ii) In case of any reclassification or reorganization of the outstanding shares of Common Stock other than a change covered by Section 3.1(c)(i) above or which solely affects the par value of such shares of Common Stock, or in the case of any merger or consolidation of Borrower with or into another corporation (other than a consolidation or merger in which Borrower is the continuing corporation and which does not result in any reclassification or reorganization of the outstanding shares of Common Stock), or in the case of any sale or conveyance to another corporation or entity of the property of Borrower as an entirety or substantially as an entirety in connection with which Borrower is dissolved, the Holder shall have the right thereafter to receive upon the conversion hereof, for the same aggregate Conversion Price payable hereunder immediately prior to such event, the kind and amount of shares of stock or other securities or property (including cash) receivable upon such reclassification, reorganization, merger or consolidation, or upon a dissolution following any such sale or other transfer, by a Holder of the number of shares of Common Stock of Borrower obtainable upon conversion of this Note immediately prior to such event. The provisions of this Section 3.1(c)(ii) shall similarly apply to successive reclassifications, reorganizations, mergers or consolidations, sales or other transfers.

(c) In each case of an adjustment of the Conversion Price of the number of shares of Common Stock or other securities issuable upon conversion of this Note, Borrower, at its expense, shall compute such adjustment in accordance with the provisions hereof and prepare a certificate showing such adjustment, and shall mail such certificate, by first class mail, postage prepaid, to the Holder at its address for notice under this Note. The certificate shall set forth such adjustment, showing in detail the facts upon which such adjustment is based setting forth the new Conversion Price resulting from the adjustment, and the type and amount, if any, of other property which at the time would be received upon conversion of this Note.

(d) Upon (i) any taking by Borrower of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other distribution, or (ii) any capital reorganization of Borrower, any reclassification or recapitalization of the capital stock of Borrower, any merger or consolidation of Borrower with or into any other Person, or any voluntary or involuntary dissolution, liquidation or winding

up of Borrower, Borrower shall mail to the Holder 20 days prior to the record date specified therein a notice specifying (A) the date on which any such record is to be taken for the purpose of such dividend or distribution and a description of such dividend or distribution, (B) the date on which any such reorganization, reclassification, transfer, consolidation, merger, dissolution, liquidation or winding up is expected to become effective, and (C) the date, if any, that is to be fixed as to when the holders of record of Common Stock (or other securities) shall be entitled to exchange their shares of Common Stock (or other securities) for securities or other property deliverable upon such reorganization, reclassification, transfer, consolidation, merger, dissolution, liquidation or winding up.

3.2No Rights as a Stockholder. The Holder is not entitled to any rights of a holder of Common Stock under this Note until this Note is converted into shares of Common Stock.

3.3Fractional Shares. Borrower will issue to the Holder cash equal to the Conversion Price attributable to any fractional share of Common Stock issuable upon conversion of this Note in lieu of the issuance of such fractional share.

3.4Reservation of Conversion Shares. Borrower shall, prior to issuance of this Note, and from time to time as may be necessary, reserve, out of its authorized but unissued Common Stock a sufficient number of shares of Common Stock to permit the conversion in full of this Note. All shares of Common Stock delivered upon conversion of this Note shall be newly issued shares or treasury shares, shall be duly authorized, validly issued, fully paid and non-assessable and shall be free from preemptive rights and free of any lien or adverse claim. Borrower will endeavor promptly to comply with all federal and state securities laws, if any, regulating the offer and delivery of the shares of Common Stock or other securities upon conversion of this Note.

3.5Legend on Conversion Shares. The shares of Common Stock issued upon conversion of this Note shall bear the restrictive legend set forth below, unless Borrower receives a written opinion from counsel who is reasonably acceptable to Borrower to the effect that neither such legend nor such restrictions on transfer are required to maintain compliance with the Securities Act:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR APPLICABLE STATE LAW. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT AND APPLICABLE STATE LAW.

SECTION 4. COVENANTS

4.1 Payment of the Note:

(a) Interest. Interest on the principal amount of this Note outstanding from time to time shall accrue at the fixed rate equal to 10% per annum. All interest shall be computed on

the basis of the actual number of days elapsed from the payment of the principal amount to the Borrower under this Note to the date of repayment by the Company or conversion hereunder and shall be due and payable on the Maturity Date.

(b)Principal. To the extent not previously converted into shares of Common Stock or repaid prior to such date as provided or permitted herein, the principal amount of this Note shall be due and payable on August __, 2024, provided that if such day falls on a Legal Holiday, such payment shall be due instead on the next Business Day (the "Maturity Date"). If the principal is not paid when due hereunder, whether by reason of acceleration or on the Maturity Date, interest on such unpaid principal shall accrue from its due date until paid at the rate of 1.5% per month.

(c)Method of Payment. The Borrowers shall pay to the Holder, by wire transfer to an account specified in writing by the Holder, in U.S. Legal Tender principal and interest on the Note when called for herein as of the close of business on the date of such payment. All payments hereunder shall be applied, first, to accrued interest and, next, to principal. The Borrowers shall accurately reflect on their books and records all payments of interest and principal on this Note, and Borrower' records in this regard shall be presumed correct absent manifest error.

4.2Existence. Subject to Section 5, Borrower shall do or cause to be done all things necessary to preserve and keep in full force and effect its legal existence in accordance with its organizational documents (charter and statutory) and franchise.

4.3Waiver of Stay, Extension or Usury Laws. Borrower covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law or any usury law or other law wherever enacted which would prohibit or forgive it from paying all or any portion of the principal of or interest on this Note as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Note; and (to the extent that it may lawfully do so). Borrower hereby expressly waives all benefit or advantage of any such law insofar as such law applies to this Note.

SECTION 5.SUCCESSOR

5.1When Borrower May Merge, Etc. Subject to Sections 3.1(c)(ii) and 7.1, Borrower may not, in a single transaction or through a series of related transactions, consolidate with or merge with or into any other Person, or, directly or indirectly, sell, lease, assign, transfer or convey (by way of liquidation, dissolution, winding up, or otherwise) all or substantially all of its properties and assets as an entirety or substantially as an entirety (computed on a consolidated basis) to another Person or group or affiliated Persons, unless Borrower shall be the continuing Person, or the Person (if other than Borrower) formed by such consolidation or into which Borrower is merged or to which all or substantially all of the properties and assets of Borrower is transferred as an entirety or substantially as an entirety (Borrower or such other Person being hereinafter referred to as the "Surviving Person") shall be an entity organized and validly existing under the laws of the United States, any State thereof or the District of Columbia, and shall expressly assume in writing all the obligations of Borrower under this Note.

SECTION 6. EVENTS OF DEFAULT AND REMEDIES

6.1 Events of Default. “Event of Default,” wherever used herein, means any one of the following events (whatever the reason for such Event of Default and whether it shall be caused voluntarily or involuntarily or effected, without limitation, by operation of law or pursuant to any judgment, decree or order of any court of any order, rule or regulation of any administrative or governmental body):

(a) default in the payment of any principal or interest upon this Note as and when the same becomes due and payable or in the observance or performance of Section 3.1(a);

(b) default in the observance or performance of, or breach of, any covenant, agreement or warranty of Borrower contained in this Note, and continuance of such default or breach for a period of 30 days after there has been given, by registered or certified mail, to Borrower by the Holder, a written notice specifying such default or breach, requiring it to be remedied and stating that such notice is a “Notice of Default” hereunder;

(c) a decree, judgment, or order by a court of competent jurisdiction shall have been entered adjudging either of Borrower as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization of Borrower under any bankruptcy or similar law, and such decree or order shall have continued undischarged and unstayed for a period of 60 days; or a decree or order of a court of competent jurisdiction ordering the appointment of a receiver, liquidator, trustee, or assignee in bankruptcy or insolvency of Borrower, or for the winding up or liquidation of the affairs of Borrower, shall have been entered, and such decree, judgment, or order shall have remained in force undischarged and unstayed for a period of 60 days; or

(d) Borrower shall institute proceedings to be adjudicated a voluntary bankrupt, or shall consent to the filing of a bankruptcy proceeding against it, or shall file a petition or answer or consent seeking reorganization under any bankruptcy or similar law or similar statute, or shall consent to the filing of any such petition, or shall consent to the appointment of a custodian, receiver, liquidator, trustee, or assignee in bankruptcy or insolvency of it or any of its assets or property, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due.

Borrowers shall deliver to the Holder, within ten days of the occurrence thereof, written notice of any Default (other than a Default of the sort referred to in clause (a) above), which describes the status of such Default and the action Borrower is taking or propose to take with respect thereto.

6.2 Acceleration of Maturity Date; Rescission and Annulment. If an Event of Default (other than an Event of Default specified in Section 6.1(c) or (d)) occurs and is continuing, then, and in every such case, unless the principal amount of this Note shall have already become due and payable, the Holder, by a notice in writing to Borrower (an “Acceleration Notice”), may declare the Outstanding Balance to be due and payable immediately. If an Event of Default specified in Section 6.1(c) or (d) occurs, the Outstanding Balance *ipso facto* shall become and be immediately due and payable without any declaration or other act on the part of the Holder.

6.3Rights and Remedies Cumulative. Except as otherwise provided with respect to the replacement or payment of a mutilated, destroyed, lost or stolen Note, no right or remedy herein conferred upon or reserved to the Holder is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

6.4Delay or Omission Not Waiver. No delay or omission by the Holder to exercise any right or remedy arising upon any Event of Default shall impair the exercise of any such right or remedy or constitute a waiver of any such Event of Default. Every right and remedy given by this Section 6 or by law to the Holder may be exercised from time to time, and as often as may be deemed expedient, by the Holder.

SECTION 7.PREPAYMENT

7.1Voluntary Prepayment. Borrower, may, at its option, prepay all or any portion of the principal amount of this Note, plus accrued and unpaid interest thereon to the prepayment date, upon not less than 30 days prior written notice to the Holder; provided, however, that the Holder shall have the right to convert this Note into shares of Common Stock as provided herein at any time prior to the prepayment date.

SECTION 8.MISCELLANEOUS

8.1Successors and Assigns. The terms and conditions of this Note shall inure to the benefit of and be binding upon the respective successors and assigns of the parties. Nothing in this Note, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Note, except as expressly provided in this Note.

8.2Governing Law. This Note shall be governed by and construed under the laws of the State of California as applied to agreements entered into and to be performed entirely within California.

8.3Titles and Subtitles. The titles and subtitles used in this Note are used for convenience only and are not to be considered in construing or interpreting this Note.

8.4Notices. Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered (i) upon receipt, when delivered personally, (ii) upon receipt, when sent by electronic mail (if received by or before 5:30 p.m. local time, where such notice is received) or the first Business Day following such delivery (if received after 5:30 p.m., local time, where such notice is received) or (iii) one Business Day after deposit with a nationally recognized overnight courier, in each case properly addressed to the party to receive the same. The addresses for such communications shall be:

(i) If to Borrower:

Emmaus Life Sciences, Inc.
21250 Hawthorne Boulevard, Suite 800
Torrance, CA 90503
Attention: Chief Financial Officer
Telephone: (310) 214-0065
Facsimile: (310) 214-0075
E-mail: ynagasaki@emmauslifesciences.com

(ii) If to the Holder:

Telephone: () -
Facsimile: () -
E-mail: @ .

Each party shall provide written notice to the other parties of any change in mailing address, e-mail address or facsimile number in accordance with the provisions hereof.

8.5 Severability. If one or more provisions of this Note are held to be unenforceable under applicable law, such provision shall be excluded from this Note and the balance of this Note shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

8.6 Attorneys' fees. If any action at law or equity, including an action for declaratory relief, is brought to enforce or interpret any provision of this Note, the prevailing party shall be entitled to recover reasonable attorneys' fees and expenses from the other party, which fees and expenses shall be in addition to any other relief which may be awarded.

8.7 Noncircumvention. Borrower will, by amendment of its charter or through reorganization, consolidation, merger, dissolution, sale of assets or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Note, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Holder against impairment.

8.8 Waiver of Demand for Payment, etc. Borrower waives demand for payment, presentment for payment, protest, notice of protest, notice of dishonor, notice of nonpayment, notice of acceleration of maturity and diligence in taking any action to collect sums owing under this Note.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Borrower has caused this Note to be executed on its behalf by its duly authorized officer.

EMMAUS LIFE SCIENCES, INC.

By:
Willis Lee, Co-President and COO

[Signature Page of Convertible Promissory Note]

CONVERSION NOTICE

(To be executed only upon the conversion of the attached Note)

The undersigned holder of a Convertible Promissory Note due September 5, 2024 (the "Note") of EMMAUS LIFE SCIENCES, INC., a Delaware corporation, hereby submits the Note for conversion, in the manner set forth below, into shares of Common Stock (as defined in the Note):

To convert the Note into Common Stock, check the box:

To convert less than all of the outstanding principal amount of the Note, specify the principal amount to be converted: \$ _____.

If the stock certificate is to be made out in another person's name, fill in the form below:

(Insert other person's social security or tax I.D. number)

(Print or type other person's name, address and zip code)

Date:

Name of Holder: _____

Signature:(1)

-

(1) Sign exactly as your name appears on the Note.

OFFER SUMMARY – REVENUE PURCHASE AGREEMENT

Funding Provided	\$581,815.00	This is how much funding AKF INC DBA FundKite will provide. Due to deductions or payments to others, the total funds that will be provided to you directly is \$299,930.48. 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)	119.46%	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 \$2,213,516.35. Since your actual income may vary from our estimate, your effective APR may also vary. APR is not an interest rate. The cost of this financing is based upon fees charged by FundKite rather than interest that accrues over time.
Finance Charge	\$246,185.00	This is the dollar cost of your financing. Your finance charge will not increase if you take longer to pay off what you owe.
Estimated Total Payment Amount	\$828,000.00	This is the total dollar amount of payments we estimate you will make under the contract.
Estimated Monthly Cost	\$103,500.00	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	\$25,875.00 Each week.	
Payment Terms	Each week the Estimated Payment will be debited from your business bank account. If a debit is scheduled for a bank holiday, the Estimated Payment will be debited the next business day. The Estimated Payment is based on 5% of your estimated business receipts. There is not a fixed payment schedule and there is no minimum payment amount. Fundkite will adjust your payment amount Each week to reflect 5% of your actual business receipts. For more details on how Fundkite will adjust your payments, see Section 1.3 of your contract.	
Estimated Term	168 Days	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 your contract.
Prepayment	If you pay off the financing faster than required, you still must pay all or a portion of the finance charge, up to \$246,185.00	
	If you pay off the financing faster than required, you will not be required to pay additional fees.	

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.

Signed by: **Yutaka Niihara**

 07-18-2023 3:12 pm

Recipient Signature Date

ITEMIZATION OF AMOUNT FINANCED

1. Amount Given Directly to You	\$299,930.48
2. Origination Fee	\$18,185.00
3. Amount Paid on your behalf to third parties (3a + 3b + 3c)	\$281,884.52
3a.	?
3b.	
3c.	
4. Amount Paid on Your Account with Us (#70150300)	\$281,884.52
5. Amount Provided to You or on Your Behalf (1+2+3+4)	\$600,000.00
6. Prepaid Finance Charges	\$18,185.00
7. Amount Financed (5 minus 6)	\$581,815.00

OFFER SUMMARY – REVENUE BASED FINANCING

Funding Provided	\$582,000.00	This is how much funding CLOUDFUND LLC will provide. Due to deductions or payments to others, the total funds that will be provided to you directly is \$275,657.34. 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)	119.67 %	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 \$1,719,555.33. Since your actual income may vary from our estimate, your effective APR may also vary. APR is not an interest rate. The cost of this financing is based upon fees charged by CLOUDFUND LLC rather than interest that accrues over time.
Finance Charge	\$246,000.00	This is the dollar cost of your financing.
Estimated Total Payment Amount	\$828,000.00	This is the total dollar amount of payments we estimate you will make under the contract.
Estimated Monthly Cost	\$112,371.43	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	\$25,875.00/week	
Payment Terms	<p>Each week, the Estimated Payment will be debited from your business bank account.</p> <p>The Estimated Payment is based on 6 % of your estimated daily business receipts. There is not a fixed payment schedule and there is no minimum payment amount.</p> <p>You have the right to obtain a refund if you demonstrate that your payments exceed 6% of your actual business receipts during any given month. For more details on your rights, see Section 10 and 11 of your contract.</p>	

Estimated Term	224 days	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 your contract.
Prepayment	If you pay off the financing faster than required, you still must pay all or a portion of the finance charge, up to \$246,000.00 based upon our estimates.	
	If you pay off the financing faster than required, you will not be required to pay additional fees.	

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.

Recipient Signature Date

ITEMIZATION OF AMOUNT FINANCED

1. Amount Given Directly to You	\$275,657.34
2. Origination, Due Diligence, and UCC Fees (includes a \$14,400.00 broker fee paid to [James McNeil LLC])	\$18,000.00
3. Amount paid on your behalf to third parties (3a + 3b + 3c)	\$0.00
3a.	
3b.	
3c.	
4. Amount Paid on Your Account with Us (#5565569-590)	\$306,342.66
5. Amount Provided to You or on Your Behalf (1+2+3+4)	\$600,000.00
6. Prepaid Finance Charges: Origination, Due Diligence, and UCC Fees	\$18,000.00
7. Amount Financed (5 minus 6)	\$582,000.00

CLOUDFUND LLC

400 Rella Blvd. Suite 165-101, Suffern, NY 10901

FUTURE RECEIPTS SALE AND PURCHASE AGREEMENT

This agreement (this "Agreement"), dated 7/19/2023, between CLOUDFUND LLC ("Buyer") and the seller(s) listed herein (collectively, the "Seller") (all capitalized terms shall have the meanings ascribed to them below):

Business Legal Name: EMMAUS LIFE SCIENCES INC. and the entities listed on "Exhibit B"

D/B/A: EMMAUS MEDICAL and the entities listed on "Exhibit B"

Form of Business Entity: Corporation EIN #: 87-0419387 **Physical Address:** 21250 HAWTHORNE BLVD SUITE 80, TORRANCE, CA 90503 **Mailing Address:** 21250 HAWTHORNE BLVD SUITE 80, TORRANCE, CA 90503

Purchase Price:
\$600,000.00

Purchased Amount:
\$828,000.00

Specified Percentage:
6 %

Remittance Amount:*
\$25,875.00

Remittance Period: Weekly

Less Closing Costs:

Due Diligence Fee:
\$0.00

Origination fee:
\$18,000.00

UCC FEE:
\$0.00

LESS PRIOR BALANCE(S) (IF APPLICABLE)
\$306,342.66

NET AMOUNT FUNDED TO SELLER:
\$275,657.34

FOR THE SELLER #1 FOR THE SELLER #2



By: By:

Name: YUTAKA NIIHARA
Title: Owner/Agent/Manager

Name: N/A
Title: N/A

Email: WLEE@EMMAUSLIFESCIENCES.COM **Email:** N/A
Business Phone: (310) 430-9496 **Business Phone:** N/A

***Please refer to Section 13 of this Agreement to learn how the Remittance Amount can be changed.**

Concurrently with the execution of this Agreement by Seller, and as condition to the effectiveness hereof, Seller has caused the **Personal Guarantee of Performance** in the form attached hereto as "Exhibit A" (the "Guaranty") to be signed and delivered to Buyer by the following Owner(s)/Guarantor(s) of Seller.

OWNER/GUARANTOR #1 OWNER/GUARANTOR #2



By: By:

Name: YUTAKA NIIHARA
SSN:

Name: N/A
SSN: N/A

Phone: Phone: N/A

Address:

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Address: N/A

Furthermore, in the event the Seller and/or Guarantor are comprised of more than one entity and/or individuals, then

ALL such entities and/or individuals, respectively, shall sign the Addendum to this Agreement in the form attached hereto as Exhibit B (the “Addendum”).

WHEREAS, Seller is desirous to sell to Buyer, and Buyer is desirous to purchase from Seller a Specified Percentage of the Seller’s Future Receipts, but only on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, for good and valuable consideration, the mutual receipts and sufficiency of which is hereby acknowledged by both parties, Buyer and Seller hereby agree to the foregoing and as follows:

1. Basic Terms and Definitions.

a. “Effective Date” shall mean the later of: (i) the date set forth in the preamble to this Agreement, and (ii) the date when Buyer paid the Net Amount Funded to Seller.

b. “Specified Percentage” is the percentage identified above and refers to a percentage of each and every sale made by Seller until the Purchased Amount is delivered to Seller.

c. “Future Receipts” shall mean, collectively, all of Seller’s receipts for the sale of goods and services after the Effective Date of this Agreement; which payments or deliveries of monies can be made in the form of cash, check, credit, charge, or debit card, Automated Clearing House (“ACH”) or other electronic transfer or any other form of monetary payment and/or pecuniary benefit received by Seller.

d. “Periodic Receipts” shall mean the amount of Future Receipts received by Seller during each Remittance Period.

e. “Purchased Amount” is the amount identified above and refers to the total amount of Future Receipts that Seller shall be under obligation to deliver to Buyer pursuant to this Agreement.

f. “Purchase Price” is the amount identified above and refers to the total amount that Buyer agrees to pay for the Purchased Amount. Seller acknowledges that the amount that Seller will actually receive from Buyer pursuant to this Agreement will be the Net Amount Funded to Seller.

g. “Closing Costs” shall mean, collectively, all initial costs and fees that identified above and in Section 16 that Seller agrees to pay to Buyer as consideration for agreeing to enter into this Agreement.

h. “Net Amount Funded to Seller” is the amount identified above and refers to the Purchase Price less the total Closing Costs identified above and in Section 16 and less Prior Balance identified above and in Section 17.

i. “Remittance Amount” shall mean the amount that Seller shall deliver to Buyer at the end of each Remittance Period as part of the Purchased Amount. The initial Remittance Amount is the amount first described above. The parties agree that the initial Remittance Amount is a good faith approximation of the Specified Percentage of Seller’s Future Receipts during the first Remittance Period, based upon the information provided by Seller to Buyer concerning Seller’s most recent accounts receivables, including representations by the Seller to Buyer regarding the Seller’s estimated Future Receipts. The Remittance Amount is subject to Seller’s right of adjustment/reconciliation set forth in this Agreement.

j. “Remittance Period” shall mean the daily or weekly period by the end of which a Remittance Amount shall be delivered by Seller to Buyer.

k. “Workday” shall mean Monday through Friday except on days when banking institutions are closed for the holidays and do not process ACH payments.

l. “Prior Balance” shall mean the sum of all amounts that Seller may owe to Buyer and/or third party(s) as of the Effective Date of this Agreement. Seller agrees that: (i) the Prior Balance, if any, as described in Section 17 of this Agreement, will be deducted from the Purchase Price prior to delivering it to Seller pursuant to Seller’s authorization set forth in Rider 1 to this Agreement; and (ii) such deduction of the Prior Balance shall not be deemed to reduce the agreed upon Purchase Price.

m. “Origination Fee” shall mean the fee that Seller and a Broker have agreed to in conjunction with brokering this Agreement, which amount Seller authorizes Buyer to withhold from the Purchase Price and pay to said Broker. The Origination Fee, if any, is described in Section 17 of this Agreement and will be deducted from the Purchase Price prior to delivering it to Seller pursuant to Seller’s authorization set forth in Section 19.

n. In the event “Seller” is comprised of more than one entity, then:

i. The term “Seller” shall mean, individually and collectively, interchangeably, all such entities; and

ii. Each Seller is an “Affiliate” of all other Seller(s). The term “Affiliate” shall mean an entity or an individual that (1) controls, (2) is under the “Control”, or (3) is under common Control with the entity or individual in question. The term “Control” shall mean direct or indirect ownership of more than 50% of the outstanding voting stock of a corporation or other majority equity interest if not a corporation and the possession of power to direct or cause the

direction of the management and policy of such corporation or other entity, whether through ownership of voting securities, by stature, or by contract; and

iii.The representations, warranties, covenants, obligations and liabilities of each Seller shall be joint and several under this Agreement; and

iv.The liability of each Seller under this Agreement shall be direct and immediate and shall not be conditional or contingent upon the pursuance of any remedies against any other person or entity; and

v.The terms "Specified Percentage", "Future Receipts", "Periodic Receipts", "Remittance Amount" shall mean the Specified Percentage, the Future Receipts and the Periodic Receipts of each Seller individually; and

vi.Buyer may pursue its rights and remedies under this Agreement against any one or any number of entities that constitute Seller without obligation to assert, prosecute or exhaust any remedy or claim against any other Seller or any Guarantor.

o. In the event “Guarantor” is comprised of more than one individual, then:

i. The term “Guarantor” shall mean, individually and collectively, all such individuals; and

ii. Each Guarantor is an Affiliate of all other Guarantor(s); and

iii. The representations, warranties, covenants, obligations and liabilities of each Guarantor shall be joint and several under this Agreement and the Guaranty; and

iv. The liability of each Guarantor under this Agreement and the Guaranty shall be direct and immediate and shall not be conditional or contingent upon the pursuance of any remedies against any other person or entity; and

v. Buyer may pursue its rights and remedies under this Agreement and/or Guaranty against any one or any number of individuals that constitute Guarantor without obligation to assert, prosecute or exhaust any remedy or claim against any other Guarantor or any Seller.

2. The Term. This Agreement for the purchase and sale of Future Receipts does not have a fixed duration or term, which is indefinite. Subject to the provisions of Sections 10-13 hereof, the term of this Agreement shall commence on the Effective Date and terminate on the earlier of: (i) the date (the “Termination Date”) when the Purchased Amount and all other sums due to Buyer pursuant to this Agreement are received by Buyer in full; and (ii) when Seller’s performance has been excused pursuant to Section 16(b).

3. Non-Recourse Sale of Purchased Future Receipts. Seller hereby sells, assigns, transfers and conveys (hereinafter, the “Sale”) unto Buyer all of Seller’s right, title and interest in to the Specified Percentage of the Future Receipts until the Purchased Amount shall have been delivered by Seller to Buyer (hereinafter, the portion of the Future Receipts sold by Seller to Buyer pursuant to this Agreement, the “Purchased Future Receipts”); to have and hold the same unto Buyer, its successors and assigns, forever. This Sale of the Purchased Future Receipts is made without express or implied warranty to Buyer of collectability of the Purchased Future Receipts by Buyer and without recourse against Seller and/or Guarantor(s), except as specifically set forth in this Agreement. By virtue of this Agreement, Seller transfers to Buyer full and complete ownership of the Purchased Future Receipts and Seller retains no legal or equitable interest therein.

4. Payment of Purchase Price. In consideration of the sale by Seller to Buyer of the Purchased Future Receipts pursuant to this Agreement, Buyer agrees to pay to Seller the Purchase Price by delivering the Net Funded Amount to Seller after execution of this Agreement.

5. Use of Purchase Price. Seller hereby acknowledges that it fully understands that: (i) Buyer’s ability to collect the Purchased Amount (or any portion thereof) is contingent upon Seller’s continued operation of its business and successful generation of the Future Receipts until the Purchased Amount is delivered to Buyer in full; and (ii) that in the event of decreased efficiency or total failure of Seller’s business, Buyer’s receipt of the full or any portion of the Purchased Amount may be delayed indefinitely. Based upon the forgoing, Seller agrees to use the Purchase Price exclusively for the benefit and advancement of Seller’s business operations and for no other purpose.

6. Delivery of Purchased Amount. The Purchased Amount shall be delivered by Seller to Buyer in the amount of the Remittance Amount (subject adjustment as described below) at the end of each Remittance Period, commencing on the Effective Date and ending on the Termination Date. 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 outstanding undelivered balance of the Purchased Amount.

7. Approved Bank Account and Credit Card Processor. During the term of this Agreement, Seller shall: (i) deposit all Future Receipts into one (and only one) bank account which bank account shall be acceptable and preapproved by Buyer (the “Approved Bank Account”), (ii) use one (and only one) credit card processor which processor shall be acceptable and preapproved by Buyer (the “Approved Processor”) and (iii) deposit all credit card receipts into the Approved Bank Account. In the event the Approved Bank Account or Approved Processor shall become unavailable or shall cease providing services to Seller during the term of this Agreement, prior to the first date of such unavailability or cessation of services, Seller shall arrange for another Approved Bank Account or Approved Processor, as the case may be.

8. Authorization to Debit Approved Bank Account. Seller hereby authorizes Buyer, and/or Delta Bridge Funding LLC (as servicing agent for this Agreement) to initiate electronic checks or ACH debits from the Approved Bank Account (which as of the Effective Date of this Agreement shall be the account listed on Appendix A hereto) in the amount of the Remittance Amount at the end of each Remittance Period commencing on the Effective Date until Buyer receives the full

Purchased Amount (the "ACH Authorization"). This ACH Authorization shall be irrevocable until such time when Seller shall have performed its obligations under this Agreement in full. Seller acknowledges that the origination of ACH entries to and from the Approved Bank Account must comply with applicable law and applicable network rules. Seller agrees to be bound by the Rules and Operating Guidelines of NACHA. Seller will not dispute any ACH entry initiated pursuant to this ACH Authorization, provided the transaction corresponds to the terms of this authorization. Seller requests the financial institution that holds the Approved Bank Account to honor all ACH entries initiated in accordance with this ACH Authorization. If requested by Buyer, Seller shall execute a separate authorization for Buyer and/or Delta Bridge Funding LLC to arrange for electronic fund transfers (including ACH payments) in the amount of any Remittance Amount from the Approved Bank Account. Seller shall provide Buyer and/or its authorized agent with all information, authorizations and passwords necessary to verify Seller's receivables, receipts and deposits into the Approved Bank Account.

9. Shortage of Funds and Fees Associated with Debiting Approved Bank Account. It shall be Seller's exclusive responsibility to pay to its banking institution and/or Buyer's banking institution directly (or to compensate Buyer, in case it is charged) all fees, charges and expenses incurred by either Seller or Buyer due to rejected electronic checks or ACH debit attempts, overdrafts or rejections by Seller's banking institution of the transactions contemplated by this Agreement, including without limitation a \$35.00 charge per bounced or rejected ACH debit.

10. Seller's Right for Reconciliation. Seller and Buyer each acknowledges and agrees that:

a. If at any time during the term of this Agreement Seller will experience unforeseen decrease or increase in its Periodic Receipts, then so long as Seller is not then in default under the terms of this Agreement, Seller shall have the right, at its sole and absolute discretion, but subject to the provisions of Section 11 below, to request retroactive reconciliation of the Remittance Amounts paid during one (1) or more full calendar month(s) immediately preceding the day when such request for reconciliation is received by Buyer (each such calendar month for which a reconciliation is requested, a "Reconciliation Month").

b. Such reconciliation (the "Reconciliation") of the Seller's Remittance Amounts for one or more Reconciliation Month(s) shall be performed by Buyer within five (5) Workdays following its receipt of the Seller's request for Reconciliation by either crediting or debiting the difference back to, or from, the Approved Bank Account so that the total amount debited by Buyer from the Approved Bank Account during the Reconciliation Month(s) at issue is equal to the Specific Percentage of the Future Receipts that Seller collected during the Reconciliation Month(s) at issue.

c. One or more Reconciliation procedures performed by Buyer may reduce or increase the effective Remittance Amount during the Reconciliation Month in comparison to the initial Remittance Amount first described in this Agreement, and, as the result of such reduction, the term of this Agreement during which Buyer will be debiting the Approved Bank Account may be shortened or extended indefinitely.

11. Request for Reconciliation Procedure.

a. It shall be Seller's sole responsibility and the right hereunder to initiate Reconciliation of Seller's actual Remittance Amounts during any Reconciliation Month by sending a request for Reconciliation to Buyer.

b. Any such request for Reconciliation of the Seller's Remittance Amounts for specific Reconciliation Month(s) shall be in writing, shall state the Reconciliation Month(s) for which Reconciliation is requested, and shall include copies of Seller's bank statement(s) and credit card processing statements for each Reconciliation Month at issue, and shall be received by Buyer via email to customerservice@approvalandreconciliation.com, with the subject line "REQUEST FOR RECONCILIATION" or by other means (to be provided to Seller by Buyer upon request).

c. Reconciliation cannot be made two or more times for the same Reconciliation Month.

d. Commencing in the calendar month immediately following the Effective Date of this Agreement, Seller shall have the right to request Reconciliation as many times during the term of this Agreement as it deems proper, and Buyer shall comply with each such request, provided that each such request is made in accordance with the terms of this Section 11.

e. Nothing set forth in Sections 10 or 11 of this Agreement shall be deemed to: (i) provide Seller with the right to interfere with Buyer's right and ability to debit the Approved Bank Account while the request for Reconciliation of Seller's receipts is pending or until the Purchased Amount is collected by Buyer in full, or (ii) modify the Remittance Amount for any calendar month during the term of this Agreement other than during the Reconciliation Month(s) as the result of the Reconciliation.

12. Adjustment of the Remittance Amount. Seller and Buyer each acknowledge and agree that:

a. If at any time during the term of this Agreement Seller experiences a steady decrease in its Periodic Receipts, and so long as Seller is not in default under the terms of this Agreement, Seller shall have the right, at its sole and absolute

discretion, but subject to the provisions of Section 13 below, to request modification (“Adjustment”) of the amount of the Remittance Amount that Seller is obligated to deliver to Buyer at the end of each Remittance Period to more closely reflect the Seller’s actual Periodic Receipts multiplied by the Specified Percentage (the “Adjusted Remittance Amount”). Buyer shall provide such Adjustment within five (5) Workdays following its receipt of the Seller’s

request for Adjustment. The Adjustment shall become effective as of the date it is performed and the Adjusted Remittance Amount shall replace and supersede the amount of the initial Remittance Amount first described above for thirty (30) days from and including the date it is granted. Upon the expiration of such 30-day period the amount of the Remittance Amount shall automatically revert back to the amount of the initial Remittance Amount, absent an additional request for Adjustment at the expiry of the 30-day period pursuant to this Section 12.

b. The parties acknowledge that any Adjustment that reduces the initial Remittance Amount may have the effect of extending the period of time needed for Seller to deliver the entire Purchased Amount to Buyer.

13. Request for Adjustment Procedure.

a. It shall be Seller's sole responsibility and the right to initiate the Adjustment by sending a request for Adjustment to Buyer.

b. A request for Adjustment (an "Adjustment Request") shall be in writing, and shall include copies of Seller's last three (3) consecutive bank statements of the Approved Bank Account and credit card processing statements immediately preceding the date of Buyer's receipt of the Adjustment Request. The Adjustment Request must be received by Buyer by email at customerservice@approvalandreconciliation.com, with the subject line "REQUEST FOR ADJUSTMENT" within thirty (30) days after the date that is the later of (i) the last day of the latest bank statement enclosed with the Adjustment Request and (ii) the last date of the latest credit card processing statement enclosed with the Adjustment Request.

c. Buyer's receipt of a Seller's Adjustment Request after the expiration of the above referenced thirty (30) day period nullifies and makes obsolete such Adjustment Request.

d. Seller shall have the right to request Adjustment of the initial Remittance Amount (or any Adjusted Remittance Amount, as the case may be) as many times during the term of this Agreement as it deems proper, and Buyer shall comply in good faith with such request, provided that:

i. Each such request for Adjustment is made in accordance with the terms of this Section 13; and

ii. No Adjustment shall be made after the Termination Date.

e. Nothing set forth in Sections 12 or 13 of this Agreement shall be deemed to provide Seller with the right to (i) interfere with Buyer's right and ability to debit the Approved Bank Account while the request for Adjustment is pending or until the Purchased Amount is collected by Buyer in full or (ii) request Adjustment retroactively for the portion of the term of this Agreement preceding the date of an Adjustment Request.

14. Buyer's Assumption of Risk.

a. Nonrecourse Sale of Future Receipts. 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, to the extent not caused by Seller's breach of this Agreement. Buyer is buying the Purchased Amount of Future Receipts 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. Seller agrees that it will treat the Purchase Price and Purchased Amount in a manner consistent with a sale in its accounting records and tax returns. Seller agrees that Buyer is entitled to audit Seller's accounting records upon reasonable Notice in order to verify compliance. Seller waives any rights of privacy, confidentiality or taxpayer privilege in any such litigation or arbitration in which Seller asserts that this transaction is anything other than a sale of future receipts.

b. Excused Performance. Buyer agrees to purchase the Purchased Future Receipts knowing the risks that Seller's business may slow down or fail, and Buyer assumes this risk based exclusively upon the information provided to it by Seller and related to the business operations of Seller's business prior to the date hereof, and upon Seller's representations, warranties and covenants contained in this Agreement that are designed to give Buyer a reasonable and fair opportunity to receive the benefit of its bargain. Furthermore, Buyer hereby acknowledges and agrees that Seller shall be excused from performing its obligations under this Agreement in the event Seller's business ceases its operations exclusively due to the following reasons:

i. adverse business conditions or other circumstances that occurred for reasons outside Seller's control;

ii. loss of the premises where the business operates (but not due to Seller's breach of its obligations to its

landlord), provided however that Seller does not continue and/or resume business operations at another location;

iii. bankruptcy of Seller; and/or

iv. natural disasters or similar occurrences beyond Seller's control.

15. Fees and Charges to Buyer ("Closing Costs). Seller acknowledges that any Due Diligence fee, or UCC fees and described above as "Closing Costs" were agreed upon between Seller and Buyer prior to Seller entering into this Agreement, and were subject to arms-length negotiation between Buyer and Seller.

16. Origination Fee. Seller acknowledges that any Origination Fee disclosed above as a "Closing Cost" was agreed upon between Seller and a third-party broker for services related to this Seller's transaction with Buyer. Buyer is not a party to any agreement between Seller and its broker. Seller hereby requests and authorizes Buyer to withhold the Origination Fee from the Purchase Price, and to remit the Origination Fee to such broker.

17. Prior Balance of Purchased Amounts. Seller represents and warrants that Rider 1, which is attached hereto and made a part hereof, contains true and correct information as to the name(s) of Seller's creditors and the amounts that Seller owes each of those creditors as of the Effective Date (and these amounts being a portion of the Prior Balance of Purchased Amounts), and that as of the date hereof there are no creditors of Seller which may otherwise encumber the Purchased Future Receipts other than those listed in Rider 1. Seller indemnifies and holds harmless Buyer for any and all damages and losses (including without limitation legal fees and expenses) incurred by Buyer as the result of such representation being untrue, incorrect or incomplete.

18. No Reduction of Purchase Price. Seller agrees that deduction of the Closing Costs, the Prior Balance and the Origination Fee from the Purchase Price shall not be deemed to be a reduction of the Purchase Price.

REPRESENTATIONS, WARRANTIES AND COVENANTS

19. Seller represents, warrants and covenants that as of this date and unless expressly stated otherwise during the term of this Agreement:

a. Financial Condition and Financial Information. Seller's bank and financial statements, copies of which have been furnished to Buyer, and future statements which may be furnished hereafter pursuant to this Agreement or upon Buyer's request, fairly represent the financial condition of Seller as of the dates such statements were issued, and prior to execution of the Agreement there has been no material adverse changes, financial or otherwise, in such condition, operation or ownership of Seller. Seller shall advise Buyer of any material adverse change in its financial condition, operation or ownership, and/or online banking log-in credentials. Buyer may request Seller's bank statements at any time during the term of this Agreement and Seller shall provide them to Buyer within five (5) Workdays.

b. Governmental Approvals. Seller is in compliance and, during the term of this Agreement, shall be in compliance with all laws and has valid permits, authorizations and licenses to own, operate and lease its properties and to conduct the business in which it is presently engaged.

c. Good Standing. Seller is a corporation/limited liability company/limited partnership/other type of entity that is in good standing and duly incorporated or otherwise organized and validly existing under the laws of its jurisdiction of incorporation or organization, and has full power and authority necessary to carry its business as it is now being conducted.

d. Authorization. Seller has all requisite power to execute, deliver and perform this Agreement and consummate the transactions contemplated hereunder; entering into this Agreement will not result in breach or violation of, or default under, any agreement or instrument by which Seller is bound or any statute, rule, regulation, order or other law to which Seller is subject, nor require the obtaining of any consent, approval, permit or license from any governmental authority having jurisdiction over Seller. All organizational and other proceedings required to be taken by Seller to authorize the execution, delivery and performance of this Agreement have been taken. The person signing this Agreement on behalf of Seller has full power and authority to bind Seller to perform its obligations under this Agreement.

e. Accounting Records and Tax Returns. Seller will treat receipt of the Net Amount Funded to Seller and payment of the Purchased Amount in a manner evidencing sale of its Future Receipts in its accounting records and tax returns and further agrees that Buyer is entitled to audit Seller's accounting records upon reasonable notice in order to verify compliance. Seller hereby waives any rights of privacy, confidentiality or taxpayer privilege in any litigation or arbitration arising out of this Agreement in which Seller asserts that this transaction is anything other than a sale of Future Receipts.

f. Taxes; Workers Compensation Insurance. Seller has paid and will promptly pay, when due, all taxes, including without limitation, income, employment, sales and use taxes, imposed upon Seller's business by law, and will maintain workers compensation insurance required by applicable governmental authorities.

g. Business Insurance. Seller maintains and will maintain general liability and business-interruption insurance naming Buyer as loss payee and additional insured in the amounts and against risks as are satisfactory to Buyer and shall provide Buyer with proof of such insurance upon request.

h. Approved Processor and Bank. Seller shall not change its Approved Processor, add terminals, change its Approved Bank Account(s) or take any other action that could have any adverse effect upon Seller's obligations or impede Buyer's rights under this Agreement, without Buyer's prior written consent.

i. No Diversion of Future Receipts. Seller shall not allow any event to occur that would cause a diversion of any

portion of Seller's Future Receipts from the Approved Bank Account or Approved Processor without Buyer's written consent.

j. Change of Name or Location. Seller, any successor-in-interest of Seller, and Guarantor shall not conduct Seller's businesses under any name other than as disclosed to the Approved Processor and Buyer, shall not change and/or transfer ownership in/of the Seller and will not change any of its places of business without first obtaining Buyer's written consent.

k. Prohibited Business Transactions. Seller shall not: (i) transfer or sell all or substantially all of its assets without first obtaining Buyer's consent; or (ii) make or send notice of its intended bulk sale or transfer.

l. No Closing of Business. Seller will not sell, dispose, transfer or otherwise convey all or substantially all of its business or assets without first: (i) obtaining the express written consent of Buyer, and (ii) providing Buyer with a written agreement of a purchaser or transferee of Seller's business or assets to assume all of Seller's obligations under this Agreement pursuant to documentation satisfactory to Buyer. Seller represents that as of the date of Seller's execution of this Agreement it has no current plans to close its business either temporarily (for renovations, repairs or any other purpose), or permanently. Seller agrees that until Buyer shall have received the Purchased Amount in full, Seller will not voluntarily close its business on a permanent or temporarily basis for renovations, repairs, or any other purposes. Notwithstanding the foregoing, Seller shall have the right to close its business temporarily if such closing is necessitated by a requirement to conduct renovations or repairs imposed upon Seller's business by legal authorities having jurisdiction over Seller's business (such as from a health department or fire department), or if such closing is necessitated by circumstances outside Seller's reasonable control. Prior to any such temporary closure of its business, Seller shall provide Buyer ten (10) business days advance notice to the extent practicable.

m. No Pending Bankruptcy. As of the date of Seller's execution of this Agreement, Seller has not filed, and does not contemplate filing, any petition for bankruptcy protection under Title 11 of the United States Code and there has been no involuntary bankruptcy petition brought or pending against Seller. Seller represents that it has not consulted with a bankruptcy attorney on the issue of filing bankruptcy or some other insolvency proceeding within six months immediately preceding the date of this Agreement.

n. Estoppel Certificate. Seller will at any time, and from time to time, upon at least one (1) day's prior notice from Buyer to Seller, execute, acknowledge and deliver to Buyer and/or to any other person or entity specified by Buyer, 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 modification(s) and stating the date(s) on which the Purchased Amount or any portion thereof has been repaid.

o. Unencumbered Future Receipts. Seller has and will continue to have good, complete and marketable title to all Future Receipts, free and clear of any and all liabilities, liens, claims, changes, restrictions, conditions, options, rights, mortgages, security interests, equities, pledges and encumbrances of any kind or nature whatsoever or any other rights or interests other than by virtue of entering into this Agreement. Seller specifically warrants and represents that it is not currently bound by the terms of any future receivables and/or factoring agreement which may encumber in any way the Future Receipts.

p. No Stacking. Seller shall not further encumber the Future Receipts, without first obtaining written consent of Buyer.

q. Business Purpose. Seller is entering into this Agreement solely for business purposes and not as a consumer for personal, family or household purposes.

r. No Default Under Contracts with Third Parties. Seller's execution of and/or performance of its obligations under this Agreement will not cause or create an event of default by Seller under any contract, which Seller is or may become a party to.

s. Right of Access. In order to ensure Seller's compliance with the terms of this Agreement, Seller hereby grants Buyer the right to enter, 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 Periodic Receipts to the Approved Processor and to ensure that Seller has not violated any other provision of this Agreement. Furthermore, Seller hereby grants Buyer and its employees and consultants access to Seller's employees and records and all other items of property located at the Seller's place of business during the term of this Agreement. Seller hereby agrees to provide Buyer, upon request, all and any information concerning Seller's business operations, banking relationships, names and contact information of Seller's suppliers, vendors and landlord(s), to allow Buyer to interview any of those parties.

t. Phone Recordings and Contact. Seller agrees that any call between Seller and Buyer, and their respective owners, managers, employees and agents may be recorded and/or monitored. Furthermore, Seller acknowledges and agrees that: (i) it has an established business relationship with Buyer, its managers, employees and agents (collectively, the "Buyer Parties") and that Seller may be contacted by any of the Buyer Parties from time-to-time regarding Seller's performance of its obligations under this Agreement or regarding other business transactions; (ii) it will not claim that

such communications and contacts are unsolicited or inconvenient; and (iii) any such contact may be made by any of the Buyer Parties in person or at any phone number (including mobile phone number), email addresses, or facsimile number belonging to Seller's office, or its owners, managers, officers, or employees.

u.Knowledge and Experience of Decision Makers. The persons authorized to make management and financial decisions on behalf Seller with respect to this Agreement have such knowledge, experience and skill in financial

and business matters in general and with respect to transactions of a nature similar to the one contemplated by this Agreement so as to be capable of evaluating the merits and risks of, and making an informed business decision with regard to, Seller entering into this Agreement.

v. Seller's Due Diligence. The person authorized to sign this Agreement on behalf of Seller: (i) has received all information that such person deemed necessary to make an informed decision with respect to a transaction contemplated by this Agreement; and (ii) has had unrestricted opportunity to make such investigation as such person desired pertaining to the transaction contemplated by this Agreement and verify any such information furnished to him or her by Buyer.

w. Consultation with Counsel. The person(s) signing this Agreement of behalf of Seller: (a) has read and fully understands the content of this Agreement; (b) has consulted to the extent he/she wished with Seller's own counsel in connection with the entering into this Agreement; (c) has made sufficient investigation and inquiry to determine whether this Agreement is fair and reasonable to Seller, and whether this Agreement adequately reflects his or her understanding of its terms.

x. No Reliance on Oral Representations. No course of performance or other conduct subsequently pursued or acquiesced in, and no oral agreement or representation subsequently made, by the Buyer Parties, whether or not relied or acted upon, and no usage of trade, whether or not relied or acted upon, shall amend this Agreement or impair or otherwise affect Seller's obligations pursuant to this Agreement or any rights and remedies of the parties to this Agreement.

y. No Additional Fees Charged. Seller hereby acknowledges and agrees that: (i) other than the Closing Costs first described above, if any, Buyer is NOT CHARGING ANY ADDITIONAL FEES OR CLOSING COSTS to Seller; and (ii) if Seller is charged with any fee and/or cost not described in the Closing Costs hereof, such fee is not charged by Buyer.

20. 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 an Event of Default, 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.

21. Pledge. As security for the prompt and complete payment and performance of any and all liabilities, obligations, covenants or agreements of Seller under this Agreement (and any future amendments of this Agreement, if any) (hereinafter referred to collectively as the "Obligations"), Seller hereby pledges, assigns and hypothecates to Buyer (collectively, "Pledge") and grants to Buyer a continuing, perfected and first priority lien upon and security interest in, to and under all of Seller's right, title and interest in and to the following (collectively, the "Collateral"), whether now existing or hereafter from time to time acquired:

i. all accounts, including without limitation, all deposit accounts, accounts-receivable, and other receivables, chattel paper, documents, equipment, general intangibles, instruments, and inventory, as those terms are defined by Article 9 of the Uniform Commercial Code (the "UCC"), now or hereafter owned or acquired by Seller; and

ii. all Seller's proceeds, as such term is defined by Article 9 of the UCC.

22. Termination of Pledge. Upon the payment and performance by Seller in full of the Obligations, the security interest in the Collateral pursuant to this Pledge shall automatically terminate without any further act of either party being required, and all rights to the Collateral shall revert to Seller. Upon any such termination, Buyer will execute, acknowledge (where applicable) and deliver such satisfactions, releases and termination statements, as Seller shall reasonably request.

23. 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.

24. Further Assurances. At Buyer's request, Seller, at Seller's sole cost and expense, shall execute and deliver all such further UCC-1s, continuation statements, assurances, assignments, and consents with respect to the sale of the Purchased Amount, and shall execute and deliver such further instruments, agreements and other documents and do such further acts and things, as Buyer may request in order to more fully effectuate the purposes of this Agreement.

EVENTS OF DEFAULT AND REMEDIES

25. Events of Default. The occurrence of any of the following events shall constitute an "Event of Default": (a) Seller

interferes with Buyer's right to collect the Remittance Amount; (b) Seller violates any term or covenant in this Agreement; (c) Seller uses multiple depository accounts without the prior written consent of Buyer; (d) Seller revokes

the ACH Authorization; (e) Seller changes its depositing account or its payment card processor without the prior written consent of Buyer; (f) Seller defaults under any other agreement with Buyer, or breaches any of the terms, covenants and conditions of any other agreement with Buyer, or (g) Seller causes two (2) or more ACH transactions attempted by Buyer during any thirty-day period during the term of this Agreement to be rejected by Seller's bank.

26. Remedies. If any Event of Default occurs, 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. The Remittance Amount shall equal 100% of all Future Receipts.

c. Buyer may enforce the provisions of any Guaranty against each Guarantor.

d. Seller shall pay to Buyer all reasonable costs associated with the Event of Default. 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 on arbitration below.

e. This Agreement shall be deemed Seller's Assignment of Seller's Lease of Seller's business premises to Buyer. Upon an Event of Default, Buyer may exercise its rights under this Assignment of Lease without prior notice to Seller.

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

g. Subject to arbitration as provided in Section 44 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 an Event of Default, are cumulative and not exclusive, and shall be in addition to any other rights, powers or remedies provided by law or equity.

27. Remedies are not Exclusive. All rights, powers and remedies of Buyer in connection with this Agreement set forth herein may be exercised at any time after the occurrence of any Event of Default, are cumulative and not exclusive and shall be in addition to any other rights, powers or remedies provided to Buyer by law or equity.

28. Power of Attorney. Seller irrevocably appoints Buyer and its representatives as its agents and attorneys-in-fact with full authority to take any action or execute any instrument or document to do the following: (A) to settle all obligations due to Buyer from any credit card processor and/or account debtor(s) of Seller; (B) upon occurrence of an Event of Default to perform any and all obligations of Seller under this Agreement, including without limitation (i) to obtain required insurance; (ii) to collect monies due or to become due under or in respect of any of the Collateral; (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 Seller's name on any invoice, bill of lading, or assignment directing customers or account debtors, as that term is defined by Article 9 of the UCC ("Account Debtors"), to make payment directly to Buyer (including providing information necessary to identify Seller); and (v) to file any claims or take any action or institute any proceeding which Buyer may deem necessary for the collection of any of the undelivered Purchased Amount, or otherwise to enforce its rights with respect to collection of the Purchased Amount.

ADDITIONAL TERMS

29. Financial Condition. Seller and its Guarantor(s) authorize Buyer and its agents to investigate their financial status and history, and will provide to Buyer any bank or financial statements, tax returns, etc., as Buyer 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. Buyer Seller hereby authorizes Buyer to receive from time to time updates on such information and financial status.

30. Transactional History. Seller shall execute written authorization(s) to their bank(s) to provide Buyer with Seller's banking and/or credit-card processing history.

31. Indemnification. Seller and its Guarantor(s) jointly and severally, indemnify and hold harmless to the fullest extent permitted by law Approved Processor, any ACH processor, customer and/or Account Debtors of the Seller, its/their officers, directors and shareholders against all losses, damages, claims, liabilities and expenses (including reasonable attorney's fees) incurred by any ACH processor, customer and/or Account Debtors of the Seller resulting from (a) claims asserted by Buyer for monies owed to Buyer from Seller and (b) actions taken by any ACH processor, customer and/or Account Debtor of the Seller in reliance upon information or instructions provided by Buyer.

32. No Liability. In no event shall Buyer be liable for any claims asserted by Seller or any Guarantor under any legal theory for lost profits, lost revenues, lost business opportunities, exemplary, punitive, special, incidental, indirect or consequential damages, each of which is hereby knowingly and voluntarily waived by Seller each Guarantor.

MISCELLANEOUS

33. 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 both parties.

34. Assignment. Buyer may assign, transfer or sell its rights or delegate its duties hereunder, either in whole or in part

without prior notice to the Seller. Seller shall not assign its rights or obligations under this Agreement without first obtaining Buyer's written consent.

35. Notices. Unless different means of delivering notices are set forth elsewhere in this Agreement, all notices, requests, consent, demands and other communications hereunder shall be delivered by certified mail, return receipt requested, to the respective parties to this Agreement at the addresses set forth in this Agreement and shall become effective as of the date of receipt or declined receipt.

36. Waiver Remedies. No failure on the part of Buyer 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.

37. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns.

38. Governing Law, Venue and Jurisdiction. This Agreement shall be governed by and construed exclusively in accordance with the laws of the State of New York, without regards to any applicable principles of conflicts of law. Any lawsuit, action or proceeding arising out of or in connection with this Agreement shall be instituted exclusively in any court sitting in New York, (the "Acceptable Forums"). The parties agree that the Acceptable Forums are convenient, and submit to the jurisdiction of the Acceptable Forums and waive any and all objections to inconvenience of the jurisdiction or venue. Should a proceeding be initiated in any other forum, each of the parties to this Agreement irrevocably waives any right to oppose any motion or application made by any other party to transfer such proceeding to an Acceptable Forum. Seller and each Guarantor acknowledge and agree that the Purchase Price is being paid and received by Seller in New York, that the Specified Percentage of the Future Receipts are being delivered to Buyer in New York, and that the transaction contemplated in this Agreement was negotiated, and is being carried out, in New York. Seller and each Guarantor acknowledge and agree that New York has a reasonable relationship to this transaction.

39. 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 expired.

40. Severability. In case any of the provisions in this Agreement are 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. Any provision of this Agreement that may be found by a court having jurisdiction to be prohibited by law shall be ineffective only to the extent of such prohibition without invalidating the remaining provisions hereof.

41. Entire Agreement. This Agreement (including any exhibits, riders, or addenda) embodies the entire agreement between Seller, each Guarantor and Buyer and supersedes all prior agreements and understandings relating to the subject matter hereof.

42. JURY TRIAL WAIVER. THE PARTIES HERETO WAIVE 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 THE ENFORCEMENT HEREOF. EACH PARTY HERETO ACKNOWLEDGES THAT IT MAKES THIS WAIVER KNOWINGLY, WILLINGLY AND VOLUNTARILY AND WITHOUT DURESS, AND ONLY AFTER EXTENSIVE CONSIDERATION AND DISCUSSIONS OF THE RAMIFICATIONS OF THIS WAIVER WITH ITS ATTORNEYS.

43. CLASS ACTION WAIVER. EACH PARTY HERETO WAIVES ANY RIGHT TO ASSERT ANY CLAIMS AGAINST THE OTHER PARTY, AS A REPRESENTATIVE OR MEMBER IN ANY CLASS OR REPRESENTATIVE ACTION, EXCEPT WHERE SUCH WAIVER IS PROHIBITED BY LAW OR IS AGAINST PUBLIC POLICY. TO THE EXTENT EITHER PARTY IS PERMITTED BY LAW OR COURT OF LAW TO PROCEED WITH A CLASS OR REPRESENTATIVE ACTION AGAINST THE OTHER, THE PARTIES HEREBY AGREE THAT: (1) THE PREVAILING PARTY SHALL NOT BE ENTITLED TO RECOVER ATTORNEYS' FEES OR COSTS ASSOCIATED WITH PURSUING THE CLASS OR REPRESENTATIVE ACTION (NOTWITHSTANDING ANY OTHER PROVISION IN THIS AGREEMENT TO THE CONTRARY); AND (2) 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.

44. ARBITRATION. THE PARTIES ACKNOWLEDGE AND AGREE THAT, PROVIDED THAT NO SUIT, ACTION OR PROCEEDING HAS BEEN ALREADY COMMENCED IN CONNECTION WITH ANY MATTER ARISING OUT OF OR RELATED TO THE TRANSACTION CONTEMPLATED BY THIS AGREEMENT, EACH BUYER SELLER, AND ANY GUARANTOR OF SELLER SHALL HAVE THE RIGHT TO REQUEST THAT ALL DISPUTES AND CLAIMS ARISING OUT OF OR RELATING TO THE CONSTRUCTION AND INTERPRETATION OF THIS AGREEMENT, ARE SUBMITTED TO

ARBITRATION. THE PARTY SEEKING ARBITRATION SHALL FIRST SEND A WRITTEN NOTICE OF INTENT TO ARBITRATE TO ALL OTHER PARTIES, BY CERTIFIED MAIL UPON SENDING OF SUCH NOTICE, A PARTY REQUESTING ARBITRATION MAY COMMENCE AN ARBITRATION PROCEEDING WITH THE AMERICAN ARBITRATION ASSOCIATION (“AAA”) OR NATIONAL ARBITRATION FORUM (“NAF”). EACH SELLER, GUARANTOR AND BUYER SHALL PAY THEIR OWN ATTORNEYS’ FEES INCURRED DURING THE ARBITRATION PROCEEDING. THE

PARTY INITIATING THE ARBITRATION SHALL PAY ANY ARBITRATION FILING FEE, ADMINISTRATION FEE AND ARBITRATOR'S FEE. FURTHER, BUYER, SELLER AND ANY GUARANTOR AGREE THAT IN THE EVENT THE ARBITRATION HAS COMMENCED, 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.

45.SERVICE OF PROCESS. IN ADDITION TO THE METHODS OF SERVICE ALLOWED BY THE NEW YORK STATE CIVIL PRACTICE LAW & RULES ("CPLR"), SELLER HEREBY CONSENTS, IN THE EVENT OF DEFAULT HEREUNDER, TO SERVICE OF PROCESS UPON IT BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED. SERVICE HEREUNDER SHALL BE DEEMED COMPLETED UPON SELLER'S ACTUAL RECEIPT OF THE SERVICE OF PROCESS OR UPON BUYER'S RECEIPT OF THE RETURN THEREOF BY THE UNITED STATES POSTAL SERVICE AS REFUSED OR UNDELIVERABLE. SELLER MUST PROMPTLY NOTIFY BUYER, IN WRITING, OF EACH AND EVERY CHANGE OF ADDRESS TO WHICH SERVICE OF PROCESS SHALL BE MADE. SERVICE OF PROCESS BY BUYER TO THE LAST KNOWN SELLER'S ADDRESS SHALL BE SUFFICIENT. SELLER WILL HAVE THIRTY (30) CALENDAR DAYS FROM THE DATE OF DELIVERY (OR ATTEMPTED DELIVERY) OF THE SERVICE OF PROCESS HEREUNDER IN WHICH TO RESPOND. FURTHERMORE, SELLER EXPRESSLY CONSENTS THAT ANY AND ALL NOTICE(S), DEMAND(S), REQUEST(S) OR OTHER COMMUNICATION(S) UNDER AND PURSUANT TO THIS AGREEMENT SHALL BE DELIVERED IN ACCORDANCE WITH THE PROVISIONS OF THIS AGREEMENT.

46.Counterparts and Facsimile Signatures. This Agreement can 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. Signatures delivered via facsimile and/or via Portable Digital Format (PDF) shall be deemed acceptable for all purposes, including without limitation the evidentially purposes. Furthermore, this Agreement may be signed electronically and a copy this Agreement with e-signatures of the parties shall have the same force and effect as the original.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first above written.

FOR THE SELLER FOR THE SELLER



By: By:

Name: YUTAKA NIIHARA Name: N/A

Title: Owner/Agent/Manager
EIN:

Title: N/A
EIN: N/A

AGREE TO BE BOUND BY THE PROVISIONS OF THIS AGREEMENT APPLICABLE TO AND CONCERNING GUARANTOR

OWNER/GUARANTOR #1 OWNER/GUARANTOR #2



By: By:

Name: YUTAKA NIIHARA **Name:** N/A

SSN: SSN: N/A

CLOUDFUND LLC

By: _

Name:

Title:

EXHIBIT A

PERSONAL GUARANTY OF PERFORMANCE

This Personal Guaranty of Performance (this “Guaranty”) is executed as of 7/19/2023, by the undersigned individual(s) whose name(s) and signature(s) appear in the signature box of this Guaranty (individually and collectively, jointly and severally, “Guarantor”) for the benefit of CLOUDFUND LLC (“Buyer”).

WHEREAS:

A. Pursuant to that Future Receipts Sale and Purchase Agreement (the “Agreement”), dated as of 7/19/2023, between Buyer and the Seller(s) listed below (collectively and individually, “Seller”), Buyer has purchased a portion of Future Receipts of Seller.

THE SELLER:

Legal Business Name: EMMAUS LIFE SCIENCES INC. and the entities listed on "Exhibit B"
D/B/A: EMMAUS MEDICAL

B. Each Guarantor is an owner, officer, or manager of Seller and will directly benefit from Buyer and Seller entering into the Agreement.

C. Buyer is not willing to enter into the Agreement unless Guarantor irrevocably, absolutely and unconditionally guarantees to Buyer prompt and complete performance of all of the obligations of Seller under the Agreement (each such obligation, individually, an “Obligation” and all such obligations, collectively, the “Obligations”).

NOW, THEREFORE, as an inducement for Buyer to enter into the Agreement, and for other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, Guarantor does hereby agree as follows:

1. Defined Terms. All capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in the Agreement.

2. Guaranty of Obligations. Guarantor hereby irrevocably, absolutely and unconditionally guarantees to Buyer prompt, full, faithful and complete performance and observance of the following obligations of Seller (the “Guaranteed Obligations”);

- a. Seller’s obligation to provide bank statements and other financial information within five Workdays after request from Buyer;
- b. Seller’s obligation to not change its payment card processor, change the Approved Bank Account, or add bank accounts;
- c. Seller’s obligation to not conduct Seller’s businesses under any name other than as disclosed to Buyer;
- d. Seller’s obligation to not change any of its places of business without prior written consent by Buyer;
- e. 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;
- f. 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;
- g. Seller’s obligation not to interfere with Buyer’s right to withdraw the Remittance Amount from Seller’s bank account;
- h. Seller’s obligation not to cause rejection by Seller’s bank of the ACH transactions attempted by Buyer; and
- i. Seller’s obligation to provide truthful, accurate, and complete information as required by this Agreement.

Furthermore, Guarantor unconditionally covenants to Buyer that if default or breach shall at any time be made by Seller in the Guaranteed Obligations, Guarantor shall well and truly perform (or cause to be performed) the Guaranteed

Obligations and pay all damages and other amounts stipulated in the Agreement with respect to the non-performance of the Guaranteed Obligations, or any of them.

3. Guarantor's Additional Covenants. The liability of Guarantor hereunder shall not be impaired, abated, deferred, diminished, modified, released, terminated or discharged, in whole or in part, or otherwise affected, by any event, condition, occurrence, circumstance, proceeding, action or failure to act, with or without notice to, or the knowledge or consent of, Guarantor, including, without limitation:

- a. any amendment, modification or extension of the Agreement or any Guaranteed Obligation;
- b. any extension of time for performance, whether in whole or in part, of any Guaranteed Obligation given prior to or after default thereunder;
- c. any exchange, surrender or release, in whole or in part, of any security that may be held by Buyer at any time under the Agreement;
- d. any other guaranty now or hereafter executed by Guarantor or anyone else;
- e. any waiver of or assertion or enforcement or failure or refusal to assert or enforce, in whole or in part, any Guaranteed Obligation, claim, cause of action, right or remedy which Buyer may, at any time, have under the Agreement or with respect to any guaranty or any security which may be held by Buyer at any time for or under the Agreement or with respect to the Seller;
- f. any act or omission or delay to do any act by Buyer which may in any manner or to any extent vary the risk of Guarantor or which would otherwise operate as a discharge of Guarantor as a matter of law;
- g. the release of any other guarantor from liability for the performance or observance of any Guaranteed Obligation, whether by operation of law or otherwise;
- h. the failure to give Guarantor any notice whatsoever;
- i. any right, power or privilege that Buyer may now or hereafter have against any person, entity or collateral.

4. Guarantor's Other Agreements. Guarantor will not dispose, convey, sell or otherwise transfer, or cause Seller to dispose, convey, sell or otherwise transfer, any material business assets of Seller outside of the ordinary course of Seller's business without the prior written consent of Buyer, which consent may be withheld for any reason, until receipt of the entire Purchased Amount. Guarantor shall pay to Buyer upon demand all expenses (including, without limitation, reasonable attorneys' fees and disbursements) of, or incidental to, or relating to the enforcement or protection of Buyer's rights hereunder or Buyer's rights under the Agreement. This Guaranty is binding upon Guarantor and Guarantor's heirs, legal representatives, successors and assigns and shall inure to the benefit of and may be enforced by the successors and assigns of Buyer. If there is more than one Guarantor, the Guaranteed Obligations shall be joint and several. The obligation of Guarantor shall be unconditional and absolute, regardless of the unenforceability of any provision of any agreement between Seller and Buyer, or the existence of any defense, setoff or counterclaim, which Seller may assert. Buyer is hereby authorized, without notice or demand and without affecting the liability of Guarantor hereunder, to at any time renew or extend Seller's obligations under the Agreement or otherwise modify, amend or change the terms of the Agreement. Guarantor is hereby notified and consents that a negative credit report reflecting on his/her credit record may be submitted to a credit-reporting agency if the Guarantor does not honor the terms of this Guaranty. Guarantor additionally consents to the ordering of a credit report for Guarantor (a) as a condition precedent to Buyer entering into this Agreement, (b) from time to time during the entire Term of the Agreement, and (c) in the event of default pursuant to the Agreement.

5. Waiver; Remedies. No failure on the part of Buyer to exercise, and no delay in exercising, any right under this Guaranty shall operate as a waiver, nor shall any single or partial exercise of any right under this Guaranty preclude any other or further exercise of any other right. Subject to arbitration, the remedies provided in this Guaranty are cumulative and not exclusive of any remedies provided by law or equity. In the event that Seller fails to perform any obligation under the Agreement, Buyer may enforce its rights under this Guaranty without first seeking to obtain performance for such default from Seller or any other guarantor.

6. Acknowledgment of Purchase. Guarantor acknowledges and agrees that the Purchase Price paid by Buyer to Seller in exchange for the Purchased Amount of Future Receipts is a payment for an adequate consideration and is not intended to be treated as a loan or financial accommodation from Buyer to Seller. Guarantor specifically acknowledges that Buyer is not a lender, bank or credit card processor, and that Buyer has not offered any loans to Seller, and Guarantor waives any claims or defenses of usury in any action arising out of this Guaranty. Guarantor acknowledges that the Purchase Price paid to Seller is good and valuable consideration for the sale of the Purchased Amount.

7. Governing Law and Jurisdiction. This Guaranty shall be governed by, and constructed in accordance with, the internal laws of the State of New York without regard to principles of conflicts of law. Except as provided in Section 10 of this Guaranty, Guarantor submits to the nonexclusive jurisdiction and venue of any state or federal court sitting in New York or otherwise having jurisdiction over this Guaranty and Guarantor, for resolution of any claim or action arising,

directly or indirectly, out of or related to this Guaranty. The parties stipulate that the venues referenced in this Agreement are convenient. The parties further agree that the mailing by certified or registered mail, return receipt requested, of any process required by any such court will constitute valid and lawful service of process against them, without the necessity for service by any other means provided by statute or rule of court, but without invalidating service performed in accordance with such other provisions. Guarantor acknowledges and agrees that the Purchase Price is being paid and received by Seller in New York, that the Specified Percentage of the Future Receipts are being delivered to Buyer in New York, and that the transaction contemplated in this Guaranty was negotiated, and is being carried out, in New York. Guarantor acknowledges and agrees that it is guaranteeing a New York agreement and transaction. Guarantor acknowledges and agrees that New York has a reasonable relationship to this transaction.

8. 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 GUARANTY 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 MAKES THIS WAIVER KNOWINGLY, WILLINGLY AND VOLUNTARILY AND WITHOUT DURESS, AND ONLY AFTER EXTENSIVE CONSIDERATION OF THE RAMIFICATIONS OF THIS WAIVER WITH THEIR ATTORNEYS.

9. CLASS ACTION WAIVER. THE PARTIES WAIVE ANY RIGHT TO ASSERT ANY CLAIMS AGAINST THE OTHER PARTY 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 EITHER PARTY IS PERMITTED BY LAW OR 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.

10. ARBITRATION. THE PARTIES ACKNOWLEDGE AND AGREE THAT, PROVIDED THAT NO SUIT, ACTION OR PROCEEDING HAS BEEN ALREADY COMMENCED IN CONNECTION WITH ANY MATTER ARISING OUT OF OR RELATED TO THIS GUARANTY AND/OR THE TRANSACTION CONTEMPLATED BY THE AGREEMENT, EACH BUYER, SELLER AND GUARANTOR SHALL HAVE THE RIGHT TO REQUEST THAT ALL DISPUTES AND CLAIMS ARISING OUT OF OR RELATING TO THE CONSTRUCTION AND/OR INTERPRETATION OF THIS GUARANTY ARE SUBMITTED TO ARBITRATION. THE PARTY SEEKING ARBITRATION SHALL FIRST SEND A WRITTEN NOTICE OF INTENT TO ARBITRATE TO ALL OTHER PARTIES, BY CERTIFIED MAIL. UPON SENDING OF SUCH NOTICE, A PARTY REQUESTING ARBITRATION MAY COMMENCE AN ARBITRATION PROCEEDING WITH THE AMERICAN ARBITRATION ASSOCIATION ("AAA") OR NATIONAL ARBITRATION FORUM ("NAF"). EACH SELLER, GUARANTOR AND BUYER SHALL PAY THEIR OWN ATTORNEYS' FEES INCURRED DURING THE ARBITRATION PROCEEDING. THE PARTY INITIATING THE ARBITRATION SHALL PAY ANY ARBITRATION FILING FEE, ADMINISTRATION FEE AND ARBITRATOR'S FEE.

11. SERVICE OF PROCESS. IN ADDITION TO THE METHODS OF SERVICE ALLOWED BY THE NEW YORK STATE CIVIL PRACTICE LAW & RULES ("CPLR"), GUARANTOR HEREBY CONSENTS, IN THE EVENT OF DEFAULT HEREUNDER, TO SERVICE OF PROCESS UPON HIM/HER/THEM BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED. SERVICE HEREUNDER SHALL BE DEEMED COMPLETED UPON GUARANTOR'S ACTUAL RECEIPT OF THE SERVICE OF PROCESS OR UPON BUYER'S RECEIPT OF THE RETURN THEREOF BY THE UNITED STATES POSTAL SERVICE AS REFUSED OR UNDELIVERABLE. GUARANTOR SHALL PROMPTLY NOTIFY BUYER, IN WRITING, OF EACH AND EVERY CHANGE OF ADDRESS TO WHICH SERVICE OF PROCESS SHALL BE MADE. SERVICE OF PROCESS BY BUYER TO THE LAST KNOWN GUARANTOR'S ADDRESS SHALL BE SUFFICIENT. GUARANTOR WILL HAVE THIRTY (30) CALENDAR DAYS FROM THE DATE OF DELIVERY (OR ATTEMPTED DELIVERY) OF THE SERVICE OF PROCESS HEREUNDER IN WHICH TO RESPOND. FURTHERMORE, GUARANTOR EXPRESSLY CONSENTS THAT ANY AND ALL NOTICE(S), DEMAND(S), REQUEST(S) OR OTHER COMMUNICATION(S) UNDER AND PURSUANT TO THIS AGREEMENT SHALL BE DELIVERED IN ACCORDANCE WITH THE PROVISIONS OF THIS AGREEMENT.

12. Severability. If for any reason any court of competent jurisdiction finds any provisions of this Guaranty to be void or voidable, the parties agree that the court may reform such provision(s) to render the provision(s) enforceable ensuring that the restrictions and prohibitions contained in this Guaranty shall be effective to the fullest extent allowed under applicable law.

13. Opportunity for Attorney Review. The Guarantor represents that he/she has carefully read this Guaranty and has had had a reasonable opportunity to, - and to the extent he or she wishes did, - consult with his or her attorney. Guarantor understands the contents of this Guaranty, and signs this Guaranty as his or her free act and deed.

14.Counterparts and Facsimile Signatures. This Guaranty 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. Facsimile or scanned documents shall have the same legal force and effect as an original and shall be treated as an original document for evidentiary purposes. Furthermore, this Guaranty may be signed electronically and a copy this Guaranty with e-signature of the Guarantor shall have the same force and effect as the original.

AGREED AND ACCEPTED:

OWNER/GUARANTOR #1: OWNER/GUARANTOR #2:



By: By:

Name: N/A SSN: N/A

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OWNER/GUARANTOR #3:

By:

Name:
N/A SSN:
N/A

CLOUDFUND LLC

By: _
Name:
Title:

RIDER 1

TO THE 7/19/2023 FUTURE RECEIVABLES SALE AND PURCHASE AGREEMENT (“Agreement”)

Between CLOUDFUND LLC (“Buyer”)

and EMMAUS LIFE SCIENCES INC. d/b/a EMMAUS MEDICAL and the entities listed on "Exhibit B" (“Seller”) PRIOR BALANCE

1. Possible Conflicts. If there is any conflict or inconsistency between any of the provisions of this Rider and any of the provisions of the Future Receivables Sale and Purchase Agreement (the “Agreement”) to which this Rider is attached, all such conflicts and inconsistencies shall be resolved in favor of the provisions of this Rider.

2. Definitions. All capitalized terms used in this Rider shall have the meaning set forth in the Agreement unless otherwise indicated herein.

3. Prior Balance. Seller represents and warrants that the following are the amounts that Seller owes to Buyer and/or its affiliates (collectively, the “Affiliates”) as of the Effective Date of the Agreement under agreements similar in nature to this Agreement (the sum of all such amounts, the “Prior Balance of Purchased Amounts”):

Creditor 1:

Name: CloudFund LLC

Amount Owed to Creditor 1: \$306,342.66

TOTAL PRIOR BALANCE: \$306,342.66

4. Buyback Right. By choosing to enter into this Rider 1, Seller hereby exercises its right to buyback from the Affiliates the Prior Balance of Purchased Amounts. In furtherance of the foregoing, Seller hereby authorizes and directs Buyer to apply a portion of the Purchase Price due to Seller pursuant to the Agreement toward satisfaction of Seller’s obligation to pay the Prior Balance of Purchased Amounts pursuant to Section 18 of the Agreement by deducting the amount of the Prior Balance of Purchased Amounts from the Purchase Price prior to delivering it to Seller, and to forward the specific amounts owed by Seller to Buyer and/or the creditors listed in this Rider.

5. No Right for Reconciliation or Adjustment. Seller acknowledges and agrees that in the event Buyer will indeed forward the Prior Balance of Purchased Amounts to the Affiliates, Seller shall have no right to request any Reconciliation or Adjustments set forth in Sections 10 through 13 of the Agreement.

6. No Reduction of Purchase Price. Seller hereby agrees that deduction of the Prior Balance of Purchased Amounts from the Purchase Price shall not be deemed to reduce the Purchase Price.

7. Indemnification. Seller hereby indemnifies and holds harmless Buyer for any and all damages and losses (including without limitation legal fees and expenses) incurred by Buyer as the result of the information set forth in this Rider being untrue or incorrect or incomplete.

Seller and Buyer agree that this Rider shall be attached to the Agreement and shall be made a part thereof. FOR THE SELLER FOR THE SELLER



By: By:

Name: YUTAKA NIIHARA Name: N/A

APPENDIX A

ACH Authorization Form

All information on this form is required unless otherwise noted.

Business Authorized to Debit/Credit Account (the "Buyer")

Authorized Business Name: CLOUDFUND LLC Authorized Business
Phone Number: 1-800-770-9525
Authorized Business Address: 400 Rella Blvd. Suite 165-101, Suffern, NY 10901

Business Information (the "Seller"):

Business Name: EMMAUS LIFE SCIENCES INC. Business DBA:
EMMAUS MEDICAL
Business Phone: (310) 430-9496
Account Holder Address: 21250 HAWTHORNE BLVD SUITE 80, TORRANCE, CA 90503

Account Holder's Bank Information:

Name of Bank: MUFG UNION BANK, N.A.

Bank Routing Number:

Bank Account Number:

Transaction Information:

Amount of Transaction: \$25,875.00 Effective Date:
7/19/2023
Rate of collection: Weekly

Authorization:

Pursuant to that certain Future Receipts Sale and Purchase Agreement dated 7/19/2023 between Buyer and Seller (the "Agreement"), Seller authorizes Buyer and/or Delta Bridge Funding LLC, its authorized agent, to electronically draft via the Automated Clearing House system up to the amount(s) indicated above from the account(s) identified above (the "Approved Bank Account") on or after the Effective Date, and agrees to be bound by the ACH Rules as set forth by NACHA (The Electronic Payments Association). The Undersigned hereby certifies that they are duly authorized to execute this form on behalf of the above listed account holder. NOTE that this authorization is to remain in full force and effect until Buyer and/or Delta Bridge Funding LLC, its authorized agent, receives written notification from Seller of its termination in such time and in such manner to afford Buyer a reasonable opportunity to act on it; provided, however, that revocation of this authorization prior to remittance of the balance under the Agreement may constitute a breach of the Agreement.

FOR THE SELLER

By:

Date: _

Name of Account Holder: YUTAKA NIIHARA Title of Account
Holder: OWNER

EXHIBIT B

**ADDENDUM TO
THE FUTURE RECEIVABLES SALE AND PURCHASE AGREEMENT AND GUARANTY**

This **ADDENDUM TO THE FUTURE RECEIVABLES SALE AND PURCHASE AGREEMENT and GUARANTY (this "Addendum")**, dated 7/19/2023, is entered into by and among **CLOUDFUND LLC ("CFL")** and

Business Legal Name: EMMAUS LIFE SCIENCES INC.
D/B/A: EMMAUS MEDICAL
Address: 21250 HAWTHORNE BLVD SUITE 80, TORRANCE, CA 90503

Business Legal Name: EMMAUS MEDICAL INC.
D/B/A: EMMAUS MEDICAL
Address: 21250 HAWTHORNE BLVD SUITE 80, TORRANCE, CA 90503

Business Legal Name: NEWFIELD NUTRITION CORPORATION
D/B/A: NEWFIELD NUTRITION
Address: 21250 HAWTHORNE BLVD SUITE 80, TORRANCE, CA 90503

Business Legal Name: EMI HOLDING INC.
D/B/A: EMI HOLDING
Address: 21250 HAWTHORNE BLVD SUITE 80, TORRANCE, CA 90503

Name: YUTAKA NIIHARA ("Guarantor #1")
Email: WLEE@EMMAUSLIFESCIENCES.COM
Phone: (310) 430-9496
Title: Owner/Agent/Manager **SSN:**

Hereinafter: (i) Seller # 1 is referred to as the "Original Seller"; and (ii) Seller # 2, Seller # 3 and Seller # 4 are referred to, individually and collectively, jointly and severally, as the "Additional Seller"; and (iii) the Original Seller and the Additional Seller are referred to, individually and collectively, jointly and severally, as the "Seller."

Hereinafter, Guarantor # 1 is referred to as the "Original Guarantor."

W-I-T-N-E-S-S-E-T-H

WHEREAS, CFL, the Original Seller and the Original Guarantor entered into that certain FUTURE RECEIVABLES SALE AND PURCHASE AGREEMENT, dated 7/19/2023 (the “Agreement”); and

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WHEREAS, the obligations of the Original Seller under the Agreement are further guaranteed by the Original Guarantor pursuant to the Personal Guaranty of Performance set forth as Exhibit A to the Agreement (the “Guaranty”); and

WHEREAS, the parties hereto desire to amend and restate the Agreement by adding the name(s) of the Additional Seller as the parties to the Agreement, as if the Additional Seller were the signatories to the Agreement.

NOW, THEREFORE, for good and valuable consideration, the mutual receipts and sufficiency of which is hereby acknowledged, the parties to this Addendum hereby agree to the foregoing and as follows:

1. Definitions. All capitalized terms used herein shall have the meaning set forth in the Agreement unless otherwise indicated herein.

2. Assumption of Obligations by Additional Sellers. Each Additional Seller, jointly and severally with other Sellers, hereby assumes all of the obligations to be performed on the part of the Original Seller under or in connection with the Agreement and agrees to keep, perform and be bound by all of the terms of the Agreement as if they were the signatories to the Agreement.

3. No Release from Obligations. Neither the Original Seller nor the Original Guarantor shall be released from performance of any of their respective obligations under the Agreement and/or the Guaranty, as applicable.

4. Ratification of the Agreement and Guaranty, as Modified. Notwithstanding anything to the contrary contained herein, all terms, conditions and covenants of the Agreement and the Guaranty not expressly modified by this Addendum shall remain unchanged and in full force and effect. The parties hereto hereby ratify, adopt, and approve the terms of the Agreement and the Guaranty and confirm that the Agreement and the Guaranty, as herein modified, have been since their inception and are now in full force and effect.

5. Binding Effect. The covenants, conditions, provisions and agreements contained herein shall bind and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

6. Modification. This Addendum may not be modified orally, and no change or modification shall be binding unless the same is signed by the party against whom such change is to be enforced.

7. No Other Agreements. The parties hereto agree that this Addendum represents the complete and final expression of the parties’ intent and that no prior or contemporaneous oral or written agreement may be used to modify the terms herein.

8. Sellers’ Obligations are Joint and Several. Each Seller shall, jointly and severally with other Sellers, be responsible and liable for the representations, warranties, covenants, obligations and liabilities of the Original Seller under the Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Addendum as of the date first above written.

FOR THE SELLER - EMMAUS LIFE SCIENCES INC., OWNER/GUARANTOR #1 D/B/A EMMAUS
MEDICAL, EMMAUS MEDICAL
INC., D/B/A EMMAUS MEDICAL , NEWFIELD NUTRITION
CORPORATION, D/B/A NEWFIELD NUTRITION , and EMI
HOLDING INC., D/B/A EMI HOLDING
By By

Name: YUTAKA NIIHARA
Title: Owner/Agent/Manager

Name: YUTAKA NIIHARA SSN:

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CLOUDFUND LLC:

By: _
Name:
Title:



**** PLEASE READ CAREFULLY ****

Dear Borrower, we are glad to welcome you to our unique financing program. The program will go into effect immediately after you return a signed agreement and will continue to be in effect until we receive the full loan repayment Amount according to this agreement.

After we receive the full agreed upon loan repayment amount, we will close off your account and deliver to you a \$0 balance letter. In order to assure the maintenance and servicing of your account, please keep our contact information in your contacts for any service or maintenance request:

Please note due to the large number of loan accounts we service; administrative errors may occasionally result in our daily ACH debits. If you believe your account was erroneously debited, you agree to contact us immediately to notify us about the erroneous debits.

We also require an active point of contact during the duration of the agreement. By providing your contact information below you agree to be contacted in regard to your account during the duration of the agreement.

REFERRAL/AFFILIATE DISCLOSURE			
Name(s) of Affiliate(s) who arranged this transaction for you:	Business Name(s):	Email Address(es):	Phone Number(s):
Have there been any other financial products offered to you in conjunction with this financing agreement? Yes or No?			
If yes, please describe those other financial products (some examples may include but may not be limited to SBA loans, term loans, lines of credit, cash advance, equipment financing, real estate loans, etc.):			
By signing below, you certify that the above information is true and correct.			
Owner 1 Signature:	Print name: WILLIS CHANGCHOON LEE	Date: 9/22/2023	

Please contact us to update if your contact information changes.

Please note all necessary information in regards to reaching you or your staff, in case of a problem:

If we experience any issues with your account and we cannot reach you or your point of contact, we will enforce all legal remedies available to us, under the Agreement. We are always available to assist you with any service request that you may need. In order to prevent any unnecessary interruptions please make sure to call us as soon as any problems with your business arise.

**** WE WILL NOT PROCEED WITH FUNDING IF THIS DOCUMENT IS LEFT BLANK ****



INFORMATION DISCLOSURE FORM <i>(All information must be provided in order to release funds)</i>				
CONTRACTUAL FUNDING INFORMATION				
Loan Amount		Weekly Remittance		
\$2,200,000.00		\$53,035.71		
BUSINESS INFORMATION				
Legal Business Name: EMMAUS LIFE SCIENCES, INC., et al.		Business DBA:		
Address: 21250 Hawthorne Boulevard Suite 800		City: Torrance	State: CA	Zip: 90503
Business Phone: 310-214-0065	Business E-Mail: wlee@emmauslifesciences.com	Use of Funds:	Time in Business:	Tax ID:
Emergency Contact Info: Name: Yasushi Nagasaki		Number: 310-214-0065		
List all additional locations associated to business. Tokyo, Seoul, Dubai				
Does the company currently have any open/unsatisfied advances? List which companies/balances. Yes				
Does the company have any active or pending litigation/ judgements/ liens/ tax obligations? No				
Landlord Contact Info: Name: Lindsay at Cruzan		Number: 310-543-5210		
BANK ACCOUNT INFORMATION (list all accounts below)				
Bank name:	Account Number:		Routing Number:	
US Bank				
Union Bank				
OFFICERS INFORMATION				
Owner 1 - Full Name: WILLIS CHANGCHOON LEE		DOB:	Social Security #:	Cell Phone #:
Address:		City:	State:	Zip:
Personal E-mail Address:		Ownership %:	Signature:	Date:
Owner 2 - Full Name:		DOB:	Social Security #:	Cell Phone #:
Address:		City:	State:	Zip:
Personal E-mail Address:		Ownership %:	Signature:	Date:
CREDIT DISCLOSURE				
<p>The above information is warranted to be true and correct. We hereby authorize LendSpark Corporation, its assigns, agents, bank, or financial institution to verify and collect information on us, included but not limited to bank references, trade credit references, and/or commercial credit reports. In compliance with the FAIR CREDIT REPORTING ACT, this is to inform you that you are authorizing this organization and/or its suppliers to obtain a consumer and/or business profile credit report.</p>				

Owner 1 Signature:	Print Name: WILLIS CHANGCHOON LEE	Date: 9/22/2023
Owner 2 Signature:	Print Name:	Date:

BUSINESS LOAN AND SECURITY AGREEMENT SUPPLEMENT

This Business Loan and Security Agreement Supplement is part of (and incorporated by reference into) the Business Loan and Security Agreement, Agreement No.: 3441. Borrower should keep this important legal document for Borrower's records.

YOUR LOAN DETAILS	
Borrower:	EMMAUS LIFE SCIENCES, INC., et al.
Lender:	LENDSPARK CORPORATION
Loan Amount:	\$2,200,000.00
Origination Fee: (Deducted at time of disbursement)	\$66,000.00
Disbursement Amount: (Loan Amount less Origination Fee) Note that the Disbursement Amount may not be the amount deposited to your Designated Checking Account. The amount that will be deposited to your Designated Checking Account will be reduced by any amounts owed to Lender from a prior loan or used to pay off an amount owed to a third party lender.	\$2,134,000.00
Weekly Payment Amount: (Business days only) Number of Weekly Payments: (Business days only) Payment Schedule: "Business day" means any Monday through Friday except for Federal Reserve holidays.	\$53,035.71 56 Weekly
Total Interest Expense: (Does not include any Fees)	\$770,000.00
Total Repayment Amount: (Loan Amount <u>plus</u> Total Interest Expense)	\$2,970,000.00
PREPAYMENT, RENEWAL, AND OTHER FEES	
Prepayment: (See Section 10 of the Business Loan and Security Agreement for specific details)	A "Prepayment Interest Reduction Percentage" (with respect to unpaid interest remaining on this Loan) will be applied to the extent that the Borrower prepays this Loan in whole in accordance with, and subject to, Section 10 of the Business Loan and Security Agreement and the Early Discount Addendum. You should keep in mind that partial prepayments will not reduce the Total Interest Expense.
Renewals:	Remaining unpaid interest on this Loan will be eligible to be forgiven by Lender if: (i) Borrower is current on its scheduled payments with respect to this Loan and, (ii) while this Loan is outstanding, Borrower enters into a business loan and security agreement for a new qualifying term loan with Lender, a portion of the proceeds of which is used to repay this Loan in whole.

BUSINESS LOAN AND SECURITY AGREEMENT SUPPLEMENT

Other Fees:	Underwriting Fee: \$ 0.00 Processing Fee: \$66,000.00
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If you have any questions, please call us at 888-444-7069 (we have support available Monday - Friday 9am - 6pm PT) or email fred@lendspark.com.

BUSINESS LOAN AND SECURITY AGREEMENT SUPPLEMENT

This Business Loan and Security Agreement Supplement is part of (and incorporated by reference into) the Business Loan and Security Agreement, Agreement No.: 3441. Borrower should keep this important legal document for Borrower's records.

OTHER FEES (CONT'D)	
Other Fees:	Professional Service Fee: \$ Funding Fee: \$ 0.00 Bank Change Fee: \$ 50.00 Notary Fee: \$ 50.00 Non-Sufficient Funds (NSF) Fee: \$ 35.00 Stopped Payment Fee: \$ 150.00 Default Fee: \$ 5,000.00 Credit Fee: \$50.00 UCC Filing Fee: \$ 150.00

BUSINESS LOAN AND SECURITY AGREEMENT SUPPLEMENT

Business Loan and Security Agreement, Agreement No.: 3441

The calculations below involve certain key assumptions about this Loan, including that the Loan is paid off in its entirety according to the agreed payment schedule and that no repayments are missed.			
Loan Amount \$2,200,000.00	Disbursement Amount (minus fees withheld) ¹ \$2,134,000.00	Repayment Amount \$2,970,000.00	Term (repaid Weekly) 13 Months
METRIC	METRIC CALCULATION	METRIC EXPLANATION	
Total Cost of Capital \$836,000.00	Interest Expense: \$770,000.00 Loan Fee: \$ Origination Fee: \$66,000.00 Other Fees: \$ Total Cost of Capital: \$836,000.00	This is the total amount that you will pay in interest or Loan Fees and other fees for the Loan. The amount does not include fees and other charges you can avoid, such as late payment fees and returned payment fees. ²	
Annual Percentage Rate (APR)³ 64.29%	Your Loan will have 56 Weekly payments of: \$53,035.71 APR: 64.29%	This is the cost of the Loan – including total interest or Loan Fees and other fees – expressed as a yearly rate. APR takes into account the amount and timing of capital you receive, fees you pay, and the periodic payments you make. While APR can be used for comparison purposes, it is not an interest rate and is not used to calculate your interest expense or Loan Fee.	
Average Monthly Payment \$228,461.54	Repayment Amount: \$2,970,000.00 Term (in months): + 13 Payment: \$228,461.54	This is the average monthly repayment amount of the Loan, which does not include fees and other charges you can avoid, such as late payment fees and returned payment fees. ² The actual repayment frequency for the Loan will be Weekly. This is an estimate for comparison purposes only.	
Cents on the Dollar (excluding fees) 35¢	Interest Expense or \$770,000.00 Loan Fee: Loan Amount: + \$2,200,000.00 Cents on the Dollar (excluding fees): 35¢	This is the total amount of interest or Loan Fee paid per dollar borrowed. This amount is exclusive of fees.	
Prepayment	Does prepayment of this Loan result in any new fees or charges?	No (see "Prepayment" above)	
	Does prepayment of this Loan decrease the total interest or Loan Fees owed?	Yes (see Early Discount Addendum for the interest or fee reduction amount)	
<p>¹The Disbursement Amount is the amount of capital that a business receives and may be different from the Loan Amount. The Disbursement Amount is net of fees withheld from the Loan Amount. A portion of the Disbursement Amount may be used to pay off any amounts owed from a prior loan or an amount owed to a third party.</p> <p>²Your business may incur other fees that are not a condition of borrowing, such as late payment fees, returned payment fees, or monthly maintenance fees. Those fees are not reflected here. See the agreement for details on these fees (see "Other Fees" above).</p> <p>³APR should be considered in conjunction with the Total Cost of Capital. APR may be most useful when comparing financing solutions of similar expected duration. APR is calculated here according to the principles of 12 C.F.R. § 1026 (Regulation Z), using 52 payment periods of equal length and 52 payment dates per year for weekly pay products, and 252 payment dates per year for daily pay products.</p>			

BUSINESS LOAN AND SECURITY AGREEMENT SUPPLEMENT

Business Loan and Security Agreement, Agreement No.: 3441

CERTAIN DISCLOSURES	
Loan Pricing Disclosure	Lender uses a system of risk-based pricing to determine interest charges and fees. Risk-based pricing is a system that evaluates the risk factors of your application and adjusts the interest rate up or down based on this risk evaluation. Although Lender believes that its loan process provides expedited turnaround time and efficient access to capital, this loan may be a higher cost loan than loans that may be available through other lenders.
Loan For Specific Purposes Only	The proceeds of the requested Loan may solely be used for the specific purposes as set forth in the Use of Proceeds Certification of the Business Loan and Security Agreement. IN ADDITION, THE LOAN WILL NOT BE USED FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES. Borrower understands that Borrower's agreement not to use the Loan proceeds for personal, family or household purposes means that certain important duties imposed upon entities making loans for consumer/personal purposes, and certain important rights conferred upon consumers, pursuant to federal or state law will not apply to this transaction.
CALIFORNIA CIVIL CODE SECTION 2955.5.	California Civil Code Section 2955.5(a) provides that "No lender shall require a borrower, as a condition of receiving or maintaining a loan secured by real property, to provide hazard insurance coverage against risks to the improvements on that real property in an amount exceeding the replacement value of the improvements on the property." Borrower acknowledges having received disclosure of the contents of such provision prior to execution of any of the Loan Documents in accordance with California Civil Code Section 2955.5(b).

BUSINESS LOAN AND SECURITY AGREEMENT SUPPLEMENT

1.INTRODUCTION. This Business Loan and Security Agreement, Agreement No.: 3441 (together with the accompanying Business Loan and Security Agreement Supplement and the accompanying Authorization Agreement for Direct Deposit (ACH Credit) and Direct Payments (ACH Debits), this "Agreement") governs your business loan ("Loan") made by LendSpark Corporation ("Lender"). Please read it and keep it for your reference. In this Agreement, the words "you", "your" and "Borrower" mean the Borrower identified on the signature page of this Business Loan and Security Agreement. Each Guarantor identified on the signature page of this Business Loan and Security Agreement shall be referred to individually as "Guarantor" and collectively as "Guarantors" in this Agreement. The words "Lender", "we", "us", and "our" mean LendSpark Corporation or its successor(s) and assign(s).

2.EFFECTIVE DATE. This Agreement begins on the date we accept this Agreement in California. Borrower understands and agrees that Lender may postpone, without penalty, the disbursement of amounts to Borrower until all required security interests have been perfected and Lender has received all required personal guarantees or other documentation.

3.AUTHORIZATION. Borrower agrees that the Loan made by Lender to Borrower shall be conclusively deemed to have been authorized by Borrower and to have been made pursuant to a duly authorized request on its behalf.

4.LOAN FOR SPECIFIC PURPOSES ONLY. The proceeds

of the requested Loan may solely be used for the specific purposes as set forth in the Use of Proceeds Certification contained in Section 50 below, and not for any other purposes. In addition, the Loan will not be used for personal, family or household purposes, and Borrower and Guarantors are forever estopped from taking the position that such Loan (including Advances) are or were used for such personal, family or household purposes. Borrower understands that Borrower's agreement not to use the Loan proceeds for personal, family or household purposes means that certain important duties imposed upon entities making loans for personal, family or household purposes, and certain important rights conferred upon such persons, pursuant to federal or state law will not apply to the Loan or the Agreement. Borrower also understands that Lender will be unable to confirm whether the use of the Loan conforms to this section. Borrower agrees that a breach by Borrower of the provisions of this section will not affect Lender's right to

(i)enforce Borrower's promise to pay for all amounts

owed under this Agreement, regardless of the purpose for which the Loan is in fact obtained or (ii) use any remedy legally available to Lender, even if that

BUSINESS LOAN AND SECURITY AGREEMENT SUPPLEMENT

remedy would not have been available had the Loan been made for personal, family or household purposes.

5. DISBURSEMENT OF LOAN PROCEEDS AND MAINTENANCE OF BORROWER'S BANK ACCOUNT. If

Borrower applied and was approved for a Loan, Borrower's Loan will be disbursed upon approval as provided in the accompanying Authorization Agreement for Direct Deposit (ACH Credit) and Direct Payments (ACH Debits). Borrower agrees to maintain Direct Payments (ACH Debits) in its operating account which is the account that was reviewed in conjunction with underwriting and approval of this Loan (including keeping such account open until the Total Repayment Amount had been completely repaid). Borrower agrees that the Loan made by Lender to Borrower may not be returned except at Lender's sole discretion.

6. PROMISE TO PAY. Borrower agrees to pay Lender the Total Repayment Amount shown in the accompanying Business Loan and Security Agreement Supplement in accordance with the Payment Schedule shown in the accompanying Business Loan and Security Agreement Supplement. Borrower agrees to enroll in Lender's Automatic Payment Plan and authorizes Lender to collect required payments as provided in the accompanying Authorization Agreement for Direct Deposit (ACH Credit) and Direct Payments (ACH Debits). If required by Lender, Borrower further agrees and authorizes Lender or its servicer to collect required payments from a transfer account established pursuant to certain Transfer Account Loan Documentation that will be provided by Lender in connection with this Business Loan and Security Agreement if applicable.

7. ALTERNATIVE PAYMENT METHODS. If Borrower knows that for any reason Lender will be unable to process a payment under Lender's Automatic Payment Plan, then Borrower must either restore sufficient funds such that the missed payment can be collected as provided in the accompanying Authorization Agreement for Direct Deposit (ACH Credit) and Direct Payments (ACH Debits), or promptly mail or deliver a check to Lender in the amount of the missed payment or, if offered, make the missed payment by any pay- by-phone or on-line service that Lender may make available from time to time. If Borrower elects to send payments on Borrower's Account by postal mail, then Borrower agrees to send such payments to LendSpark Corporation located at 2554 Gateway Rd., Carlsbad, CA 920091, Attn: Customer Service. All alternative payments must be made in good funds by check, money order, wire transfer, automatic transfer from an account at an institution offering such service, or other instrument in U.S. Dollars. Borrower understands and agrees that payments made at any other address than as specified by Lender may result in a delay in processing and/or crediting.

BUSINESS LOAN AND SECURITY AGREEMENT SUPPLEMENT

If Borrower makes an alternative payment on Borrower's Loan by mail or by any pay-by-phone or on-line service that Lender makes available while Borrower is enrolled in the Automatic Payment Plan, Lender may treat such payment as an additional payment and continue to process Borrower's scheduled Automatic Payment Plan payments or may reduce any scheduled Automatic Payment Plan payment by the amount of any such additional payment received.

8.APPLICATION OF PAYMENTS. Subject to applicable law, Lender reserves the right to allocate and apply payments received on Borrower's Loan between principal, interest and fees in any manner Lender chooses in Lender's sole discretion it being understood and agreed that any fees and interest will generally be paid during the earlier portion of the term.

9.POSTDATED CHECKS, RESTRICTED ENDORSEMENT CHECKS AND OTHER DISPUTED OR QUALIFIED

PAYMENTS. Lender can accept late, postdated or partial payments without losing any of Lender's rights under this Agreement (a postdated check is a check dated later than the day it was actually presented for payment). Lender is under no obligation to hold a postdated check and Lender reserves the right to process every item presented as if dated the same date received by Lender or Lender's check processor unless Borrower gives Lender adequate notice and a reasonable opportunity to act on it. Except where such notice and opportunity is given, Borrower may not hold Lender liable for depositing any postdated check. **Borrower agrees not to send Lender partial payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Agreement. All notices and written communications concerning postdated checks, restricted endorsement checks (including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount) or any other disputed, nonconforming or qualified payments, must be mailed or delivered to LendSpark Corporation, 2554 Gateway Rd., Carlsbad, CA 92009, Attn: Customer Service.**

10.PREPAYMENT. Borrower may prepay Borrower's Loan in whole on any Business day by paying Lender the sum total of the Total Repayment Amount, any Returned Payment Fees, and any Late Fees, in each case as described in the accompanying Business Loan and Security Agreement Supplement less (i) the amount of any Loan payments made prior to such prepayment and (ii) the product of (x) the percentage identified as the applicable Prepayment Interest Reduction Percentage in the

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accompanying Business Loan and Security Agreement Supplement; and (y) the aggregate amount of unpaid interest remaining on the Borrower's Loan as of such date as determined by Lender's records in accordance with Section 8. Borrower may prepay Borrower's Loan in part on any Business day and such payment shall be applied against the Total Repayment Amount, any Returned Payment Fees, and any Late Fees, in each case as described in the accompanying Business Loan and Security Agreement Supplement.

11. SECURITY INTEREST. Borrower hereby grants to Lender, the secured party hereunder, a continuing security interest in and to any and all "Collateral" as described below to secure payment and performance of all debts, liabilities and obligations of Borrower to Lender hereunder and also any and all other debts, liabilities and obligations of Borrower to Lender of every kind and description, direct or indirect, absolute or contingent, primary or secondary, due or to become due, now existing or hereafter arising, related to the Loan described in this Agreement, whether or not contemplated by the parties at the time of the granting of this security interest, regardless of how they arise or by what agreement or instrument they may be evidenced or whether evidenced by any agreement or instrument, and includes obligations to perform acts and refrain from taking action as well as obligations to pay money including, without limitation, all interest, other fees and expenses (all hereinafter called "Obligations"). The Collateral includes the following property that Borrower (or Guarantor, if applicable, pursuant to Section 12) now owns or shall acquire or create immediately upon the acquisition or creation thereof:

(i) any and all amounts owing to Borrower now or in the future

from any merchant processor(s) processing charges made by customers of Borrower via credit card or debit card transactions; and (ii) all other tangible and intangible personal property, including, but not limited to (a) cash and cash equivalents, (b) inventory, accounts, security entitlements, commodity contracts and commodity accounts, (e) instruments, including promissory notes (f) chattel paper, including tangible chattel paper and electronic chattel paper, (g) documents, (h) letter of credit rights, (i) accounts, including health-care insurance receivables, (j) deposit accounts, (k) commercial tort claims, (l) general intangibles, including payment intangibles and software and (m) as-extracted collateral as such terms may from time to time be defined in the Uniform Commercial Code. The security interest Borrower (or Guarantor, if applicable, pursuant to Section 12) grants includes all accessions, attachments, accessories, parts, supplies and replacements for the Collateral, all products, proceeds and collections thereof and all records and data relating thereto. Lender disclaims any security interest in household goods

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in which Lender is forbidden by law from taking a security interest.

12. PROTECTING THE SECURITY INTEREST. Borrower

agrees that Lender and/or Lender's Representative may file any financing statement, lien entry form or other document Lender and/or Lender's Representative requires in order to perfect, amend or continue Lender's security interest in the Collateral and Borrower agrees to cooperate with Lender and Lender's Representative as may be necessary to accomplish said filing and to do whatever Lender and Lender's Representative deems necessary to protect Lender's security interest in the Collateral. Borrower and Guarantor each agree that, if any Guarantor is a corporate entity, then Lender or Lender's Representative may file any financing statement, lien entry form or other document against such Guarantor or its property that Lender and/or Lender's Representative requires in order to perfect, amend or continue Lender's security interest in the Collateral. Any such Guarantor agrees to cooperate with Lender and Lender's Representative as may be necessary to accomplish said filing and to do whatever Lender or Lender's Representative deems necessary to protect Lender's security interest in the Collateral. In this Agreement, "Lender's Representative" means any entity or individual that is designated by Lender to serve in such capacity.

13. LOCATION OF COLLATERAL; TRANSACTIONS

INVOLVING COLLATERAL. Unless Lender has agreed otherwise in writing, Borrower agrees and warrants that (i) all Collateral (or records of the Collateral in the case of accounts, chattel paper and general intangibles) shall be located at Borrower's address as shown in the application, (ii) except for inventory sold or accounts collected in the ordinary course of Borrower's business, Borrower shall not sell, offer to sell, or otherwise transfer or dispose of the Collateral, (iii) no one else has any interest in or claim against the Collateral that Borrower has not already told Lender about, (iv) Borrower shall not pledge, mortgage, encumber or otherwise permit the Collateral to be subject to any lien, security interest, encumbrance or charge, other than the security interest provided for in this Agreement and (v) Borrower shall not sell, offer to sell, or otherwise transfer or dispose of the Collateral for less than the fair market value thereof. Borrower shall defend Lender's rights in the Collateral against the claims and demands of all other persons. All proceeds from any unauthorized disposition of the Collateral shall be held in trust for Lender, shall not be co-mingled with any other funds and shall immediately be delivered to Lender. This requirement, however, does not constitute consent by Lender to any such disposition.

14. TAXES, ASSESSMENTS AND LIENS. Borrower will

complete and file all necessary federal, state and local tax returns and will pay when due all taxes, assessments, levies

BUSINESS LOAN AND SECURITY AGREEMENT SUPPLEMENT

and liens upon the Collateral and provide evidence of such payments to Lender upon request.

15.INSURANCE. Borrower shall procure and maintain such insurance as Lender may require with respect to the Collateral, in form, amounts and coverage reasonably acceptable to Lender and issued by a company reasonably acceptable to Lender naming Lender as loss payee. If Borrower at any time fails to obtain or maintain any insurance as required under this Agreement, Lender may obtain such insurance as Lender deems appropriate at Borrower's sole cost and expense. Borrower shall promptly notify Lender of any loss of or damage to the Collateral.

16.REPAIRS AND MAINTENANCE. Borrower agrees to keep and maintain, and to cause others to keep and maintain, the Collateral in good order, repair and condition at all times while this Agreement remains in effect. Borrower further agrees to pay when due all claims for work done on, or services rendered or material furnished in connection with the Collateral so that no lien or encumbrance may ever attach to or be filed against the Collateral.

17.INSPECTION OF COLLATERAL AND PLACE OF BUSINESS; USE OF PHOTOGRAPHS AND TESTIMONIALS.

Lender and Lender's designated representatives and agents shall have the right during Borrower's normal business hours and at any other reasonable time to examine the Collateral wherever located and the interior and exterior of any Borrower place of business. During an examination of any Borrower place of business, Lender may examine, among other things, whether Borrower (i) has a place of business that is separate from any personal residence, (ii) is open for business, (iii) has sufficient inventory to conduct Borrower's business and (iv) has one or more credit card terminals if Borrower processes credit card transactions. When performing an examination, Lender may photograph the interior and exterior of any Borrower place of business, including any signage, and may photograph any individual who has signed the Agreement ("Signatory") unless the Signatory previously has notified Lender that he or she does not authorize Lender to photograph the Signatory. Lender may obtain testimonials from any Signatory, including testimonials on why Borrower needed the Loan and how the Loan has helped Borrower. Any photograph and testimonial will become and remain the sole property of Lender. Borrower and each Signatory grant Lender the irrevocable and permanent right to display and share any photograph and testimonial in all forms and media, including composite and modified representations, for all purposes, including but not limited to any trade or commercial purpose, with any Lender employees and agents and with the general public. Lender may, but is not required to, use the name of any Borrower and Signatory as a credit in connection with any

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photograph and testimonial. Borrower and each Signatory waive the right to inspect or approve versions of any photograph or testimonial or the written copy or other media that may be used in connection with same. Borrower and each Signatory release Lender from any claims that may arise regarding the use of any photograph or testimonial, including any claims of defamation, invasion of privacy or infringement of moral rights, rights of publicity or copyright.

18. LENDER'S EXPENDITURES. If any action or proceeding is commenced that would materially affect Lender's interest in the Collateral or if Borrower fails to comply with any provision of this Agreement or any related documents, including but not limited to Borrower's failure to discharge or pay when due any amounts Borrower is required to discharge or pay under this Agreement or any related documents, Lender on Borrower's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Collateral and paying all costs for insuring, maintaining and preserving the Collateral. To the extent permitted by applicable law, all such expenses will become a part of the Obligations and, at Lender's option, will:

(i) be payable on demand; (ii) be added to the balance of the Loan and be apportioned among and be payable with any installment payments to become due during the remaining term of the Loan; or (iii) be treated as a balloon payment that will be due and payable at the Loan's maturity. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon an Event of Default.

19. BORROWER'S REPRESENTATIONS AND

WARRANTIES. Borrower represents and warrants that: (i) Borrower will comply with all laws, statutes, regulations and ordinances pertaining to the conduct of Borrower's business and promises to hold Lender harmless from any damages, liabilities, costs, expenses (including attorneys' fees) or other harm arising out of any violation thereof; (ii) Borrower's principal executive office and the office where Borrower keeps its records concerning its accounts, contract rights and other property, is that shown in the application; (iii) Borrower is duly organized, licensed, validly existing and in good standing under the laws of its state of formation and shall hereafter remain in good standing in that state, and is duly qualified, licensed and in good standing in every other state in which it is doing business, and shall hereafter remain duly qualified, licensed and in good standing in every other state in which it is doing business, and shall hereafter remain duly qualified, licensed and in good standing in every other state in which the failure to qualify or become licensed could have a material adverse effect on the financial condition, business or operations of Borrower; (iv) the true and correct legal name of the Borrower is set forth in the application; (v) the

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aggregate ownership percentage of the Signatories is greater than or equal to fifty percent (50%) of the Borrower's business; (vi) the execution, delivery and performance of this Agreement, and any other document executed in connection herewith, are within Borrower's powers, have been duly authorized, are not in contravention of law or the terms of Borrower's charter, by-laws or other constating documents, or of any indenture, agreement or undertaking to which Borrower is a party; (vii) all constating documents and all amendments thereto of Borrower have been duly filed and are in proper order and any capital stock issued by Borrower and outstanding was and is properly issued and all books and records of Borrower are accurate and up to date and will be so maintained; (viii) Borrower (a) is subject to no charter, corporate or other legal restriction, or any judgment, award, decree, order, governmental rule or regulation or contractual restriction that could have a material adverse effect on its financial condition, business or prospects, and (b) is in compliance with its charter, by-laws and other constating documents, all contractual requirements by which it may be bound and all applicable laws, rules and regulations other than laws, rules or regulations the validity or applicability of which it is contesting in good faith or provisions of any of the foregoing the failure to comply with which cannot reasonably be expected to materially adversely affect its financial condition, business or prospects or the value of the Collateral; (ix) there is no action, suit, proceeding or investigation pending or, to Borrower's knowledge, threatened against or affecting it or any of its assets before or by any court or other governmental authority which, if determined adversely to it, would have a material adverse effect on its financial condition, business or prospects or the value of the Collateral; (x) all information provided by Borrower and/or Guarantor as part of the application process for the Loan was true and complete; (xi) Borrower does not intend to file for reorganization or liquidation under the bankruptcy or reorganization laws of any jurisdiction within 6 months of the date hereof; and (xii) Borrower is not presently insolvent within the meaning of the Uniform Commercial Code as well as the United States Bankruptcy Code.

20. INTEREST AND FEES. Borrower agrees to pay in full the interest set forth in the accompanying Business Loan and Security Agreement Supplement. In addition to any other fees described in the Agreement, Borrower agrees to pay the following fees:

A. Origination Fee: A one-time Origination Fee in the amount set forth in the accompanying Business Loan and Security Agreement Supplement. Borrower agrees that this fee will be immediately deducted from the proceeds of Borrower's Loan.

B. Returned Payment Fee: A Returned Payment Fee in the amount set forth in the accompanying Business Loan

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and Security Agreement Supplement if any electronic payment processed on Borrower's Loan is returned unpaid or dishonored for any reason.

C. Late Fee: A Late Fee in the amount set forth in the accompanying Business Loan and Security Agreement Supplement if a scheduled payment is not received by Lender as provided in the payment schedule set forth in the accompanying Business Loan and Security Agreement Supplement.

Payments made by Borrower hereunder will be applied and allocated between Loan principal, interest and fees in the manner set forth in Section 8.

21. INTEREST AND FEES EXCEEDING PERMITTED LIMIT.

If the Loan is subject to a law that sets maximum charges, and that law is finally interpreted so that the interest or other fees collected or to be collected in connection with this Agreement exceed the permitted limits, then (i) any such charge will be reduced by the amount necessary to reduce the charge to the permitted limit and (ii) if required by applicable law, any sums already collected from Borrower that exceed the permitted limits will be refunded or credited to Borrower.

22. ONLINE CUSTOMER PORTAL. When Borrower signs in with Borrower's valid username and password at <https://www.lendsaas.com> Borrower can obtain information about the Borrower's Loan, such as the outstanding balance, daily transactions and fees. No additional paper statement will be mailed to Borrower. Borrower agrees not to share Borrower's username and password to <https://www.lendsaas.com> with any third party.

23. FINANCIAL INFORMATION AND REEVALUATION OF

CREDIT. Borrower and each Guarantor (if any) authorize Lender to obtain business credit bureau reports in Borrower's, respectively, at any time and from time to time for purposes of deciding whether to approve the requested Loan or for any update, renewal, extension of credit or other lawful purpose. Upon Borrower's or any Guarantor's request, Lender will advise Borrower or Guarantor if Lender obtained a credit report and Lender will give Borrower or Guarantor the credit bureau's name and address. Borrower and each Guarantor (if any) agree to submit current financial information, a new credit application, or both, in Borrower's name and in the name of each Guarantor, respectively, at any time promptly upon Lender's request. Borrower authorizes Lender to act as Borrower's agent for purposes of accessing and retrieving transaction history information regarding Borrower from Borrower's designated merchant processor(s). Lender may report Lender's credit experiences with Borrower and any Guarantor of Borrower's Loan to third parties as permitted by law, including with respect to any Guarantor to consumer

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credit reporting agencies. Borrower also agrees that Lender may release information to comply with governmental reporting or legal process that Lender believes may be required, whether or not such is in fact required, or when necessary or helpful in completing a transaction, or when investigating a loss or potential loss. Borrower and each Guarantor is hereby notified that a negative credit report reflecting on Borrower's and/or any Guarantor's credit record may be submitted to a credit reporting agency (including with respect to any Guarantor to consumer credit reporting agencies) if Borrower or such Guarantor fails to fulfill the terms of their respective credit obligations hereunder. Guarantor acknowledges that any credit reporting on the Loan shall be at the sole discretion of Lender (subject to applicable law) and that Lender has the right to report the Loan to Guarantor's personal credit file should Guarantor not pay any Obligation pursuant to the guaranty set forth in this Agreement.

24. ATTORNEYS' FEES AND COLLECTION COSTS. To the

extent not prohibited by applicable law, Borrower shall pay to Lender on demand any and all expenses, including, but not limited to, collection costs, all attorneys' fees and expenses, and all other expenses of like or unlike nature which may be expended by Lender to obtain or enforce payment of Obligations either as against Borrower or any guarantor or surety of Borrower or in the prosecution or defense of any action or concerning any matter arising out of or connected with the subject matter of this Agreement, the Obligations or the Collateral or any of Lender's rights or interests therein or thereto, including, without limiting the generality of the foregoing, any counsel fees or expenses incurred in any bankruptcy or insolvency proceedings and all costs and expenses (including search fees) incurred or paid by Lender in connection with the administration, supervision, protection or realization on any security held by Lender for the debt secured hereby, whether such security was granted by Borrower or by any other person primarily or secondarily liable (with or without recourse) with respect to such debt, and all costs and expenses incurred by Lender in connection with the defense, settlement or satisfaction of any action, claim or demand asserted against Lender in connection therewith, which amounts shall be considered advances to protect Lender's security, and shall be secured hereby. To the extent permitted by applicable law, all such expenses will become a part of the Obligations and, at Lender's option, will: (i) be payable on demand; (ii) be added to the balance of the Loan and be apportioned among and be payable with any installment payments to become due during the remaining term of the Loan; or (iii) be treated as a balloon payment that will be due and payable at the Loan's maturity. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon an Event of Default.

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25. BORROWER'S REPORTS. Promptly upon Lender's written request, Borrower and each Guarantor agrees to provide Lender with such information about the financial condition and operations of Borrower or any Guarantor, as Lender may, from time to time, reasonably request. Borrower also agrees promptly upon becoming aware of any Event of Default, or the occurrence or existence of an event which, with the passage of time or the giving of notice or both, would constitute an Event of Default hereunder, to promptly provide notice thereof to Lender in writing.

26. TELEPHONE COMMUNICATIONS. Borrower and

Guarantors hereby expressly consents to receiving calls and messages, including auto-dialed and pre-recorded message calls and SMS messages (including text messages) from Lender, its affiliates, marketing partners, agents and others calling at Lender's request or on its behalf, at any telephone numbers that Borrower and/or Guarantors have provided or may provide in the future or otherwise in Lender's possession (including any cellular or mobile telephone numbers). Borrower and Guarantor agree that such communications may be initiated using an automated telephone dialing system.

27. INDEMNIFICATION. Except for Lender's gross negligence or willful misconduct, Borrower will indemnify and save Lender harmless from all losses, costs, damage, liabilities or expenses (including, without limitation, court costs and reasonable attorneys' fees) that Lender may sustain or incur by reason of defending or protecting Lender's security interest or the priority thereof or enforcing the Obligations, or in the prosecution or defense of any action or proceeding concerning any matter arising out of or in connection with this Agreement and/or any other documents now or hereafter executed in connection with this Agreement and/or the Obligations and/or the Collateral. This indemnity shall survive the repayment of the Obligations and the termination of this Agreement.

28. MERGERS, CONSOLIDATIONS OR SALES. Borrower

represents and agrees that Borrower will not (i) merge or consolidate with or into any other business entity or (ii) enter into any joint venture or partnership with any person, firm or corporation.

29. CHANGE IN LEGAL STATUS. Without Lender's consent, Borrower represents and agrees that Borrower will not (i) change its name, its place of business or, if more than one, chief executive office, its mailing address, or organizational identification number if it has one, or (ii) change its type of organization, jurisdiction of organization or other legal structure. If Borrower does not have an organizational identification number and later obtains one, Borrower shall promptly notify Lender of such taxpayer identification number.

30. DEFAULT. The occurrence of any one or more of the

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following events (herein, "Events of Default") shall constitute, without notice or demand, a default under this Agreement and all other agreements between Lender and Borrower and instruments and papers given Lender by Borrower, whether such agreements, instruments, or papers now exist or hereafter arise: (i) Lender is unable to collect any Automatic Payment Plan payment on two consecutive dates due and/or, Borrower fails to pay any Obligations on two consecutive dates due; (ii) Borrower fails to comply with, promptly, punctually and faithfully perform or observe any term, condition or promise within this Agreement; (iii) the determination by Lender that any representation or warranty heretofore, now or hereafter made by Borrower to Lender, in any documents, instrument, agreement, application or paper was not true or accurate when given; (iv) the occurrence of any event such that any indebtedness of Borrower from any lender other than Lender could be accelerated, notwithstanding that such acceleration has not taken place; (v) the occurrence of any event that would cause a lien creditor, as that term is defined in Section 9-102 of the Uniform Commercial Code, (other than Lender) to take priority over the Loan made by Lender; (vi) a filing against or relating to Borrower (unless consented to in writing by Lender) of (a) a federal tax lien in favor of the United States of America or any political subdivision of the United States of America, or (b) a state tax lien in favor of any state of the United States of America or any political subdivision of any such state; (vii) the occurrence of any event of default under any other agreement between Lender and Borrower or instrument or paper given Lender by Borrower, whether such agreement, instrument, or paper now exists or hereafter arises (notwithstanding that Lender may not have exercised its rights upon default under any such other agreement, instrument or paper); (viii) any act by, against, or relating to Borrower, or its property or assets, which act constitutes the application for, consent to, or sufferance of the appointment of a receiver, trustee or other person, pursuant to court action or otherwise, over all, or any part of Borrower's property; (ix) the granting of any trust mortgage or execution of an assignment for the benefit of the creditors of Borrower, or the occurrence of any other voluntary or involuntary liquidation or extension of debt agreement for Borrower; (x) the failure by Borrower to generally pay the debts of Borrower as they mature; (xi) adjudication of bankruptcy or insolvency relative to Borrower; (xii) the entry of an order for relief or similar order with respect to Borrower in any proceeding pursuant to Title 11 of the United States Code entitled "Bankruptcy" (the "Bankruptcy Code") or any other federal bankruptcy law; (xiii) the filing of any complaint, application or petition by or against Borrower initiating any matter in which Borrower is or may be granted any relief from the debts of Borrower pursuant to the Bankruptcy Code or

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any other insolvency statute or procedure; (xiv) the calling or sufferance of a meeting of creditors of Borrower; (xv) the meeting by Borrower with a formal or informal creditor's committee; (xvi) the offering by or entering into by Borrower of any composition, extension or any other arrangement seeking relief or extension for the debts of Borrower, or the initiation of any other judicial or non-judicial proceeding or agreement by, against or including Borrower that seeks or intends to accomplish a reorganization or arrangement with creditors;

(xvii) the entry of any judgment against Borrower, which judgment is not satisfied or appealed from (with execution or similar process stayed) within 15 days of its entry; (xviii) the occurrence of any event or circumstance with respect to Borrower such that Lender shall believe in good faith that the prospect of payment of all or any part of the Obligations or the performance by Borrower under this Agreement or any other agreement between Lender and Borrower is impaired or there shall occur any material adverse change in the business or financial condition of Borrower (such event specifically includes, but is not limited to, taking additional financing from a credit card advance, cash advance company or an additional working capital loan without the prior written consent of Lender); (xix) the entry of any court order that enjoins, restrains or in any way prevents Borrower from conducting all or any part of its business affairs in the ordinary course of business; (xx) the occurrence of any uninsured loss, theft, damage or destruction to any material asset(s) of Borrower;

(xxi) any act by or against, or relating to Borrower or its assets

pursuant to which any creditor of Borrower seeks to reclaim or repossess or reclaims or repossesses all or a portion of Borrowers assets; (xxii) the termination of existence, dissolution or liquidation of Borrower or the ceasing to carry on actively any substantial part of Borrower's current business;

(xxiii) this Agreement shall, at any time after its execution and delivery and for any reason, cease to be in full force and effect or shall be declared null and void, or the validity or enforceability hereof shall be contested by Borrower or any guarantor of Borrower denies it has any further liability or obligation hereunder; (xxiv) any guarantor or person signing a support agreement in favor of Lender shall repudiate, purport to revoke or fail to perform his or her obligations under his guaranty or support agreement in favor of Lender or any corporate guarantor shall cease to exist; (xxv) any material change occurs in Borrower's ownership or organizational structure (acknowledging that any change in ownership will be deemed material when ownership is closely held); (xxvi) if Borrower is a sole proprietorship, the owner dies; if Borrower is a trust, a trustor dies; if Borrower is a partnership, any general or managing partner dies; if Borrower is a corporation, any principal officer or 10% or greater shareholder dies; if Borrower is a limited liability company, any managing

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member dies; if Borrower is any other form of business entity, any person(s) directly or indirectly controlling 10% or more of the ownership interests of such entity dies.

31. RIGHTS AND REMEDIES UPON DEFAULT. Subject to

applicable law, if an Event of Default occurs under this Agreement, at any time thereafter, Lender may exercise any one or more of the following rights and remedies:

A. Refrain from Disbursing Loan Proceeds: Lender may refrain from disbursing Borrower's Loan proceeds to Borrower's Designated Checking Account.

B. Debit Amounts Due From Borrower's Accounts: Lender may debit from Borrower's Designated Checking Account all Automatic Payment Plan payments that Lender was unable to collect and/or the amount of any other Obligations that Borrower failed to pay.

C. Accelerate Indebtedness: Lender may declare the entire Obligations immediately due and payable, without notice to Borrower, as set forth in Section 51.

D. Assemble Collateral: Lender may require Borrower and/or Guarantor to deliver to Lender all or any portion of the Collateral and any and all certificates of title and other documents relating to the Collateral. Lender may require Borrower and/or Guarantor to assemble the Collateral and make it available to Lender at a place to be designated by Lender. Lender also shall have full power to enter, provided Lender does so without a breach of the peace or a trespass, upon the property of Borrower and/or Guarantor to take possession of and remove the Collateral. If the Collateral contains other goods not covered by this Agreement at the time of repossession, Borrower and/or Guarantor agrees Lender may take such other goods, provided that Lender makes reasonable efforts to return them to Borrower and/or Guarantor after repossession.

E. Sell the Collateral: Lender shall have full power to sell, lease, transfer, or otherwise deal with the Collateral or proceeds thereof in Lender's own name or that of Borrower and/or Guarantor. Lender may sell the Collateral at public auction or private sale. Unless the Collateral threatens to decline speedily in value or is of a type customarily sold on a recognized market, Lender will give Borrower, Guarantor and other persons as required by law, reasonable notice of the time and place of any public sale, or the time after which any private sale or any other disposition of the Collateral is to be made. However, no notice need be provided to any person who, after an Event of Default occurs, enters into and authenticates an agreement waiving that person's right to notification of sale. The requirements of reasonable notice shall be met if such notice is given at least 10 days before the time of the sale or disposition. All expenses relating to the disposition of the Collateral, including without limitation the

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expenses of retaking, holding, insuring, preparing for sale and selling the Collateral, shall become a part of the Obligations secured by this Agreement. To the extent permitted by applicable law, all such expenses will become a part of the Obligations and, at Lender's option, will: (i) be payable on demand; (ii) be added to the balance of the Loan and be apportioned among and be payable with any installment payments to become due during either (a) the term of any applicable insurance policy or (b) the remaining term of the Loan; or (iii) be treated as a balloon payment that will be due and payable at the Loan's maturity.

F. Appoint Receiver: Lender shall have the right to have a receiver appointed to take possession of all or any part of the Collateral, with the power to protect and preserve the Collateral, to operate the Collateral preceding foreclosure or sale, and to collect the rents from the Collateral and apply the proceeds, over and above the cost of the receivership, against the Obligations. The receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall exist whether or not the apparent value of the Collateral exceeds the Obligations by a substantial amount. Employment by Lender shall not disqualify a person from serving as a receiver.

G. Collect Revenues. Apply Accounts: Lender, either itself or through a receiver, may collect the payments, rents, income, and revenues from the Collateral. Lender may at any time in Lender's discretion transfer any Collateral into Lender's own name or that of Lender's nominee and receive the payments, rents, income and revenues therefrom and hold the same as security for the Obligations or apply it to payment of the Obligations in such order of preference as Lender may determine. Insofar as the Collateral consists of accounts, general intangibles, insurance policies, instruments, chattel paper, choses in action, or similar property, Lender may demand, collect, receipt for, settle, compromise, adjust, sue for, foreclose or realize on the Collateral as Lender may determine, whether or not any amount included within the Obligations is then due. For these purposes, Lender may, on behalf of and in the name of Borrower and/or Guarantor, receive, open and dispose of mail addressed to Borrower; change any address to which mail and payments are to be sent; and endorse notes, checks, drafts, money orders, documents of title, instruments and items pertaining to payment, shipment or storage of any Collateral. To facilitate collections, Lender may notify account debtors and obligors on any Collateral to make payments directly to Lender.

H. Obtain Deficiency: If Lender chooses to sell any or all of the Collateral, Lender may obtain a judgment against Borrower and/or Guarantor for any deficiency remaining

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on the Obligations due to Lender after application of all amounts received from the exercise of the rights provided in this Agreement. Borrower and/or Guarantor shall be liable for a deficiency even if the transaction described in this subsection is a sale of accounts or chattel paper.

I. Other Rights and Remedies: Lender shall have all the rights and remedies of a secured creditor under the provisions of the Uniform Commercial Code, as may be amended from time to time. In addition, Lender shall have and may exercise any or all other rights and remedies it may have available at law, in equity or otherwise.

J. Election of Remedies: Except as may be prohibited by applicable law, all of Lender's rights and remedies, whether evidenced by this Agreement, any related documents, or by any other writing, shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Borrower under the Agreement, after Borrower's failure to perform, shall not affect Lender's right to declare a default and exercise its remedies.

32. CONSENT TO JURISDICTION AND VENUE. Subject to

Section 33 below, Borrower, Guarantors and Lender each consent to the jurisdiction of the federal and state courts agree that any action or proceeding to enforce or arising out of this Agreement, other than an action or proceeding involving real property collateral, may only be brought in any court of the State of California or in the United States District Court for the District of California, and Borrower and Guarantors waive personal service of process. Borrower, Guarantors and Lender each waive any objections, including *forum non conveniens*, to the bringing of any such proceeding in such jurisdictions.

33. ARBITRATION. To the extent that a claim or dispute arises out of, or in relation to this Agreement, including without limitation, the terms, construction, interpretation, performance, termination, breach, or enforceability of this Agreement, the parties (Borrower, Guarantors and Lender) hereby agree that the claim or dispute shall be, at the election of any party within thirty (30) days after the claim or dispute arises, resolved by mandatory binding arbitration in California. The parties agree that the arbitration shall be administered by JAMS and the arbitration shall be conducted in accordance with the Expedited Procedures of the JAMS Comprehensive Arbitration Rules and Procedures except as otherwise agreed in this Agreement. The arbitrator shall be chosen in accordance with the procedures of JAMS, and shall base the award on applicable California law. The parties agree that the arbitration shall be conducted by a single arbitrator. Judgment on the award may be entered in any court having jurisdiction, subject to Section 32 above. The

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parties further agree that the costs of the arbitration shall be divided equally between them. Each party may pursue arbitration solely in an individual capacity, and not as a representative or class member in any purported class or representative proceeding. The arbitrator may not consolidate more than one person's or entity's claims, and may not otherwise preside over any form of a representative or class proceeding. This arbitration section is governed by the Federal Arbitration Act, 9 U.S.C. §§ 1-16.

34. NO WAIVER BY LENDER. No delay or omission on the part of Lender in exercising any rights under this Agreement, any related guaranty or applicable law shall operate as a waiver of such right or any other right. Waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion. All Lender's rights and remedies, whether evidenced hereby or by any other agreement, instrument or paper, shall be cumulative and may be exercised singularly or concurrently.

35. ASSIGNMENT. This Agreement shall bind and inure to the benefit of the respective successors and assigns of each of the parties hereto; provided, however, that Borrower may not assign this Agreement or any rights or duties hereunder without Lender's prior written consent and any prohibited assignment shall be absolutely null and void. No consent to an assignment by Lender shall release Borrower from its Obligations. Lender may assign this Agreement and its rights and duties hereunder and no consent or approval by Borrower is required in connection with any such assignment. Lender reserves the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in Lender's rights and benefits hereunder. In connection with any assignment or participation, Lender may disclose all documents and information that Lender now or hereafter may have relating to Borrower or Borrower's business. To the extent that Lender assigns its rights and obligations hereunder to another party, Lender thereafter shall be released from such assigned obligations to Borrower and such assignment shall affect a novation between Borrower and such other party. LendSpark Corporation (in its capacity as Servicer) or a successor servicer (if any) shall, acting solely for this purpose as a non-fiduciary agent of Borrower, maintain at one of its offices in the United States a copy of each assignment agreement delivered to it with respect to this Loan and a register for the recordation of the name of each assignee of this Loan, and principal and interest amount of this Loan owing to, such assignee pursuant to the terms hereof. The entries in such register shall be conclusive, and Borrower, Lender and each such assignee may treat each person whose name is recorded therein pursuant to the terms hereof as a "Lender" hereunder for all purposes of this

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Agreement, notwithstanding notice to the contrary. The register maintained for this Loan shall be available for inspection by Borrower and any such assignee of this Loan, at any reasonable time upon reasonable prior notice to LendSpark Corporation (in its capacity as Servicer) or the applicable successor servicer (if any). This Section 35 shall be construed so that this Loan is at all times maintained in "registered form" within the meaning of Sections 163(f), 871(h) (2) and 881(c)(2) of the Internal Revenue Code and any related Treasury regulations (or any other relevant or successor provisions of the Internal Revenue Code or of such Treasury regulations).

36.INTERPRETATION. Paragraph and section headings used in this Agreement are for convenience only, and shall not affect the construction of this Agreement. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against Lender or Borrower, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties, having had the opportunity to consult counsel, and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto.

37.SEVERABILITY. If one or more provisions of this Agreement (or the application thereof) is determined invalid, illegal or unenforceable in any respect in any jurisdiction, the same shall not invalidate or render illegal or unenforceable such provision (or its application) in any other jurisdiction or any other provision of this Agreement (or its application).

38.NOTICES. Except as otherwise provided in this Agreement, notice under this Agreement must be in writing. Notice to Lender will be deemed received by Lender at address sent forth in Section 47 by U.S. mail, postage prepaid, first class mail; in person; by registered mail; by certified mail; by nationally recognized overnight courier; or when sent by electronic mail. Notice to Borrower will deemed given when sent to Borrower's last known address or electronic mail address in Lender's records for this Loan.

39.RECORDKEEPING AND AUDIT REQUIREMENTS.

Lender shall have no obligation to maintain any electronic records or any documents, schedules, invoices or any other paper delivered to Lender by Borrower in connection with this Agreement or any other agreement other than as required by law. Borrower will at all times keep accurate and complete records of Borrower's accounts and Collateral. At Lender's request, Borrower shall deliver to Lender: (i) schedules of accounts and general intangibles; and (ii) such other information regarding the Collateral as Lender shall request. Lender, or any of its agents, shall have the right to call any telephone numbers that Borrower has provided or may

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provide in the future or otherwise in the Lender's possession (including any cellular or mobile telephone numbers), at intervals to be determined by Lender, and without hindrance or delay, to inspect, audit, check, and make extracts from any copies of the books, records, journals, orders, receipts, correspondence that relate to Borrower's accounts and Collateral or other transactions between the parties thereto and the general financial condition of Borrower and Lender may remove any of such records temporarily for the purpose of having copies made thereof. If Borrower was referred to Lender for this Loan by a third party (the "Referring Party"), then Borrower consents to Lender sharing certain reasonable information about Borrower with the Referring Party for purposes of the Referring Party verifying and/or auditing loans made through such Referring Party's referrals.

40. GOVERNING LAW. Subject to Section 32 above, our relationship including this Agreement and any claim, dispute or controversy (whether in contract, tort, or otherwise) at any time arising from or relating to this Agreement is governed by, and this Agreement will be construed in accordance with, applicable federal law and (to the extent not preempted by federal law) California law without regard to internal principles of conflict of laws. The legality, enforceability and interpretation of this Agreement and the amounts contracted for, charged and reserved under this Agreement will be governed by such laws.

41. WAIVER OF NOTICES AND OTHER TERMS. Except for

any notices provided for in this Agreement, Borrower and any person who has obligations pursuant to this Agreement (e.g., a Guarantor), to the extent not prohibited by applicable law hereby, waives demand, notice of nonpayment, notice of intention to accelerate, notice of acceleration, presentment, protest, notice of dishonor and notice of protest. To the extent permitted by applicable law, Borrower and any person who has obligations pursuant to this Agreement also agrees: Lender is not required to file suit, show diligence in collection against Borrower or any person who has obligations pursuant to this Agreement, or proceed against any Collateral; Lender may, but will not be obligated to, substitute, exchange or release any Collateral; Lender may release any Collateral, or fail to realize upon or perfect Lender's security interest in any Collateral; Lender may, but will not be obligated to, sue one or more persons without joining or suing others; and Lender may modify, renew, or extend this Agreement (repeatedly and for any length of time) without notice to or approval by any person who has obligations pursuant to this Agreement (other than the party

BUSINESS LOAN AND SECURITY AGREEMENT SUPPLEMENT

with whom the modification, renewal or extension is made).

42. MONITORING, RECORDING AND ELECTRONIC

COMMUNICATIONS. In order to ensure a high quality of service for Lender's customers, Lender may monitor and/or record telephone calls between Borrower and Lender's employees or agents. Borrower acknowledges that Lender may do so and agrees in advance to any such monitoring or recording of telephone calls. Borrower also agrees that Lender may communicate with Borrower electronically by e-mail.

43. JURY TRIAL WAIVER AND CLASS ACTION WAIVER. To

the extent not prohibited by applicable law, Borrower, Guarantors and Lender waive their right to a trial by jury of any claim or cause of action based upon, arising out of or related to the Agreement and all other documentation evidencing the Obligations, in any legal action or proceeding. Subject to Section 33 above, any such claim or cause of action shall be tried by court sitting without a jury.

THE PARTIES HERETO (LENDER, BORROWER AND GUARANTORS) WAIVE ANY RIGHT TO ASSERT ANY CLAIMS AGAINST ANY OTHER PARTY AS A REPRESENTATIVE OR MEMBER IN ANY CLASS OR REPRESENTATIVE ACTION, EXCEPT WHERE SUCH WAIVER IS PROHIBITED BY LAW OR AGAINST PUBLIC POLICY. TO THE EXTENT ANY PARTY IS PERMITTED BY LAW OR COURT OF LAW TO PROCEED WITH A CLASS OR REPRESENTATIVE ACTION AGAINST ANY OTHER, THE PARTIES HEREBY AGREE THAT: (1) 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 (2) 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.

IN THE EVENT ANY LEGAL PROCEEDING IS FILED IN A COURT OF THE STATE OF CALIFORNIA (THE "COURT") BY OR AGAINST ANY PARTY HERETO IN CONNECTION WITH ANY CONTROVERSY, DISPUTE OR CLAIM DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS GUARANTY OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY) (EACH, A "CLAIM") AND THE WAIVER SET FORTH IN THE PRECEDING PARAGRAPH IS NOT ENFORCEABLE IN SUCH ACTION OR PROCEEDING, THE PARTIES HERETO AGREE AS FOLLOWS:

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1. WITH THE EXCEPTION OF THE MATTERS SPECIFIED IN PARAGRAPH 2 BELOW, ANY CLAIM WILL BE DETERMINED BY A GENERAL REFERENCE PROCEEDING IN ACCORDANCE WITH THE PROVISIONS OF CALIFORNIA CODE OF CIVIL PROCEDURE SECTIONS 638 THROUGH 645.1. THE PARTIES INTEND THIS GENERAL REFERENCE AGREEMENT TO BE SPECIFICALLY ENFORCEABLE IN ACCORDANCE WITH CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 638. EXCEPT AS OTHERWISE PROVIDED IN THE LOAN DOCUMENTS, VENUE FOR THE REFERENCE PROCEEDING WILL BE IN THE STATE OR FEDERAL COURT IN THE COUNTY OR DISTRICT WHERE VENUE IS OTHERWISE APPROPRIATE UNDER APPLICABLE LAW.

2. THE FOLLOWING MATTERS SHALL NOT BE SUBJECT TO A GENERAL REFERENCE PROCEEDING: (A) JUDICIAL OR NON-JUDICIAL FORECLOSURE OF ANY SECURITY INTERESTS IN REAL OR PERSONAL PROPERTY, (B) EXERCISE OF SELF-HELP REMEDIES (INCLUDING, WITHOUT LIMITATION, SET-OFF), (C) APPOINTMENT OF A RECEIVER AND (D) TEMPORARY, PROVISIONAL OR ANCILLARY REMEDIES (INCLUDING, WITHOUT LIMITATION, WRITS OF ATTACHMENT, WRITS OF POSSESSION, TEMPORARY RESTRAINING ORDERS OR PRELIMINARY INJUNCTIONS). THIS GUARANTY DOES NOT LIMIT THE RIGHT OF ANY PARTY TO EXERCISE OR OPPOSE ANY OF THE RIGHTS AND REMEDIES DESCRIBED IN CLAUSES (A) - (D) AND ANY SUCH EXERCISE OR OPPOSITION DOES NOT WAIVE THE RIGHT OF ANY PARTY TO A REFERENCE PROCEEDING PURSUANT TO THIS GUARANTY.

3. UPON THE WRITTEN REQUEST OF ANY PARTY, THE PARTIES SHALL SELECT A SINGLE REFEREE, WHO SHALL BE A RETIRED JUDGE OR JUSTICE. IF THE PARTIES DO NOT AGREE UPON A REFEREE WITHIN TEN (10) DAYS OF SUCH WRITTEN REQUEST, THEN, ANY PARTY MAY REQUEST THE COURT TO APPOINT A REFEREE PURSUANT TO CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 640(B).

4. ALL PROCEEDINGS AND HEARINGS CONDUCTED BEFORE THE REFEREE, EXCEPT FOR TRIAL, SHALL BE CONDUCTED WITHOUT A COURT REPORTER, EXCEPT WHEN ANY PARTY SO REQUESTS, A COURT REPORTER WILL BE USED AND THE REFEREE WILL BE PROVIDED A COURTESY COPY OF THE TRANSCRIPT. THE PARTY MAKING SUCH REQUEST SHALL HAVE THE OBLIGATION TO ARRANGE FOR AND PAY COSTS OF THE COURT REPORTER, PROVIDED THAT SUCH COSTS, ALONG WITH THE REFEREE'S FEES, SHALL ULTIMATELY BE BORNE BY THE PARTY WHO DOES NOT PREVAIL, AS DETERMINED BY THE REFEREE.

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5. THE REFEREE MAY REQUIRE ONE OR MORE PREHEARING CONFERENCES. THE PARTIES HERETO SHALL BE ENTITLED TO DISCOVERY, AND THE REFEREE SHALL OVERSEE DISCOVERY IN ACCORDANCE WITH THE RULES OF DISCOVERY, AND MAY ENFORCE ALL DISCOVERY ORDERS IN THE SAME MANNER AS ANY TRIAL COURT JUDGE IN PROCEEDINGS AT LAW IN THE STATE OF CALIFORNIA. THE REFEREE SHALL APPLY THE RULES OF EVIDENCE APPLICABLE TO PROCEEDINGS AT LAW IN THE STATE OF CALIFORNIA AND SHALL DETERMINE ALL ISSUES IN ACCORDANCE WITH APPLICABLE STATE AND FEDERAL LAW. THE REFEREE SHALL BE EMPOWERED TO ENTER EQUITABLE AS WELL AS LEGAL RELIEF AND RULE ON ANY MOTION WHICH WOULD BE AUTHORIZED IN A TRIAL, INCLUDING, WITHOUT LIMITATION, MOTIONS FOR DEFAULT JUDGMENT OR SUMMARY JUDGMENT. THE REFEREE SHALL REPORT HIS DECISION, WHICH REPORT SHALL ALSO INCLUDE FINDINGS OF FACT AND CONCLUSIONS OF LAW.

6. THE PARTIES RECOGNIZE AND AGREE THAT ALL CLAIMS RESOLVED IN A GENERAL REFERENCE PROCEEDING PURSUANT HERETO WILL BE DECIDED BY A REFEREE AND NOT BY A JURY.

44. CONFIDENTIALITY. Borrower shall not make, publish or otherwise disseminate in any manner a copy of this Agreement or any public statement or description of the terms of this Agreement, except to its employees, advisors and similar persons who have a legitimate need to know its contents.

45. ENTIRE AGREEMENT. The accompanying Business Loan and Security Agreement Supplement and the Authorization Agreement for Direct Deposit (ACH Credit) and Direct Payments (ACH Debits) and any other documents required by Lender now or in the future in connection with this Agreement and Borrower's Loan are hereby incorporated into and made a part of this Agreement. This Agreement is the entire agreement of the parties with respect to the subject

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matter hereof and supersedes any prior written or verbal communications or instruments relating thereto.

46. COUNTERPARTS; ELECTRONIC SIGNATURES. This

Agreement may be executed in one or more counterparts, each of which counterparts shall be deemed to be an original, and all such counterparts shall constitute one and the same instrument. For purposes of the execution of this Agreement, signatures delivered by electronic or fax transmission shall be treated in all respects as original signatures.

47. CUSTOMER SERVICE CONTACT INFORMATION. If you

have questions or comments about your Loan, you may contact us by (i) e-mail at fred@lendspark.com, (ii) telephone at 888- 444-7069 or (iii) mail 2554 Gateway Rd., Carlsbad, CA 92209 Attn: Customer Service.

48. GRANT OF LICENSE TO USE LENDSAAS

PLATFORM. Subject to Borrower's compliance with this Agreement and the Terms of Use for the LendSaaS Platform, Lender grants Borrower a nonexclusive, revocable, non-transferable, non-sublicenseable, limited right and royalty-free license to use the LendSaaS Platform, effective solely during the term of the Loan and so long as an Event of Default has not occurred. The license granted to Borrower is personal, and no rights hereunder may be transferred by Borrower without the express written approval of Lender. Lender may terminate the license granted hereunder without notice at any time after an Event of Default has occurred.

49. CERTIFICATION AND SIGNATURES. By executing

this Agreement or authorizing the person signing or affirming below to execute on its behalf, Borrower certifies that Borrower has received a copy of this Agreement and that Borrower has read, understood and agreed to be bound by its terms. Each person signing or affirming below certifies that each person is signing on behalf of the Borrower and/or in the capacity indicated below the signer's name (and if Borrower is a sole proprietorship, in the capacity of the owner of such sole proprietorship) and that such signer is authorized to execute this Agreement on behalf of or the in stated relation to Borrower.

Use of Proceeds Certification

As referred to in Section 4, by signing or affirming below, the Borrower certifies, acknowledges and understands that the proceeds from the requested Loan will be used solely for purchasing or acquiring specific products or services, for the following purposes only:

- specified merchandise
 - insurance (but not self insurance programs)
 - services or equipment
 - inventory or other specified goods
 - loans to finance specified sales transactions
 - public works projects or educational
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services (e.g., training)

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50. GUARANTOR WAIVERS. The following waivers apply to any corporate co-debtor, which shall guaranty the debt of each other co-debtor: (a) Guarantor hereby waives all rights and defenses that Guarantor may have because the Borrower's debt is secured by real property. This means, among other things: (i) Lender may collect from Guarantor without first foreclosing on any real or personal property collateral pledged by the Borrower; (ii) If Lender forecloses on any real property collateral pledged by the Borrower:

(A) The amount of the debt may be reduced only by the price for which that collateral is sold at the foreclosure sale, even if the collateral is worth more than the sale price.

(B) Lender may collect from Guarantor even if Lender, by foreclosing on the real property collateral, has destroyed any right Guarantor may have to collect from Borrower. This is an unconditional and irrevocable waiver of any rights and defenses Guarantor may have because the Borrower's debt is secured by real property. These rights and defenses include, but are not limited to, any rights or defenses based upon Section 580a, 580b, 580d or 726 of the California Code of Civil Procedure.

(b) Guarantor hereby waives all rights and defenses arising out of an election of remedies by Lender, even though that election of remedies, such as non-judicial foreclosure with respect to security for a guaranteed obligation, has destroyed Guarantor's rights of subrogation and reimbursement against Borrower by the operation of Section 580d of the California Code of Civil Procedure or otherwise.

(c) Without limiting the generality of the foregoing, Guarantor hereby expressly: (i) waives any and all rights of subrogation, reimbursement, indemnification and contribution and any other rights and or defenses that are or may become available to Guarantor by reason of Sections 2787 to 2855, inclusive, of the California Civil Code; (ii) waives any rights or defenses Guarantor may have in respect of its obligations as a guarantor by reason of any election of remedies by Lender;

(iii) waives any rights or defenses Guarantor may have in because the Borrower's note or other obligation is secured by real property or an estate for years, including, but limited to, any rights or defenses based upon, directly or indirectly, the application of Section 580a, 580b, 580d or 726 of the California Code of Civil Procedure to the Borrower's note or other obligation; (iv) waives any and all, rights, defenses and/or benefits which might otherwise be available to it under California Civil Code Sections 2809, 2810, 2819, 2839, 2845 and 3433; and (v) California Code of Civil Procedure Sections 580a, 580b, 580d and 726, or any similar statutes of other states.

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(d) Guarantor agrees that Lender may do any of the following without affecting the enforceability of the guaranty given by Guarantor or the other loan documents: (i) take or release additional security for any obligation in connection with the loan documents; (ii) discharge or release (by judicial or nonjudicial foreclosure, acceptance of a deed in lieu of foreclosure or otherwise) any person or persons liable under the loan documents; (iii) accept or make compositions or other arrangements or file or refrain from filing a claim in any bankruptcy proceeding of Borrower, any guarantor of Borrower's obligations under the loan documents or any pledgor of collateral for any person's obligations to Lender; and (iv) credit payments in such other pledgor of collateral for any person's obligations to Lender or any other person in connection with the Loan.

(e) Guarantor acknowledges that it has had an opportunity to review the loan documents. Guarantor agrees to keep itself informed of all material aspects of the financial condition of Borrower and of the performance of Borrower to Lender and agrees that Lender has no duty to disclose to Guarantor any information pertaining to Borrower or any security for the obligations of the Borrower under the loan documents.

(f) During the continuance of an Event of Default, Lender may elect to foreclose nonjudicially the lien of the deed of trust and, if such right has arisen, to also exercise its rights under this Guaranty. Guarantor acknowledges that its right to seek reimbursement from Borrower for any amounts paid by it to Lender under this Guaranty will be eliminated if Lender elects to so foreclose the lien of the deed of trust in accordance with such Deed of Trust. Nevertheless, Guarantor waives any such right to reimbursement and agrees that a nonjudicial foreclosure by Lender of the deed of trust will not affect the enforceability of the loan documents on Guarantor. In order to further effectuate such waiver, Guarantor hereby agrees that it waives all rights and defenses arising out of an election of remedies by Lender, even though that election of remedies, such as a nonjudicial foreclosure of the lien of the deed of trust, has destroyed its rights of subrogation and reimbursement against Borrower by the operation of Section 580d of the Code of Civil Procedure or otherwise.

(g) Guarantor agrees that Lender's right to enforce this

Guaranty is absolute and is not contingent upon the validity or enforceability of any of the loan documents against Borrower or any other person. Guarantor waives all benefits and defenses it may have under California Civil Code Section 2810 and agrees that Lender's rights under this Guaranty shall be enforceable even if Borrower or had no liability at the time of execution of the loan documents or later ceases to be liable.

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(h) Guarantor waives all benefits and defenses it may have under California Civil Code Section 2809 and agrees that Lender's rights under the loan documents will remain enforceable even if the amount secured by the loan documents is larger in amount and more burdensome than that for which Borrower is responsible. The enforceability of the Guaranty against Guarantor shall continue until all sums due under the loan documents have been paid in full and shall not be limited or affected in any way by any impairment or any diminution or loss of value of any security or collateral for Borrower's obligations under the loan documents, from whatever cause, the failure of any security interest in any such security or collateral or any disability or other defense of Borrower or any guarantor of Borrower's obligations under the loan documents, any Guarantor are not due and owing or have been paid in full or (y) all sums payable under the loan documents have been indefeasibly paid in full;

(i) Guarantor waives all benefits and defenses it may have

under California Civil Code Sections 2845, 2849 and 2850, including, without limitation, the right to require Lender to (i) proceed against Borrower, any guarantor of Borrower's obligations under the loan documents, any other pledgor of collateral for any person's obligations to Lender or any other person in connection with the Loan, (ii) proceed against or exhaust any other security or collateral that Lender may hold, or

(iii) pursue any other right or remedy for Borrower's benefit, and agree that Lender may exercise its rights under this Guaranty or may foreclose against any real property securing the Loan without taking any action against Borrower, any guarantor of Borrower's obligations under the loan documents, any pledgor of collateral for any person's obligations to Lender or any other person in connection with the Loan, and without proceeding against or exhausting any security or collateral Lender holds.

(j) Guarantor waives any rights or benefits it may have by reason of California Code of Civil Procedure Section 580a, or other applicable law, which could limit the amount which Lender could recover in a foreclosure of any collateral securing the Loan to the difference between the amount owing under the loan documents and the fair value of such collateral or interests sold at a nonjudicial foreclosure sale or sales of any other real property held by Lender as security for the obligations of Borrower under the loan documents.

(k) Guarantor, as a guarantor or surety, waives diligence and all demands, protests, presentments and notices of protest, dishonor, nonpayment and acceptance of the loan documents.

(l) This Guaranty shall be effective as a waiver of, and Guarantor hereby expressly waives:

(i) any and all rights to which Guarantor may otherwise have been entitled under any suretyship laws in effect from time to time, including any right or privilege, whether existing under statute, at law or in equity, to require Lender to take prior recourse or proceedings against any collateral, security or person whatsoever;

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(ii) any rights of sovereign immunity and any other similar and/or related rights;

(iii) any defenses generally available to guarantors under the laws of the State of California or otherwise;

(iv) any defense based upon any legal disability or other defense of Borrower or any guarantor of Borrower's obligations or by reason of the cessation or limitation of the liability of Borrower from any cause other than that (x) the obligations guaranteed by

(v) any defense based upon any lack of authority of the officers, directors, partners or agents acting or purporting to act on behalf of Borrower or any principal of Borrower or any defect in the formation of Borrower or any principal of Borrower;

(vi) any defense based upon the application by Borrower of the proceeds of the Loan for purposes other than the purposes represented by Borrower to Lender or intended or understood by Lender or Guarantor;

(vii) any defense based upon any statute or rule of law which provides that the obligation of a surety must be neither larger in amount nor in any other respects more burdensome than that of a principal;

(viii) any defense based upon Lender's election, in any proceeding instituted under the United States Bankruptcy Code, of the application of Section 1111(b)(2) of the United States Bankruptcy Code or any successor statute;

(ix) any defense based upon any borrowing or any grant of a security interest under Section 364 of the United States Bankruptcy Code;

(x) the benefit of any statute of limitations affecting the liability of Guarantor hereunder or the enforcement hereof, including, without limitation, any rights arising under Section 359.5 of the California Code of Civil Procedure. Guarantor agrees that the payment of all sums payable under the loan documents or any part thereof or other act which tolls any statute of limitations applicable to the loan documents shall similarly operate to toll the statute of limitations applicable to Guarantor's liability hereunder. Without limiting the generality of the foregoing or any other provision hereof, Guarantor expressly waives for the benefit of Lender to the extent permitted by law any and all rights and defenses which might otherwise be available to Guarantor under California Civil Code Sections 2899 and 3433 or any similar law of California or of any other state or of the United States.

(m) Guarantor hereby also waives (i) any defense based upon Lender's failure to disclose to Guarantor any information concerning Borrower's financial condition or any other circumstances bearing on Borrower's ability to pay all sums payable under the loan documents; (ii) any right of subrogation, any right to enforce any remedy which Lender may have against Borrower and any right to participate in, or benefit from, any security for the loan documents now or hereafter held by Lender; and (iii) presentment, demand, protest and notice of any kind.

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Guarantor agrees that the payment of all sums payable under the loan documents or any part thereof or other act which tolls any statute of limitations applicable to the loan documents shall similarly operate to toll the statute of limitations applicable to Guarantor's liability hereunder. Without limiting the generality of the foregoing or any other provision hereof, Guarantor expressly waives to the extent permitted by law any and all rights and defenses which might otherwise be available to Guarantor under California Civil Code Sections 2787 to 2855 inclusive (subject to Section 1.9 of this Guaranty) and Chapter 2 of Title 14, 2899 and 3433 and under California Code of Civil Procedure Sections 580a, 580b, 580d and 726, or any of such sections.

(n) Guarantor agrees that it is bound to the payment of all

guaranteed obligations, whether now existing or hereafter accruing as fully as if such guaranteed obligations were directly owing to Lender by Guarantor. Guarantor further waives any defense arising by reason of any disability or other defense (other than that (x) the guaranteed obligations are not due and owing or have been paid in full or (y) all sums payable under the loan documents have been indefeasibly paid in full) of Guarantor or by reason of the cessation from any cause whatsoever of the liability of Guarantor in respect thereof.

(o) Guarantor hereby also waives (i) any rights to assert against Lender any defense (legal or equitable), set off, counterclaim, or claim which Guarantor may now or at any time hereafter have against Guarantor or any other party liable to Lender; (ii) any defense, set off, counterclaim, or claim, of any kind or nature, arising directly or indirectly from the present or future lack of perfection, sufficiency, validity, or enforceability of the guaranteed obligations or any security therefor; and (iii) any defense Guarantor has to performance hereunder, and any right Guarantor has to be exonerated, provided by Sections 2819, 2821, 2822, 2825, 2839 or 2853 of the California Civil Code, or otherwise, including, without limitation, arising by reason of: any claim or defense based upon an election of remedies by Lender; the impairment or suspension of Lender's rights or remedies against Guarantor; the alteration by Lender of the guaranteed obligations; any discharge of Guarantor's obligations to Lender by operation of law as a result of Lender's intervention or omission; or the acceptance by Lender of anything in partial satisfaction of the guaranteed obligations. Guarantor acknowledges and agrees that, as a result of the foregoing sentence, Guarantor is knowingly waiving in advance a complete or partial defense to this Guaranty arising under California Code of Civil Procedure Sections 580d or 580a and based upon Lender's election to conduct a private non-judicial foreclosure sale.

(p) This Guaranty is intended to be cumulative of any rights of

Lender under California Code of Civil Procedure Sections 564,

726.5 and 736 and under California Civil Code Section 2929.5. Guarantor hereby waives any restrictions or limitations which such statutes may impose on the liability of Guarantor or Lender's rights or remedies under this Guaranty.

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(n) Guarantor agrees that it is bound to the payment of all guaranteed obligations, whether now existing or hereafter accruing as fully as if such guaranteed obligations were directly owing to Lender by Guarantor. Guarantor further waives any defense arising by reason of any disability or other defense (other than that (x) the guaranteed obligations are not due and owing or have been paid in full or (y) all sums payable under the loan documents have been indefeasibly paid in full) of Guarantor or by reason of the cessation from any cause whatsoever of the liability of Guarantor in respect thereof.

(o) Guarantor hereby also waives (i) any rights to assert against Lender any defense (legal or equitable), set off, counterclaim, or claim which Guarantor may now or at any time hereafter have against Guarantor or any other party liable to Lender; (ii) any defense, set off, counterclaim, or claim, of any kind or nature, arising directly or indirectly from the present or future lack of perfection, sufficiency, validity, or enforceability of the guaranteed obligations or any security therefor; and (iii) any defense Guarantor has to performance hereunder, and any right Guarantor has to be exonerated, provided by Sections 2819, 2821, 2822, 2825, 2839 or 2853 of the California Civil Code, or otherwise, including, without limitation, arising by reason of: any claim or defense based upon an election of remedies by Lender; the impairment or suspension of Lender's rights or remedies against Guarantor; the alteration by Lender of the guaranteed obligations; any discharge of Guarantor's obligations to Lender by operation of law as a result of Lender's intervention or omission; or the acceptance by Lender of anything in partial satisfaction of the guaranteed obligations. Guarantor acknowledges and agrees that, as a result of the foregoing sentence, Guarantor is knowingly waiving in advance a complete or partial defense to this Guaranty arising under California Code of Civil Procedure Sections 580d or 580a and based upon Lender's election to conduct a private non-judicial foreclosure sale.

(p) This Guaranty is intended to be cumulative of any rights of Lender under California Code of Civil Procedure Sections 564,

726.5 and 736 and under California Civil Code Section 2929.5. Guarantor hereby waives any restrictions or limitations which such statutes may impose on the liability of Guarantor or Lender's rights or remedies under this Guaranty.



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**AUTHORIZATION AGREEMENT FOR DIRECT DEPOSIT (ACH CREDIT) AND
DIRECT PAYMENTS (ACH DEBITS)**

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This Authorization Agreement for Direct Deposit (ACH Credit) and Direct Payments (ACH Debits) is part of (and incorporated by reference into) the Business Loan and Security Agreement. Borrower should keep this important legal document for Borrower's records.

DISBURSMENT OF LOAN PROCEEDS. By executing this Authorization Agreement for Direct Deposit (ACH Credit) and Direct Payments (ACH Debits), Borrower authorizes Lender to disburse the Loan proceeds less the amount of any applicable fees upon Loan approval by initiating an ACH credit, wire transfer or similar means to the checking account indicated herein (or a substitute checking account Borrower later identifies and is acceptable to Lender) (hereinafter referred to as the "Designated Checking Account") in the disbursement amount set forth in the accompanying Business Loan and Security Agreement Supplement. This authorization is to remain in full force and effect until Lender has received written notification from Borrower of its termination in such time and in such manner as to afford Lender and Borrower's depository bank a reasonable opportunity to act on it. Borrower represents that Borrower is the owner of the Designated Checking Account.

AUTOMATIC PAYMENT PLAN. Enrollment in Lender's Automatic Payment Plan is required for Loan approval. By executing this Authorization Agreement for Direct Deposit (ACH Credit) and Direct Payments (ACH Debits), Borrower agrees to, and hereby, enrolls in the Automatic Payment Plan and authorizes Lender to collect payments required under the terms of Borrower's Business Loan and Security Agreement by initiating ACH debit entries to the Designated Checking Account in the amounts and on the dates provided in the payment schedule set forth in the accompanying Business Loan and Security Agreement Supplement. Borrower authorizes Lender to increase the amount of any scheduled ACH debit entry or assess multiple ACH debits for the amount of any previously scheduled payment(s) that was not paid as provided in the payment schedule and any unpaid Fees. This authorization is to remain in full force and effect until Lender has received written notification from Borrower of its termination in such time and in such manner as to afford Lender and Borrower's depository bank a reasonable opportunity to act on it. Lender may suspend or terminate Borrower's enrollment in the Automatic Payment Plan immediately if Borrower fails to keep Borrower's designated checking account in good standing or if there are insufficient funds in Borrower's checking account to process any payment (or if Lender is otherwise unable to collect any amounts by ACH debit owed to Lender under the Loan or under any other loan or extension of credit by Lender to Borrower). **If Borrower revokes the authorization or Lender suspends or terminates Borrower's enrollment in the Automatic Payment Plan, Borrower still will be responsible for making timely payments pursuant to the alternative payment methods described in the Business Loan and Security Agreement.**

Provisional Payment. Credit given by us to you with respect to an automated clearing house ("ACH") credit entry is provisional until we receive final settlement for such entry through a Federal Reserve Bank. If we do not receive such final settlement, you are hereby notified and agree that we are entitled to a refund of the amount credited to you in connection with such entry, and the party making to you via such entry (i.e. the originator of the entry) shall not be deemed to have paid you in the amount of such entry.

Notice of Receipt of Entry. Under the operating rules of the National Automated Clearing House Association, which are applicable to ACH transactions involving your account, we are not required to give next day notice to you of receipt of an ACH item and we will not do so. However, we will continue to notify you of the receipt of payments in the periodic statement we provide to you.

BUSINESS PURPOSE ACCOUNT. By executing this Authorization Agreement for Direct Deposit (ACH Credit) and Direct Payments (ACH Debits), Borrower attests that the Designated Checking Account was established for business purposes and not primarily for personal, family or household purposes.

ACCOUNT CHANGES. Borrower agrees to promptly notify Lender in writing if there are any changes to the account and routing numbers of the Designated Checking Account.

MISCELLANEOUS. Lender is not responsible for any fees charged by Borrower's bank as the result of credits or debits initiated under this agreement. The origination of ACH transactions to Borrower's account must comply with the provisions of U.S. law. Borrower agrees to be bound by NACHA rules of the Electronic Payments Association. Borrower agrees to provide to Lender at all times, "Live Contemporaneous Access" to all of its bank accounts in order for Lender to evaluate Borrower's compliance with the Agreement, and for collections in the Event of Default ("Borrower's Accounts"). "Live Contemporaneous Access" shall be defined as: Borrower, at all times and including but not limited to, providing Lender with accurate login information necessary to access all of Borrower's Accounts, such as usernames and passwords, answers to challenge questions, and security tokens. Borrower shall provide notice to Lender in the event Borrower makes any changes to the Designated Checking Account, including in the event Borrower closes the Designated Checking Account.

Routing Number: Account Number:

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Tax ID:

By:

Name:

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(Signature)

WILLIS CHANGCHOON LEE

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Date:

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Signature Page

Borrower affirms that it has read and understood the terms and conditions of, consents to, and agrees to be bound by, the Business Loan and Security Agreement, Agreement No.: 3441 the accompanying Business Loan and Security Agreement Supplement, and the accompanying Authorization Agreement for Direct Deposit (ACH Credits) and Direct Payments (ACH Debits).

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By:

Name:

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(Signature)

WILLIS CHANGCHOON LEE

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Date:

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LENSPARK CORPORATION

For Lender's Use Only: This Agreement has been received and accepted by Lender in California after being signed by Borrower.

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By:

Date:

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(Signature)

Salman Vakil

(Name)

9/22/2023

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Borrower Definition Addendum to the Business Loan and Security Agreement, Agreement No.: 3441 dated: September 12, 2023.

Lender and Borrower hereby agree that "Borrower" is defined as follows:

21250 Hawthorne Boulevard Suite 800, Torrance, CA 90503
EMMAUS LIFE SCIENCES, INC. Business Name: Address:
Tax ID: 87-0419387

21250 Hawthorne Boulevard Suite 800, Torrance, CA 90503
EMMAUS MEDICAL, INC. Business Name: Address:

Tax ID:

21250 Hawthorne Boulevard Suite 800, Torrance, CA 90503
NEWFIELD NUTRITION CORPORATION Business Name: Address:

Tax ID:

21250 Hawthorne Boulevard Suite 800, Torrance, CA 90503
EMI HOLDINGS, INC. Business Name: Address:

Tax ID:

EMMAUS LIFE SCIENCES, INC., et al. Borrower:

Tax ID:

EMMAUS LIFE SCIENCES, INC., et al. Borrower:

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

Co-President and COO

WILLIS CHANGCHOON LEE Print Owner's Name:

LENDSPARK CORPORATION

Agreed to by:LENDER:

(Signature), its: (Title)

President

Early Discount Addendum

This addendum is made as of **September 12, 2023** (the "Addendum") to the Business Loan and Security Agreement, Agreement No.: 3441 between **LendSpark Corporation** (the "Lender") and **EMMAUS LIFE SCIENCES, INC., et al.** (the "Borrower") dated **September 12, 2023** (the "Agreement").

Lender and Borrower are sometimes referred to herein collectively as the "Parties" and each as a "Party". Whereas, the Parties desire to add certain terms to the Agreement.

In consideration of the above promises, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto, intending to be legally bound, do hereby agree and add terms to the Agreement as follows:

Total Repayment Amount shall be defined as: \$2,870,000.00 if Borrower delivers the Total Repayment Amount within 6 calendar months of the Disbursement Amount being paid by Lender. **All prior payments made shall count towards the discounted Total Payment Amount.**

Notwithstanding the above, if an Event of Default occurs pursuant to the Agreement, Borrower forfeits Borrower's rights pursuant to this Addendum.

IN WITNESS WHEREOF, each of the undersigned has executed, or has caused to be executed, this Addendum as of the date first written above.

EMMAUS LIFE SCIENCES, INC., et al. Borrower:

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

Co-President and COO

WILLIS CHANGCHOON LEE Print Owner's Name:

Agreed to by:Lender:

(Signature), its: (Title)

President

Stacking Prohibited Addendum

This addendum is made as of September 12, 2023 (the "Addendum") to the Business Loan and Security Agreement, Agreement No.: 3441 between LendSpark Corporation (the "Lender") and

EMMAUS LIFE SCIENCES, INC., et al. (the "Borrower") dated September 12, 2023 (the "Agreement").

Whereas, Lender desires to add a Stacking Prohibited as follows; Borrower shall not enter into any cash advance that relates to or involves its Future Receipts, or any loan agreement, with any party other than Lender where the interest rate on such loan is greater than ten percent (10%) for the duration of this Agreement; notwithstanding the foregoing, the following shall be excluded from the foregoing prohibition in all events: (a) bank loans; (b) bank financing arrangements; and (c) any other financing arrangement, that enables Borrower to pay the Total Repayment Amount to Lender and the Total Repayment Amount is paid to Lender in conjunction with the closing of such financing prior to the release of any funds to the Borrower. Lender may share information regarding this Agreement with any third party in order to determine whether Borrower is in compliance with this provision.

Borrower agrees to this Stacking Prohibited addendum to the Agreement, and fully understands that breach of the Stacking Prohibited provision shall constitute an Event of Default.

By signing this Addendum, Borrower agrees and fully understands that in the event Borrower breaches the Stacking Prohibited provision, Lender fully reserves its rights to immediately exercise its rights at law and equity as provided in the Agreement and impose an additional fee equaling ten (10) percent of the Loan Amount.

IN WITNESS WHEREOF, each of the undersigned has executed, or has caused to be executed, this Addendum as of the date first written above.

EMMAUS LIFE SCIENCES, INC., et al. Borrower:

Agreed to by:

(Signature), (Title)

its: Co-President and COO

WILLIS CHANGCHOON LEE Print Owner's Name:

LENDSPARK CORPORATION Lender:

Agreed to by: (Signature), its: President

ADDENDUM TO BUSINESS LOAN AND SECURITY AGREEMENT, AGREEMENT NO.: 3441

This Addendum, dated September 12, 2023 (the "Addendum") to the Business Loan and Security Agreement, Agreement No.: 3441 effective September 12, 2023 (the "Agreement"), between LENDSPARK CORPORATION ("LendSpark" or "Lender") and EMMAUS LIFE SCIENCES, INC., et al. ("Borrower"), hereby amends and restates the Agreement as follows, with any sections or provisions of the Agreement not expressly referenced in this Addendum remaining unchanged from the Agreement:

Lender agrees that no personal liability shall attach to Guarantor under the Agreement, except in the event of the occurrence of any one of the following:

- 1) Borrower interferes with Lender's right to collect the weekly amount due pursuant to the Agreement;
- 2) Borrower uses multiple depository accounts without the prior written consent of Lender;
- 3) Borrower changes its depositing account or its payment card processor without the prior written consent of Lender;
- 4) Borrower fails to provide timely notice to Lender such that: i) within any 30-day period two or more ACH transactions attempted by Lender are rejected by Borrower's bank; or ii) two or more consecutive ACH transactions attempted by Lender are rejected by Borrower's bank.
- 5) Borrower receives any funding from a different lender without Lender's approval or Borrower provides any misrepresentation to the Lender.

IN WITNESS WHEREOF, each of the undersigned has executed this Addendum as of the date first written above.

Co-President and COO (Title)

Certification of Principal 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

The undersigned, Willis C. Lee and George Sekulich, certify that:

1. We have reviewed this quarterly report on Form 10-Q of Emmaus Life Sciences, Inc.;
2. Based on our 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 our 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 we 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 we have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2023

/s/ Willis C. Lee
Willis C. Lee
Co-President and Chief Operating Officer
(Principal Executive Officer)

/s/ George Sekulich
George Sekulich
Co-President and Chief Commercial 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: November 13, 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 September 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/ Willis C. Lee
Willis C. Lee
Co-President and Chief Operating Officer
(Principal Executive Officer)
November 13, 2023

/s/ George Sekulich
Co-President and Chief Commercial Officer
(Principal Executive Officer)
November 13, 2023

/s/ Yasushi Nagasaki
Yasushi Nagasaki
Chief Financial Officer
(Principal Financial and Accounting Officer)
November 13, 2023
