

**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 March 31, 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 May 10, 2023.

EMMAUS LIFE SCIENCES, INC.
For the Quarterly Period Ended March 31, 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	
	March 31, 2023	December 31, 2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,774	\$ 2,021
Accounts receivable, net	2,204	375
Inventories, net	2,216	2,379
Prepaid expenses and other current assets	1,224	1,514
Total current assets	7,418	6,289
Property and equipment, net	72	75
Equity method investment	19,106	18,828
Right of use assets	2,646	2,799
Investment in convertible bond	19,427	19,971
Other assets	277	263
Total assets	<u>\$ 48,946</u>	<u>\$ 48,225</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 14,423	\$ 13,549
Operating lease liabilities, current portion	722	703
Conversion feature derivative, notes payable	3,159	3,248
Other current liabilities	13,972	12,917
Warrant derivative liabilities	85	70
Notes payable, current portion, net of discount	8,325	6,814
Notes payable to related parties	2,482	2,367
Convertible notes payable, net of discount	14,687	14,655
Total current liabilities	57,855	54,323
Operating lease liabilities, less current portion	2,362	2,553
Other long-term liabilities	20,256	21,714
Notes payable, less current portion	—	380
Notes payable to related parties, net	3,426	3,346
Convertible notes payable to related parties	1,000	—
Total liabilities	84,899	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, 50,934,852 and 49,583,501 shares issued and outstanding at March 31, 2023 and December 31, 2022, respectively	51	50
Additional paid-in capital	222,878	220,815
Accumulated other comprehensive loss	(2,977)	(2,619)
Accumulated deficit	(255,905)	(252,337)
Total stockholders' deficit	(35,953)	(34,091)
Total liabilities & stockholders' deficit	<u>\$ 48,946</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 LOSS
(In thousands, except share and per share amounts)
(Unaudited)

	Three months Ended March 31,	
	2023	2022
REVENUES, NET	\$ 6,753	\$ 3,234
COST OF GOODS SOLD	429	1,007
GROSS PROFIT	6,324	2,227
OPERATING EXPENSES		
Research and development	289	466
Selling	2,317	1,460
General and administrative	4,883	3,369
Total operating expenses	7,489	5,295
LOSS FROM OPERATIONS	(1,165)	(3,068)
OTHER INCOME (EXPENSE)		
Change in fair value of warrant derivative liabilities	(14)	748
Change in fair value of conversion feature derivative, notes payable	89	3,080
Realized loss on investment in convertible bond	—	(133)
Net loss on equity method investment	(527)	(566)
Foreign exchange loss	(519)	(1,191)
Interest and other income	160	222
Interest expense	(1,502)	(737)
Total other income (expense)	(2,313)	1,423
LOSS BEFORE INCOME TAXES	(3,478)	(1,645)
Income tax provision (benefit)	49	(103)
NET LOSS	(3,527)	(1,542)
COMPONENTS OF OTHER COMPREHENSIVE LOSS		
Unrealized gain (loss) on debt securities available for sale (net of tax)	(544)	350
Reclassification adjustment for gain included in net income	—	7
Foreign currency translation adjustments	186	331
Other comprehensive income (loss)	(358)	688
COMPREHENSIVE LOSS	\$ (3,885)	\$ (854)
NET LOSS PER COMMON SHARE - BASIC AND DILUTED	\$ (0.07)	\$ (0.03)
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING	<u>50,709,627</u>	<u>49,311,864</u>

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
Warrants issued for services	—	—	334	—	—	334
Share-based compensation	—	—	1,189	—	—	1,189
Unrealized gain 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	222,878	(2,977)	(255,905)	(35,953)

	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)

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)

	Three months Ended March 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (3,527)	\$ (1,542)
Adjustments to reconcile net loss to net cash flows used in operating activities		
Depreciation and amortization	9	15
Inventory reserve	—	794
Amortization of discount of notes payable and convertible notes payable	582	411
Foreign exchange adjustments	471	1,205
Tax benefit recognized on unrealized gain on debt securities	—	(117)
Realized loss on investment on convertible bond	—	133
Loss on equity method investment	527	566
Share-based compensation	1,189	5
Fair value of warrants issued for services	334	—
Change in fair value of warrant derivative liabilities	14	(748)
Change in fair value of conversion feature derivative, notes payable	(89)	(3,080)
Changes in fair value option instrument	10	—
Net changes in operating assets and liabilities		
Accounts receivable	(1,828)	102
Inventories	161	143
Prepaid expenses and other current assets	241	113
Other non-current assets	186	160
Accounts payable and accrued expenses	1,001	530
Other current liabilities	(545)	(2,980)
Other long-term liabilities	(28)	(443)
Net cash flows used in operating activities	(1,292)	(4,733)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of convertible bond	—	2,919
Purchase of property and equipment	(6)	(2)
Loan to equity method investee	(1,085)	(1,690)
Net cash flows provided by (used in) investing activities	(1,091)	1,227
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable issued, net of issuance cost	1,484	20
Proceeds from notes payable issued, related parties	227	2,036
Proceeds from convertible notes payable issued, related party	1,000	—
Payments of notes payable	(520)	—
Payments of notes payable, related party	(50)	—
Net cash flows provided by financing activities	2,141	2,056
Effect of exchange rate changes on cash	(5)	(16)
Net decrease in cash and cash equivalents	(247)	(1,466)
Cash and cash equivalents, beginning of period	2,021	2,279
Cash and cash equivalents, end of period	\$ 1,774	\$ 813
SUPPLEMENTAL DISCLOSURES OF CASH FLOW ACTIVITIES		
Interest paid	\$ 276	\$ 212
Income taxes paid	\$ 1	\$ 4
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Renewal of notes payable including interests capitalized	\$ 926	\$ —
Conversion of convertible note payable to common stock	\$ 500	\$ —

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

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

NOTE 1 — BASIS OF PRESENTATION

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

Nature of Operations

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

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Going concern— The accompanying consolidated financial statements have been prepared on the basis that the Company will continue as a going concern. The Company incurred a net loss of \$3.5 million for the three months ended March 31, 2023 and had a working capital deficit of \$50.4 million as of March 31, 2023. Management expects that the Company’s current liabilities, operating losses and expected capital needs, including the expected costs relating to the commercialization of Endari® in the Middle East North Africa (“MENA”) region and elsewhere and continued funding of EJ Holdings, Inc. will exceed its existing cash balances and cash expected to be generated from operations for the foreseeable future. To meet the Company’s current liabilities and future obligations, the Company will need to restructure or refinance its existing indebtedness and raise additional funds through related-party loans, third-party loans, equity or debt financings or licensing or other strategic agreements. The Company has no understanding or arrangement for any additional financing, and there can be no assurance that the Company will be able to obtain additional related-party or third-party loans or complete any additional equity or debt financings on favorable terms, or at all, or enter into licensing or other strategic arrangements. Due to the uncertainty of the Company’s ability to meet its current liability and operating expenses, there is substantial doubt about the Company’s ability to continue as a going concern for 12 months from the date that this condensed consolidated financial statements are issued. The condensed consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

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

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 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 \$428,000 and \$730,000 of factoring accounts

receivable and other current liabilities included approximately \$10,000 and \$55,000 of liabilities from factoring at March 31, 2023 and December 31, 2022 respectively. For three months ended March 31, 2023 and 2022, the Company incurred approximately \$108,000 and \$53,000, respectively, of factoring fees.

Net loss per share — In accordance with Accounting Standard Codification (“ASC”) 260, “*Earnings per Share*,” the basic net loss per common share is computed by dividing net loss available to common stockholders by the weighted-average number of common shares outstanding. Dilutive 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 March 31, 2023 and March 31, 2022, the Company had outstanding potentially dilutive securities exercisable for or convertible into 61,174,436 shares and 23,261,199 shares, respectively, of common stock. No potentially dilutive securities were included in the calculation of diluted net loss per share, since the effect would have been anti-dilutive for the periods ended March 31, 2023 and March 31, 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 on 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 March 31,	
	2023	2022
Endari®	\$ 6,515	\$ 3,048
Other	238	186
Revenues, net	<u>\$ 6,753</u>	<u>\$ 3,234</u>

The following table summarizes the revenue allowance and accrual activities for the three months ended March 31, 2023 and March 31, 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	425	819	106	1,350
Adjustments related to prior period sales	(213)	130	—	(83)
Credits and payments made	(716)	(597)	(150)	(1,463)
Balance as of March 31, 2023	<u>\$ 854</u>	<u>\$ 4,070</u>	<u>\$ 371</u>	<u>\$ 5,295</u>
Balance as of December 31, 2021	\$ 1,480	\$ 3,134	\$ 540	\$ 5,154
Provision related to sales in the current year	428	435	30	893
Adjustments related to prior period sales	(10)	13	(47)	(44)
Credits and payments made	(1,064)	(453)	(32)	(1,549)
Balance as of March 31, 2022	<u>\$ 834</u>	<u>\$ 3,129</u>	<u>\$ 491</u>	<u>\$ 4,454</u>

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

	Three months ended March 31,	
	2023	2022
Customer A	20 %	1 %
Customer B	14 %	46 %
Customer C	7 %	15 %
Customer D	20 %	0 %
Customer E	8 %	16 %
Customer F	23 %	0 %

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. In a related license agreement with Telcon, the Company agreed to use commercially reasonable best efforts to obtain product registration in these territories within three years of obtaining FDA marketing authorization for PGLG in this indication. Telcon has the right to terminate the distributor agreement in certain circumstances for failure to obtain such product registrations, in which event the Company would be obliged to repay Telcon the \$10 million upfront fee. In January, 2023, Telcon communicated to the Company its intention to terminate the distributor agreement. The upfront fee of \$10 million is included as unearned revenue in other current liabilities as of March 31, 2023 and December 31, 2022, respectively. Refer 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):

	March 31, 2023		December 31, 2022	
Raw materials and components	\$	1,362	\$	1,393
Work-in-process		280		513
Finished goods		5,526		5,428
Inventory reserve		(4,952)		(4,955)
Total inventories, net	\$	<u>2,216</u>	\$	<u>2,379</u>

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

	March 31, 2023		December 31, 2022	
Prepaid insurance	\$	404	\$	598
Prepaid expenses		419		467
Other current assets		401		449
Total prepaid expenses and other current assets	\$	<u>1,224</u>	\$	<u>1,514</u>

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

	March 31, 2023		December 31, 2022	
Equipment	\$	373	\$	367
Leasehold improvements		39		39
Furniture and fixtures		99		99
Total property and equipment		511		505
Less: accumulated depreciation		(439)		(430)
Total property and equipment, net	\$	<u>72</u>	\$	<u>75</u>

During the three months ended March 31, 2023 and 2022, depreciation expense was approximately \$9,000 and \$11,000, 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 on a monthly basis 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 March 31, 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 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.

In February 2022, the Company and Telcon agreed to settle a "target shortfall" under the revised API agreement with Telcon for the years ended 2020 and 2021 by exchanging KRW3.5 billion, or approximately US\$2.9 million, principal amount and accrued and unpaid interest of the Telcon convertible bond and KRW400 million, or approximately US\$310,000, in cash proceeds of the convertible bond. As a result, the Company realized a net loss on investment 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. See Notes 6 and 11 for additional information on the "target shortfall."

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

Investment in convertible bond	March 31, 2023		December 31, 2022	
Balance, beginning of period	\$	19,971	\$	26,100
Sales of convertible bond		—		(2,919)
Net loss on investment on convertible bond		—		(126)
Change in fair value included in the statement of other comprehensive income		(544)		(3,084)
Balance, end of period	\$	<u>19,427</u>	\$	<u>19,971</u>

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

	March 31, 2023	December 31, 2022
Principal outstanding (South Korean won)	KRW 26.5 billion	KRW 26.5 billion
Stock price	KRW1,065	KRW 1,015
Expected life (in years)	7.55	7.79
Selected yield	14.25 %	13.50 %
Expected volatility (Telcon common stock)	80.30 %	78.50 %
Risk-free interest rate (South Korea government bond)	3.30 %	3.74 %
Expected dividend yield	—	—
Conversion price	KRW1,068(US\$0.82)	KRW1,068(US\$0.85)

Equity method investment – During 2018, the Company and Japan Industrial Partners, Inc., or JIP, formed EJ Holdings, Inc., or EJ Holdings, to acquire, own and operate an 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 three months ended March 31, 2023, the Company made additional \$1.1 million of loans to EJ Holdings. As of March 31, 2023 and December 31, 2022, the loans receivable from EJ Holdings were approximately \$25.7 million and \$25.0 million, respectively as reflected in equity method investment on the consolidated balance sheets.

EJ Holdings is engaged in seeking to refurbish and phase in the Ube facility with objective of eventually obtaining regulatory clearance for the manufacture of PGLG in accordance with cGMP. EJ Holdings has had no substantial revenues since its inception, has depended on loans from the Company to acquire the Ube facility and fund its operations and will continue to be dependent on loans from the Company or other financing unless and until its plant is activated and it can secure customers, including the Company, for its products. There is no assurance the Company can continue to provide needed funding EJ Holdings, or that needed funding will be available from other source. 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). In such event, it is likely that the Company would lose some or all of its investment.

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

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

The following table sets forth certain unaudited financial information of EJ Holdings for the three months ended March 31, 2023 and 2022 (in thousands):

	3 Month Ended March 31,	
	2023 (Unaudited)	2022 (Unaudited)
Revenue, net	\$ 54	\$ 54
Net loss	\$ (1,318)	\$ (1,414)

NOTE 6 — SELECTED FINANCIAL STATEMENT - LIABILITIES

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

	March 31, 2023	December 31, 2022
Accounts payable:		
Clinical and regulatory expenses	\$ 393	\$ 361
Professional fees	652	626
Selling expenses	1,756	1,363
Manufacturing costs	1,023	650
Non-employee board member compensation	552	484
Other vendors	357	301
Total accounts payable	4,733	3,785
Accrued interest payable, related parties	377	144
Accrued interest payable	2,595	2,381
Accrued expenses:		
Payroll expenses	1,241	1,263
Government rebates and other rebates	4,973	5,536
Other accrued expenses	504	440
Total accrued expenses	6,718	7,239
Total accounts payable and accrued expenses	<u>\$ 14,423</u>	<u>13,549</u>

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

	March 31, 2023	December 31, 2022
Trade discount	\$ 2,500	\$ 1,200
Unearned revenue (a)	10,000	10,000
Other current liabilities	1,472	1,717
Total other current liabilities	<u>\$ 13,972</u>	<u>12,917</u>

(a) The amount represents upfront fee received from Telcon pursuant to the distributor agreement. Refer Note 3 for additional details.

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

	March 31, 2023	December 31, 2022
Trade discount	\$ 20,223	\$ 21,682
Other long-term liabilities	33	32
Total other long-term liabilities	<u>\$ 20,256</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 \$310,000 of PGLG from Telcon in three months ended March 31, 2023 and purchased \$200,000 of PGLG in the three months ended March 31, 2022, of which \$962,000 and \$644,000 were reflected in accounts payable as of March 31, 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 three months ended March 31, 2022 of the target shortfall for 2021 and 2020.

NOTE 7 — NOTES PAYABLE

Notes payable consisted of the following at March 31, 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 March 31, 2023	Unamortized Discount March 31, 2023	Carrying Amount March 31, 2023	Underlying Shares March 31, 2023
Notes payable							
2013	10%	Due on demand	—	\$ 750	\$ —	\$ 750	—
2021	11%	Due on demand - 2 years	—	2,058	—	2,058	—
2022	10%-28%	Due on demand - 15 month	—	3,228	69	3,159	—
2023	11%-60%	Due on demand - 32 weeks	—	2,385	27	2,358	—
				\$ 8,421	\$ 96	\$ 8,325	—
		Current		\$ 8,421	\$ 96	\$ 8,325	—
Notes payable - related parties							
2020	12%	Due on demand	—	100	—	100	—
2021	12%	Due on demand	—	700	—	700	—
2022	6%-12%	Due on demand - 5 years	—	4,976	168	4,881 (c)	—
2023	10%	Due on demand	—	227	—	227	—
				\$ 6,003	\$ 168	\$ 5,908	—
		Current		\$ 2,482	\$ —	\$ 2,482	—
		Non-current		\$ 3,521	\$ 168	\$ 3,426	—
Convertible notes payable							
2020	12%	3 years	\$ 10.00 (a)	3,150	—	3,150	335,605
2021	2%	3 years	\$ 0.37 (b)	13,640	2,103	11,537	40,652,575
				\$ 16,790	\$ 2,103	\$ 14,687	40,988,180
		Current		\$ 16,790	\$ 2,103	\$ 14,687	40,988,180
Convertible notes payable - related parties							
2023	10%	2 years	\$ 0.50	1,000	—	1,000	2,040,000
				\$ 1,000	\$ —	\$ 1,000	2,040,000
		Non-current		\$ 1,000	\$ —	\$ 1,000	2,040,000
		Total		\$ 32,214	\$ 2,367	\$ 29,920	43,028,180

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. Beginning February 28, 2022, the note holders became entitled to call for redemption of the convertible notes payable at any time. Accordingly, the notes are classified as current liabilities.

(c) Includes \$73,000 and \$63,000 of the fair value of embedded derivative as of March 31, 2023 and December 31, 2022, respectively.

The weighted-average stated annual interest rate of notes payable was 10% and 8% as of March 31, 2023 and December 31, 2022, respectively. The weighted-average effective annual interest rate of notes payable as of March 31, 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 March 31, 2023, future contractual principal payments due on notes payable were as follows (in thousands):

Year Ending		
2023 (nine months)	\$	25,930 (a)
2024		1,763
2025		2,200
2027		2,321
Total	\$	32,214

(a)Includes 13.6 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. As of March 31, 2023, the conversion price was \$0.37 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 will 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 March 31, 2023 and December 31, 2022 (in thousands):

Convertible promissory notes	March 31, 2023	December 31, 2022
Balance, beginning of period	\$ 3,248	\$ 7,507
Change in fair value included in the statement of operations	(89)	(4,259)
Balance, end of period	<u>\$ 3,159</u>	<u>\$ 3,248</u>

The fair value and any change in fair value of conversion feature liability are determined using a binominal 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 March 31, 2023 and December 31, 2022 was based upon following assumptions:

Convertible promissory notes	March 31, 2023	December 31, 2022
Stock price	\$ 0.33	\$ 0.26
Conversion price	\$ 0.37	\$ 0.37
Selected yield	29.35 %	27.50 %
Expected volatility	50 %	50 %
Time until maturity (in years)	0.92	1.16
Dividend yield	—	—
Risk-free rate	4.69 %	4.68 %

In June 2022, the Company entered into a Business Loan and Security Agreement and Addenda with a third-party lender pursuant to which the lender loaned the Company \$1.8 million, which we refer to as the "loan amount," of which we received net

proceeds of approximately \$1.7 million after deduction of the lender's origination fee but without deduction for other transaction expenses. In August 2022, the Company repaid in full the outstanding balance of the loan and recognized debt extinguishment loss of \$421,000.

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

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

In September 2022, Seah Lim, M.D., Ph.D., a Director of the Company, loaned the Company \$1.2 million, the proceeds of which were used to augment the Company's working capital. The principal amount of the loan and interest thereon at the rate of 6% per annum, together with 240,000 shares of the Company's common stock, is due and payable in lump sum on maturity in September 2025. In October 2022, Dr. Lim was appointed as a director of the Company. In accordance with ACS 835, the Company accounted the right to receive shares as the bifurcated embedded derivative and the embedded derivative is measured at fair value at the inception and subsequently measured at fair value with changes in fair value recognized in income statements. The fair value of the embedded derivatives was approximately \$73,000 and \$63,000 as of March 31, 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 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 on a semi-monthly until the Purchased Amount is delivered. The portion of proceeds were used to prepay indebtedness of the company under the Standard Merchant Cash Advance Agreements referred to above.

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

In February 2023, the Company entered into a promissory note agreement with a third party pursuant to which the lender loaned the Company \$500,000. The loan is due on demand after two months and on maturity on August 15, 2023. It bears interest at the rate of 6 % per month.

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

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

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 values of the warrant were \$85,000 and \$70,000 as of March 31, 2023 and December 31, 2022, respectively. The change in fair value was recorded in the condensed consolidated statements of operations. For three months ended March 31, 2023, the change in fair value of warrant liability was \$14,000.

Warrant issued for services - On January 12, 2023, the Company granted Dr. Niihara a five-year warrant to purchase up to 7,500,000 shares of common stock of the Company at an exercise price of \$4.50 in lieu of cash bonuses or salary increases. The fair value of the warrant was determined using the Black-Scholes Merton option pricing model. The fair value of the underlying shares was determined based on the market value of the Company's common stock. The expected volatility was adjusted using the historical volatility of the Company's common stock and comparable publicly traded securities. For the three months ended March 31, 2023, the Company recognized \$1.2 million of shared-based compensation.

On January 12, 2023, the Company granted to 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 issued a five-year warrant to purchase 500,000 shares of its 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 warrants vested in full upon the grant date. The fair value of the warrant was determined using the Black-Scholes Merton option pricing model. The fair value of the underlying shares were determined by the market value of the Company's stock. The expected volatility was adjusted using the historical volatility of the Company and a comparative public traded companies. The estimated fair value of \$334,000 was recorded as professional services in general and administrative expenses in the condensed consolidated statement of operations for the three month period ended March 31, 2023.

The following table presents the assumptions used to value the most recent warrants granted by the Company.

	January 2023
Stock price	\$0.31 - \$0.49
Exercise price	\$0.47 - \$4.50
Expected term	5 years
Risk-free rate	3.53%-3.66%
Dividend yield	—
Volatility	116.40% - 119.14%

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

	March 31, 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	(174,999)	14.04	(2,125,497)	14.38
Warrants outstanding, end of period	14,935,521	\$ 3.09	6,610,520	\$ 2.22
Warrants exercisable end of period	<u>14,935,521</u>	\$ 3.09	<u>6,610,520</u>	\$ 2.22

As of March 31, 2023, the weighted-average remaining contractual life of outstanding warrants was 3.5 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 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. Each stock option outstanding under the 2011 Stock Incentive Plan at the effective time of the Merger was automatically converted into a stock option exercisable for a number of shares of the Company's common stock and at an exercise price calculated based on the exchange ratio in the Merger. The 2011 Stock Incentive Plan expired in May 2021 and no further awards may be made under the Plan. As of December 31, 2022, 4,660,787 shares 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.

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 three months ended March 31, 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 December 31, 2022, no awards were outstanding under the 2021 Stock Incentive Plan.

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 stock. The expected volatility was adjusted using the historical volatility of the Company and a comparative public traded companies. 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 March 31, 2023 and December 31, 2022 is presented below.

	March 31, 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 or deemed 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	2,493,840	\$ 6.57	4,645,286	\$ 5.10
Options available for future grant	<u>2,750,000</u>		<u>4,000,000</u>	

During three months ended March 31, 2023 and March 31, 2022, the Company recognized approximately \$38,000 and \$5,000, respectively of share-based compensation expense related to stock options. As of March 31, 2023, there was approximately \$167,000 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 2.3 year.

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 change in fair value was recorded as additional paid-in capital and reflected in accumulated deficit.

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 months ended March 31, 2023 and 2022, the Company recorded a provision for state income tax of \$49,000 and an income tax benefit of \$103,000, 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 asset and there was no unrecognized tax benefit as of March 31, 2023 or March 31, 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 \$84,272 per month, which lease will expire on September 30, 2026. In addition, the Company leases 1,163 square feet of office space in Dubai, United Arab Emirates, which lease will expire on June 19, 2023.

The lease expense during the three months ended March 31, 2023 and 2022 was approximately \$280,000 and \$303,000, respectively.

Future minimum lease payments under the lease agreements were as follows as of March 31, 2023 (in thousands):

	Amount
2023 (nine months)	\$ 785
2024	1,063
2025	1,092
2026	836
Total lease payments	3,776
Less: Interest	692
Present value of lease liabilities	<u>\$ 3,084</u>

As of March 31, 2023, the Company had an operating lease right-of-use asset of \$2.6 million and lease liability of \$3.1 million reflected on the condensed consolidated balance sheet. The weighted average remaining term of the Company's leases as of March 31, 2023 was 3.5 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 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 three months ended March 31, 2023 (in thousands):

Class	Lender	Interest Rate	Date of Loan	Term of Loan	Principal Amount Outstanding at March 31, 2023	Highest Principal Outstanding	Amount of Principal Repaid	Amount of Interest Paid
Promissory note payable to related parties:								
	Willis Lee(2)	12%	10/29/2020	Due on Demand	100	100	—	—
	Soomi Niihara(1)	12%	12/7/2021	Due on Demand	700	700	—	—
	Hope International Hospice, Inc. (1)	10%	2/9/2022	Due on Demand	350	350	—	—
	Hope International Hospice, Inc. (1)	10%	2/15/2022	Due on Demand	210	210	—	—
	Soomi Niihara(1)	10%	2/15/2022	Due on Demand	100	100	—	—
	Hope International Hospice, Inc. (1)	12%	3/15/2022	Due on Demand	150	150	—	—
	Hope International Hospice, Inc. (1)	12%	3/30/2022	Due on Demand	150	150	—	—
	Wei Peu Derek Zen(2)	10%	3/31/2022	Due on Demand	200	200	—	—
	Willis Lee(2)	10%	4/14/2022	Due on Demand	45	45	—	—
	Hope International Hospice, Inc. (1)	10%	5/25/2022	Due on Demand	40	40	—	—
	Yutaka and Soomi Niihara(1)	12%	7/27/2022	5 years	402	402	—	8
	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	—	4
	Yutaka and Soomi Niihara(1)	10%	8/16/2022	5 years	1,669	1,669	—	28
	Hope International Hospice, Inc. (1)	10%	8/17/2022	Due on Demand	50	50	—	—
	Yutaka and Soomi Niihara(1)	10%	8/17/2022	Due on Demand	60	60	—	—
	Seah Lim(2)	6%	9/16/2022	3 years	1,200	1,200	—	—
	Hope International Hospice, Inc. (1)	10%	10/20/2022	Due on Demand	100	100	—	—
	Hope International Hospice, Inc. (1)	10%	3/17/2023	Due on Demand	100	100	—	—
	Yutaka and Soomi Niihara(1)	10%	3/21/2023	Due on Demand	127	127	—	—
				Subtotal	\$ 6,003	\$ 6,053	\$ 50	\$ 42
Convertible notes payable - related parties								
	Wei Peu Derek Zen(2)	10%	1/18/2023	2 years	1,000	1,000	—	—
				Subtotal	1,000	1,000	—	—
				Total	\$ 7,003	\$ 7,053	\$ 50	\$ 42

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

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

(1)Dr. Niihara, a Director and the Chairman, 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 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 8.1% of the common stock outstanding as of March 31, 2023. As of March 31, 2023, the Company held a Telcon convertible bond in the principal amount of approximately \$20.3 million as discussed in Note 5.

NOTE 13 — SUBSEQUENT EVENTS

See Note 11 for information relating to our revised API agreement with Telcon, which provides for target annual revenue of more than US\$5,000,000 and annual “profit” (*i.e.*, sales margin) to Telcon of US\$2,500,000. The Company’s obligations under the revised API supply agreement are secured by a pledge to Telcon of the Telcon convertible bond purchased by the Company in September 2020 and the proceeds thereof. In April 2023, the Company consented to Telcon’s offset as of April 24, 2023 of KRW2.9 billion, or approximately US\$2.2 million, against the principal amount of the Telcon Convertible Bond and release of KRW307 million, or approximately US\$236,000 in cash proceeds to Telcon in satisfaction the target shortfalls for the year ended 2022. To the extent the annual revenue and “profit” targets provided for in the API supply agreement are not met in 2023 or future years, Telcon may be entitled to payment of the shortfall or offsets against the Telcon convertible bond and other collateral securing the Company’s obligations.

After March 31, 2023, \$1,000,000 principal amount of the Company’s outstanding convertible promissory notes was converted into 2,702,702 shares of common stock.

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. 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, US Bioservices Corporation and UpScript IP Holdings, LLC.

As of March 31, 2023, our accumulated deficit was \$255.9 million and we had cash and cash equivalents of \$1.8 million. We expect net revenues 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 provide 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 three months ended March 31, 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 fee in connection with the utilization of product. These reserves are established in the same period that the related revenues are recognized, resulting in a reduction of revenues. Chargeback amounts are generally determined at the time of resale of product by our distributors.

Cost of Goods Sold

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

Research and Development Expenses

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

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

Future research and development expenses will depend on any new product candidates or technologies that we may introduce into our research and development pipeline. In addition, we cannot predict which product candidates may be subject to future

collaborations, when such arrangements will be secured, if at all, and to what degree, if any, such arrangements would affect our development plans and capital requirements.

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

General and Administrative Expense

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

Selling Expenses

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

COVID-19

In retrospect, we believe our business and net revenues were adversely affected in 2020 and 2021 by lockdowns, travel-related restrictions and other governmental responses to the pandemic related to the COVID 19 pandemic which inhibited the ability of our sales force to visit doctors’ offices and clinics and may have adversely affected the willingness of SCD patients to seek the care of a physician or to comply with physician-prescribed care. Ongoing COVID-19 infections or future official responses could cause a temporary or prolonged decline in our revenues and have a material adverse effect on our results of operations and financial condition. COVID-19 or governmental responses also may adversely affect the timing and conduct of clinical studies or the ability of regulatory bodies to consider or grant approvals with respect to Endari® or our prescription grade L-glutamine, or PGLG, drug candidates or oversee the development of our drug candidates, may further divert the attention and efforts of the medical community to coping with COVID-19 or variants and disrupt the marketplace in which we operate. For example, we experienced a temporary disruption in 2020 in patient enrollment in our Pilot/Phase I study of PGLG oral powder in diverticulosis. 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. We intend to consider changes to our business to adapt to the new post-pandemic environment, including an increased focus on our telehealth solution.

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 three months ended March 31, 2023 and 2022 were supplied by one supplier.

Results of Operations:

Three months ended March 31, 2023 and 2022

Net Revenues. Net revenues increased by \$3.5 million, or 109%, to \$6.7 million for the three months ended March 31, 2023, compared to \$3.2 million for the three months ended March 31, 2022. The increase was primarily attributable to a recovery in U.S. sales and a \$1.4 million increase in net revenues in the Middle East and Africa ("MENA") region in 2023 compared to the same period in 2022.

Cost of Goods Sold. Cost of goods sold decreased by \$0.6 million, or 57%, to \$0.4 million for the three months ended March 31, 2023, compared to \$1.0 million for the three months ended March 31, 2022. This decrease was primarily due to the establishment of an additional reserve relating to Endari® inventory with a shelf-life of less than two years for the three months ended March 31, 2022 compared to no additional reserve made to the same period in 2023.

Research and Development Expenses. Research and development expenses decreased by 0.2 million, or 38%, to \$0.3 million for the three months ended March 31, 2023, compared to \$0.5 million for the three months ended March 31, 2022. The decrease was primarily due to completion of the sub-study under our Pilot/Phase 1 study of PGLG in diverticulosis in 2022.

Selling Expenses. Selling expenses increased by \$0.9 million, or 59%, to \$2.3 million for the three months ended March 31, 2023, compared to \$1.5 million for the three months ended March 31, 2022. The increase was primarily due to increases in consulting fees.

General and Administrative Expenses. General and administrative expenses increased by \$1.5 million, or 45%, to \$4.9 million for the three months ended March 31, 2023, compared to \$3.4 million for the three months ended March 31, 2022. The increase was primarily due to a \$1.2 million increase in share-based compensation.

Other Income (Expense). Total other expense increased by \$3.7 million, or 263%, to \$2.3 million for the three months ended March 31, 2023, compared to \$1.4 million of other income for the three months ended March 31, 2022. The increase was primarily due to a decrease of \$3.0 million in change in fair value of embedded conversion option of convertible promissory notes, and an \$0.8 million increase in interest expense.

Net Loss. Net loss increased by \$2.0 million, or 129%, to a net loss of \$3.5 million for the three months ended March 31, 2023, compared to net loss of \$1.5 million for the three months ended March 31, 2022. The increase was primarily a result of an increase of \$3.7 million in other expense, partially offset by a decrease of \$1.9 million in loss from operations.

Liquidity and Capital Resources

Based on our losses to date, current liabilities and anticipated future net revenues and operating expenses, debt repayment obligations, anticipated continued funding of EJ Holdings and cash and cash equivalents balance of \$1.8 million as of March 31, 2023, we do not have sufficient operating capital for our business without raising additional capital. We realized a net loss of \$3.5 million for the three months ended March 31, 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. 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 75% of the face amount of the accounts receivable, subject to a \$7,500,000 cap on advances at any time. The balance of the face amount of the accounts receivable will be reserved by Prestige Capital and paid to Emmaus Medical, less discount fees of Prestige Capital ranging from 2.25% to 7.25% of the face amount, as and when Prestige Capital collects the entire face amount of the accounts receivable.

Liquidity represents our ability to pay our liabilities when they become due, fund our business operations, fund the operations and retrofitting of EJ Holdings' amino acid production plant in Ube, Japan, and meet our contractual obligations, including our obligations to purchase API under our supply arrangements with Telcon, and execute our business plan. Our primary sources of liquidity are our cash balances at the beginning of each period, net revenues, proceeds from our accounts receivable factoring arrangement with Prestige Capital and similar sales of future receipts to other parties, proceeds from related-party loans and other financing activities. Our short-term and long-term cash requirements consist primarily of working capital requirements, general corporate needs, our contractual obligations to purchase API from Telcon, debt service under our convertible notes payable and notes

payable and planned ongoing loan funding to sustain EJ Holdings' operations. We have no contractual commitment to provide funding to EJ Holdings, but plan to continue to do so in the foreseeable to the extent we have cash available for this purpose.

As of March 31, 2023, we had outstanding \$17.8 million principal amount of convertible promissory notes and \$14.4 million principal amount of other notes payable. Our minimum lease payment obligations were \$3.1 million, of which \$0.7 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. With our consent in February 2022 Telcon retained cash collateral and made offsets against the outstanding balance of our Telcon convertible bond for shortfalls under the API supply agreement for 2020 and 2021.

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 three months ended March 31, 2023 and March 31, 2022

Net cash used in operating activities

Net cash used in operating activities decreased by \$3.4 million, or 73%, to \$1.3 million for the three months ended March 31, 2023 from \$4.7 million for the three months ended March 31, 2022. This decrease was primarily due to a decrease of \$1.9 million in loss from operations resulting from a \$3.5 million increase in net revenues partially offset by a \$1.5 million increase in operating expenses.

Net cash provided by (used in) investing activities

Net cash used in investing activities decreased by \$2.3 million, or 189%, to \$1.1 million for the three months ended March 31, 2023 from \$1.2 million net cash provided by investing activities for the three months ended March 31, 2022. The decrease was primarily due to proceeds of \$2.9 million from the deemed sale in the first quarter of 2022 of a portion of the Telcon convertible bond, resulting from the offset of target shortfalls under our revised API Agreement with Telcon against our trade discount.

Net cash from financing activities

Net cash from financing activities increased by \$0.1 million, or 4%, to \$2.1 million for the three months ended March 31, 2023 from \$2.0 million for the three months ended March 31, 2022. This increase was the result of \$0.7 million proceeds received from issuance of promissory notes and convertible notes partially offset by \$0.5 million used to repay 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 have been no material changes in any of our critical accounting policies during the three months ended March 31, 2023.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not required for a smaller reporting company.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

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

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal quarter ended March 31, 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; and
- establishing a Disclosure Committee to ensure more effective internal communication regarding significant transactions and our financial reporting.

More recently, in 2022 we completed the implementation of 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, however, that these deficiencies 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.

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 \$3.5 million for the three months ended March 31, 2023 and had a working capital deficit of \$50.4 million at March 31, 2023. Management expects that the Company’s current liabilities and operating expenses, including the expected costs relating to the commercialization of Endari® in the Middle East North Africa region and elsewhere, will exceed our existing cash balances and cash expected to be generated from operations for the foreseeable future. To meet the Company’s current liabilities and operating expenses, the Company will need to restructure or refinance its existing indebtedness and raise additional funds through related-party loans, third-party loans, equity and debt financings or licensing or other strategic agreements. The Company has no understanding or arrangement to restructure or refinance its indebtedness or for any additional financing, and there can be no assurance that the Company will be able to restructure or refinance its existing indebtedness or complete any additional equity or debt financings on favorable terms, or at all, or enter into licensing or other strategic arrangements. If the Company is unable to do so, it may need to curtail business activities unrelated to the marketing and sale of Endari® or seek to restructure the Company in bankruptcy. Due to the uncertainty of the Company’s ability to meet its current liabilities and operating expenses, there is substantial doubt about the Company’s ability to continue as a going concern for 12 months from the date that this condensed consolidated financial statements are issued. The consolidated financial statements included in this Quarterly Report do not include any adjustments that might result from the outcome of these uncertainties.

Successful 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. 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® 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. Patients are unlikely to use Endari® unless reimbursement is adequate to cover a significant portion of the cost of Endari®. Future coverage and reimbursement will likely be subject to increased pressure in the U.S. Third-party coverage and reimbursement for Endari® may cease to be available or adequate in the U.S., which could have a material adverse effect on our business, results of operations, financial condition, and prospects.

In addition, the market for Endari® will depend significantly 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.

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

On January 12, 2023, the Board of Directors (the “Board”) of the Company granted to Yutaka Niihara, M.D., M.P.H., the Company’s Chairman of the Board and Chief Executive Officer, a five-year warrant to purchase up to 7,500,000 shares of common stock of the Company at an exercise price of \$4.50 a share, subject to adjustment in the event of a stock split, reverse stock split and similar events. The Board also granted to 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, subject to adjustment in the event of a stock split, reverse stock split and similar events. The warrants vested in full upon the grant date. The warrants were granted without registration under the Securities Act of 1933, as amended, in reliance on the exemptions from registration under Section 4(a)(2) of the Securities Act of 1933, as amended (the “Act”), and Rule 506(c) of Regulation D under the Act.

On January 18, 2023, one of our directors loaned us \$1 million in exchange for a convertible promissory note of the Company in the principal amount of \$1 million. 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 our common stock at a conversion price of \$0.50 a share, subject to adjustment in the event of a stock split, reverse stock split and similar events.

On January 27, 2023, the Company issued a five-year warrant to purchase 500,000 shares of its common stock at an exercise price of \$0.47 a share, subject to adjustment in the event of a stock split, reverse stock split and similar events, to a consulting firm in exchange for consulting services rendered to the Company.

The foregoing convertible promissory note and warrants were issued without registration under the Securities Act of 1933, as amended, in reliance on the exemption from registration under Section 4(a)(2) of the Securities Act of 1933, as amended (the "Act"), for transactions not involving a public offering.

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	Form	Incorporated by Reference			Filed/ Furnished
			File No.	Exhibit	Filing Date	
4.1	Form of Common Stock Purchase Warrants dated as of January 11, 2023	8-K	001-35527	4.1	March 7, 2023	
4.2	Convertible Promissory Note dated January 18, 2023	8-K	001-35527	4.2	March 7, 2023	
4.3	Common Stock Purchase Warrant dated January 27, 2023	8-K	001-35527	4.3	March 7, 2023	
4.4	Common Stock Purchase Warrant dated January 12, 2023					*
10.1	Promissory Note dated February 15, 2023					*
10.2	Promissory Note dated February 17, 2023					*
10.3	Promissory Note dated March 15, 2023					*
10.4	Promissory Note dated March 15, 2023					*
10.5	Promissory Note dated March 17, 2023					*
10.6	Promissory Note dated March 21, 2023					*
31.1	Certification of Chief Executive Officer pursuant to Item 601(b) (31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					*
31.2	Certification of Chief Financial Officer pursuant of Item 601(b) (31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					*
32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					**
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document					
101.SCH	Inline XBRL Taxonomy Extension Schema Document					
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)					

* Filed herewith.

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

EMMAUS LIFE SCIENCES, INC.

SIGNATURES

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

Emmaus Life Sciences, Inc.

Dated: May 12, 2023

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

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

THIS WARRANT AND THE SECURITIES ISSUABLE UPON THE EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED, HYPOTHECATED, OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT REGISTRATION IS NOT REQUIRED UNDER SUCH ACT OR UNLESS SOLD PURSUANT TO RULE 144 UNDER SUCH ACT.

Date of Issuance: Void after:

January 12, 2023 January 12, 2028

EMMAUS LIFE SCIENCES, INC.

**Warrant to Purchase Shares of
Common Stock**

IN CONSIDERATION OF SERVICES RENDERED AND TO BE RENDERED BY Yutaka Niihara, M.D., M.P.H. (“Holder”), Holder is entitled to purchase, subject to the provisions of this Warrant (“Warrant”), from Emmaus Life Sciences, Inc., a Delaware corporation (“Company”), up to 7,500,000 shares (the “Warrant Shares”) of the Company’s Common Stock, par value \$0.001 per share (“Common Stock”), at a price per share of \$4.50 (the “Exercise Price”) at any time and from time to time on or before January 12, 2028. The Exercise Price and the number of Warrant Shares purchasable upon exercise of this Warrant shall be subject to adjustment from time to time as described herein

1. Method of Exercise.

(a) Subject to compliance with the terms and conditions of this Warrant and applicable securities laws, this Warrant may be exercised, from time to time by the delivery (including, without limitation, delivery by facsimile) of the form of Notice of Exercise attached hereto as Exhibit A (the “Notice of Exercise”), duly executed by the Holder, at the principal office of the Company, and as soon as practicable after such date, surrendering:

(i) this Warrant at the principal office of the Company, and

(ii) payment, (i) in cash (by check) or by wire transfer, (ii) by cancellation by the Holder of indebtedness of the Company to the Holder; or (iii) by a combination of (i) and (ii), of an amount equal to the product obtained by multiplying the number of shares of Common Stock being purchased upon such exercise by the then effective Exercise Price (the “Exercise Amount”):

(b) Each exercise of this Warrant shall be deemed to have been effected immediately prior to the close of business on the day on which this Warrant is surrendered to the Company as provided above. The person or persons entitled to receive the Warrant Shares issuable

upon exercise of this Warrant shall be treated for all purposes as the holder of record of such Warrant Shares as of the close of business on the date the Holder is deemed to have exercised this Warrant.

(c)As soon as practicable after the exercise of this Warrant, the Company at its expense will cause to be issued in the name of, and delivered to, the Holder, or as such Holder (upon payment by such Holder of any applicable transfer taxes) may direct:

(i)a certificate or certificates for the number of Warrant Shares to which such Holder shall be entitled, and

(ii)in case such exercise is in part only, a new warrant or warrants (dated the date hereof) of like tenor, calling in the aggregate on the face or faces thereof for the number of shares of Common Stock equal to the number of such Warrant Shares described in this Warrant minus the number of such Warrant Shares purchased by the Holder upon all exercises made in accordance with this Section 2.

2.Representations and Warranties of the Company.

In connection with the transactions provided for herein, the Company hereby represents and warrants to the Holder that:

(a)**Organization, Good Standing, and Qualification.** The Company is a corporation duly organized, validly existing, and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to carry on its business as now conducted. The Company is duly qualified to transact business and is in good standing in each jurisdiction in which the failure to so qualify would have a material adverse effect on its business or properties.

(b)**Authorization.** Except as may be limited by applicable bankruptcy, insolvency, reorganization, or similar laws relating to or affecting the enforcement of creditors' rights, all corporate action has been taken on the part of the Company, its officers and directors necessary for the authorization, execution and delivery of this Warrant. The Company has taken all corporate action required to make all the obligations of the Company reflected in the provisions of this Warrant the valid and enforceable obligations they purport to be. The issuance of this Warrant will not be subject to preemptive rights of any stockholders of the Company. The Company has authorized sufficient shares of Common Stock to allow for the exercise of this Warrant.

3.Representations and Warranties of the Holder. In connection with the transactions provided for herein, the Holder hereby represents and warrants to the Company that:

(a)**Purchase Entirely for Own Account.** The Holder acknowledges that this Warrant is entered into by the Holder in reliance upon such Holder's representation to the Company that the Warrant and the Warrant Shares (collectively, the "Securities") will be acquired for investment for the Holder's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, and that the Holder has no present intention of selling, granting any participation in or otherwise distributing the same. By acknowledging this Warrant,

the Holder further represents that the Holder does not have any contract, undertaking, agreement, or arrangement with any person to sell, transfer or grant participations to such person or to any third person, with respect to the Securities.

(b)**Accredited Investor.** The Holder is an “accredited investor” within the meaning of Rule 501 of Regulation D, as presently in effect, as promulgated by the Securities and Exchange Commission (the “SEC”) under the Securities Act of 1933, as amended (the “Act”).

(c)**Restricted Securities.** The Holder understands that the Securities are characterized as “restricted securities” under the federal securities laws since they are being acquired from the Company in a transaction not involving a public offering and that under such laws and applicable regulations such securities may be resold without registration under the Act, only in certain limited circumstances. In this connection, Holder represents that it is familiar with Rule 144, as presently in effect, as promulgated by the SEC under the Act (“Rule 144”), and understands the resale limitations imposed thereby and by the Act.

(d)**Further Limitations on Disposition.** The Holder, by acceptance hereof, agrees that, absent an effective registration statement filed with the SEC under the Act covering the disposition or sale of this Warrant or the Warrant Shares issued or issuable upon exercise hereof, as the case may be, and registration or qualification under applicable state securities laws, such Holder will not sell, transfer, pledge, or hypothecate any or all of this Warrant or such Warrant Shares, as the case may be, unless either (i) the Company has received an opinion of counsel, in form and substance reasonably satisfactory to the Company, to the effect that such registration is not required in connection with such disposition or (ii) the sale of such Securities is made pursuant to SEC Rule 144.

(e)**Restrictive Legend.** It is understood that the Securities may bear the following or a similar legend:

“THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED, HYPOTHECATED, OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT REGISTRATION IS NOT REQUIRED UNDER SUCH ACT OR UNLESS SOLD PURSUANT TO RULE 144 UNDER SUCH ACT.”

4. Valid Issuance; Taxes. All Warrant Shares issued upon the exercise of this Warrant shall be validly issued, fully paid and nonassessable, and the Company shall pay all taxes and other governmental charges that may be imposed in respect of the issue or delivery thereof. The Company shall not be required to pay any tax or other charge imposed in connection with any transfer involved in the issuance of any certificate for Warrant Shares in any name other than that of the Holder of this Warrant, and in such case the Company shall not be required to issue or

deliver any stock certificate or security until such tax or other charge has been paid, or it has been established to the Company's reasonable satisfaction that no tax or other charge is due.

5.Adjustment of Exercise Price and Number and Kind of Warrant Shares. The number and kind of Warrant Shares purchasable upon exercise of this Warrant and the Exercise Price shall be subject to adjustment from time to time as follows:

(a)**Subdivisions, Combinations and Stock Dividend.** If the Company shall at any time after the issuance but prior to the expiration of this Warrant subdivide its Common Stock, by split-up or otherwise, or issue additional shares of its Common Stock as a dividend with respect to any shares of its Common Stock, the Exercise Price shall be proportionally decreased and the number of Warrant Shares issuable on the exercise of this Warrant shall be proportionately increased in the case of a subdivision or stock dividend. If the Company shall at any time after the issuance but prior to the expiration of this Warrant combine its Common Stock, by reverse stock split or otherwise, the Exercise Price shall be proportionally increased and the number of Warrant Shares issuable on the exercise of this Warrant shall be proportionately decreased. Any adjustment under this Section 5(a) shall become effective at the close of business on the date the subdivision or combination becomes effective, or as of the record date of such dividend, or if no record date is fixed, upon the making of such dividend.

(b)**Reclassification, Reorganization and Consolidation.** In case of any reclassification, capital reorganization or change in the capital stock of the Company (other than as a result of a subdivision, combination or stock dividend provided for in Section 5(a) above), then, as a condition of such reclassification, reorganization or change, lawful provision shall be made, and duly executed documents evidencing the same from the Company or its successor shall be delivered to the Holder, so that the Holder shall have the right at any time prior to the expiration of this Warrant to purchase, at a total price equal to that payable upon the exercise of this Warrant, the kind and amount of shares of stock and other securities or property receivable in connection with such reclassification, reorganization or change by a holder of the same number and type of securities as were purchasable as Warrant Shares by the Holder immediately prior to such reclassification, reorganization or change. In any such case appropriate provisions shall be made with respect to the rights and interest of the Holder so that the provisions hereof shall thereafter be applicable with respect to any shares of stock or other securities or property deliverable upon exercise hereof, and appropriate adjustments shall be made to the per-share Exercise Price payable hereunder, provided the aggregate Exercise Price shall remain the same.

(c)**Notice of Adjustment.** When any adjustment is required to be made in the number or kind of Warrant Shares purchasable upon exercise of the Warrant, or in the Exercise Price, the Company shall promptly notify the Holder of such event and of the new Exercise Price and number of Warrant Shares or other securities or property thereafter purchasable upon exercise of this Warrant.

6.Termination of Warrant.

(a) **General.** If the Holder's service to the Company shall terminate for any reason, including retirement, other than (i) Cause (as defined below), (ii) death or (iii) disability, this Warrant, to the extent that it is exercisable at the time of such termination, shall remain exercisable

for the 90 day period following such termination, but in no event shall the Holder be entitled to purchase any of the Warrant Shares after the expiration of this Warrant. This Warrant, to the extent it remains unexercised as of the end of such 90-day period shall thereupon terminate and be of no further force or effect.

(b) **Death or Disability.** In the event that the Holder's service to the Company shall terminate on account of the death or disability of the Holder, Holder (or the Holder's legal representatives, heirs or legatees) shall be entitled to purchase those number of Warrant Shares that the Holder was entitled to purchase upon exercise of this Warrant prior to such termination of the Holder's service, for the one year period following such termination, but in no event shall the Holder (or the Holder's legal representatives, heirs or legatees) be permitted to purchase any of the Warrant Shares after the expiration of this Warrant. This Warrant, to the extent it remains unexercised as of the end of such one-year period shall thereupon terminate and be of no further force or effect.

(c) **Cause.** If Holder is removed from service as a director of the Company by action of the Board of Directors or stockholders of the Company for Cause, this Warrant shall terminate at the commencement of business on the date of such removal. For purposes of this Warrant "Cause" shall mean (i) the Holder's willful and intentional repeated failure or refusal, continuing after notice that specifically identifies the breach(es) complained of, to perform substantially his material duties, responsibilities and obligations (other than a failure resulting from Holder's incapacity due to physical or mental illness or other reasons beyond the control of Holder), and which failure or refusal results in demonstrable direct and material injury to the Company; (ii) any willful and intentional act or failure to act involving fraud, misrepresentation, theft, embezzlement, dishonesty or moral turpitude (collectively, "Fraud"), that results in demonstrable direct and material injury to the Company; and (iii) conviction of (or a plea of nolo contendere to) an offense that is a felony in the jurisdiction involved or which is a misdemeanor in the jurisdiction involved but which involves Fraud. For purposes of determining whether Cause exists, no act, or failure to act, on the Holder's part shall be deemed "willful" or "intentional" unless done, or omitted to be done, by such Holder in bad faith, and without reasonable belief that his action or omission was in the best interests of the Company. If, subsequent to the Holder's voluntary termination or involuntary termination without Cause, it is discovered that the Holder's service to the Company could have been terminated for Cause, the Company may deem such Holder's service to the Company to have been terminated for Cause. The Holder's termination for Cause shall be effective as of the date of the occurrence of the event giving rise to Cause, regardless of when the determination of Cause is made.

7.No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant, but in lieu of such fractional shares the Company shall make a cash payment therefor based on the Exercise Price then in effect.

8.No Stockholder Rights. Prior to exercise of this Warrant, the Holder shall not be entitled to any rights of a stockholder with respect to the Warrant Shares, including (without limitation) the right to vote such Warrant Shares, receive dividends or other distributions thereon, exercise preemptive rights or be notified of stockholder meetings, and, except as otherwise

provided in this Warrant, such Holder shall not be entitled to any stockholder notice or other communication concerning the business or affairs of the Company.

9.No Right to Continued Service or Directorship. Nothing contained in this Warrant will confer upon the Holder any right to become or remain in the service of the Company or any subsidiary, nor limit or affect in any manner the right of the Company or any subsidiary to terminate the service of Holder.

10.Restrictions on Transfer. As provided herein, this Warrant may be transferred only pursuant to a registration statement filed under the Act, or an exemption from such registration. Subject to such restrictions, the Company shall transfer this Warrant from time to time upon the books to be maintained by the Company for that purpose, upon surrender hereof for transfer, properly endorsed or accompanied by appropriate instructions for transfer and such other documents as may be reasonably required by the Company, including, if required by the Company, an opinion of its counsel to the effect that such transfer is exempt from the registration requirements of the Act, to establish that such transfer is being made in accordance with the terms hereof, and a new Warrant shall be issued to the transferee and the surrendered Warrant shall be canceled by the Company.

11.Governing Law; Consent to Jurisdiction; Waiver of Jury Trial. This Warrant shall be governed by and construed under the laws of the State of California as applied to agreements among California residents, made and to be performed entirely within the State of California, except for provisions that apply to the regulation of the Company as a Delaware corporation, in which case Delaware General Corporation Law shall apply. The Company and, by accepting this Warrant, the Holder, each irrevocably submits to the exclusive jurisdiction of the courts of the State of California located in Los Angeles County and the United States District Court for the Central District of California for the purpose of any suit, action, proceeding or judgment relating to or arising out of this Warrant and the transactions contemplated hereby. Service of process in connection with any such suit, action or proceeding may be served on each party hereto anywhere in the world by the same methods as are specified for the giving of notices under this Warrant. The Company and, by accepting this Warrant, the Holder, each irrevocably consents to the jurisdiction of any such court in any such suit, action or proceeding and to the laying of venue in such court. The Company and, by accepting this Warrant, the Holder, each irrevocably waives any objection to the laying of venue of any such suit, action or proceeding brought in such courts and irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

12.Successors and Assigns. The terms and provisions of this Warrant shall inure to the benefit of, and be binding upon, the Company and the Holder and their respective successors and assigns.

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

14.Notices. Unless otherwise provided, any notice required or permitted under this Warrant shall be given in writing and shall be deemed effectively given as hereinafter described (a) if given by personal delivery, then such notice shall be deemed given upon such delivery, (b) if given by telex or facsimile, then such notice shall be deemed given upon receipt of confirmation

of complete transmittal, (c) if given by mail, then such notice shall be deemed given upon the earlier of (i) receipt of such notice by the recipient or (ii) three days after such notice is deposited in first class mail, postage prepaid, and (d) if given by an internationally recognized overnight air courier, then such notice shall be deemed given one business day after delivery to such carrier. All notices shall be addressed as follows: if to the Holder, at its address as set forth in the Company's books and records and, if to the Company, at the address as follows, or at such other address as the Holder or the Company may designate by ten days' advance written notice to the other:

If to the Company:

Emmaus Life Sciences, Inc.
21250 Hawthorne Blvd, Suite 800
Torrance, CA 90503
Attn: Chief Financial Officer
Fax: (310) 214-0075

15.Expenses. If any action at law or in equity is necessary to enforce or interpret the terms of this Warrant, the prevailing party shall be entitled to reasonable attorneys' fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

16.Entire Agreement; Amendments and Waivers. This Warrant constitutes the full and entire understanding and agreement between the parties regarding the subject matter hereof. Nonetheless, any term of this Warrant may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), with the written consent of the Company and the Holder; or if this Warrant has been assigned in part, by the holders or rights to purchase a majority of the shares originally issuable pursuant to this Warrant.

17.Severability. If any provision of this Warrant is held to be unenforceable under applicable law, such provision shall be excluded from this Warrant and the balance of the Warrant shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

IN WITNESS WHEREOF, the parties have executed this Warrant as of the date above written.

EMMAUS LIFE SCIENCES, INC.

By: _
Name: Yasushi Nagasaki
Title: Chief Financial Officer

EXHIBIT A

Notice of Exercise

EMMAUS LIFE SCIENCES, INC.

Attention: Chief Financial Officer

The undersigned hereby elects to purchase, pursuant to the provisions of the Warrant, as follows:

_ shares of Common Stock pursuant to the terms of the attached Warrant at \$_____ per share (the applicable Exercise Price as of the date of this Notice of Exercise) , and tenders herewith payment in cash of the Exercise Price of such Warrant Shares in full, together with all applicable transfer taxes, if any.

The undersigned hereby represents and warrants that Representations and Warranties in Section 3 of the Warrant are true and correct as of the date hereof.

HOLDER:

Date: By: _

Name: _

Address: _

-

-

Name in which shares should be registered:

-

THIS PROMISSORY NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY.

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.

EMMAUS LIFE SCIENCES, INC.
Promissory Note

Principal Amount: \$500,000 Loan Date: February __, 2023

Currency: U.S. Dollars Term: Two Months

Fee Including Interest: 5 % per Month Loan Due Date: On Demand after Maturity

Fee Payment Period: Fee is accrued on a daily basis and paid on the Loan Due Date

Lender: The Shitabata Family Trust

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

1. Terms of Repayment (Balloon Payment): From the Loan Date and continuing thereafter upon Lender's demand after two (2) months from the Loan Date until date six (6) months from the Loan Date, the fee shall accrue at the rate of five percent (5%) per month of the Principal Amount. The entire unpaid Principal Amount and accrued and unpaid fees shall become immediately due and payable upon Lender's demand after two months of the Loan Date or the six months of the Loan Date.

2. Prepayment: This Note may not be prepaid during the six-month period following the Loan Date; thereafter, this Note may be prepaid without premium or penalty.

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

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

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

6. Complete Note: This Note is the complete and exclusive statement of agreement of the Borrower and Lender with respect to matters in this Note. This Note replaces and supersedes all prior written or oral agreements or statements by and among the Borrower and Lender with respect to the matters covered by it. No representation, statement, condition or warranty not contained in this Note is binding on either the Borrower or Lender. Each Holder of this Note, by its acceptance hereof, agrees to be bound by, and shall be entitled to the benefits of, the terms set forth herein.

7. Transfer of the Note:

(a) Subject to Section 7(b) hereof, this Note may be transferred with the Borrower's approval, in whole or in part, at any time or from time to time, by the Lender. The Borrower hereby agrees to remain bound by the terms of this Note subsequent to any such transfer, and agrees that the terms of this Note may be fully enforced by any subsequent holder of this Note. If this Note is to be transferred, the Lender shall surrender this Note to the Borrower, together with such additional documentation as the Borrower may reasonably request, whereupon the Borrower will forthwith issue and deliver upon the order of the Lender a new Note registered as the Lender may request, representing the outstanding Principal Amount being transferred by the Lender and, if less than the entire outstanding Principal Amount is being transferred, a new Note to the Lender representing the outstanding Principal Amount not being transferred in terms which are similar to this Note for the Principal Amount and the loan duration. The person in whose name this Note or any new Note issued in replacement hereof shall be registered shall be deemed and treated as the owner and holder thereof, and the Borrower shall not be affected by any notice or knowledge to the contrary except as provided in this Section 9(a). This Note may not be transferred by the Borrower, by operation of law or otherwise, without the prior written consent of the Lender.

(b) Lender acknowledges and agrees that this Note has been acquired for investment and has not been registered under the securities laws of the United States of America or any state thereof. Accordingly, notwithstanding Section 7(a), neither this Note nor any interest thereon may be offered for sale, sold or transferred in the absence of registration under applicable federal and state securities laws or an opinion of counsel of the Holder reasonably satisfactory to the Borrower that such registration is not required.

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

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

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

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

12. Additional Guarantor: Lender understands and acknowledges that Emmaus Life Sciences, Inc. is the borrower of this Note. However, for added security to lender, this note is guaranteed by Yutaka Niihara, M.D., CEO and Chairman.

Signed Under Penalty of Perjury, this _____ day of _____, _____

Emmaus Life Sciences, Inc.

By:

Acknowledged and accepted by Lender

By:

ATTACHMENT 1

Lender's Name:

Lender's Address:

EMMAUS MEDICAL JAPAN
Promissory Note

Principal Amount: JPY124,058,736 Loan Date: 02/17/2023
Currency: Japanese Yen Term: 2 Years
Interest Rate: 11.0% Loan Due Date: Due on demand
Interest Payment Period: Interest is payable annually
Lender: Shigeru Matsuda

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

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

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

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

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

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

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

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

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

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

Signed Under Penalty of Perjury, this 17th day of February, 2023

Emmaus Medical, Japan

By: Yutaka Niihara, MD, Board of Director

By: Lender

ATTACHMENT 1

Lender's Name: Shigeru Matsuda

Lender's Address:



Congratulations, On Your Preliminary Offer!

Dear EMMAUS MEDICAL, INC.,

This preliminary offer is based on a preliminary review and is not guaranty or commitment that FUNDKITE will consummate a transaction. Complete contracts and documentation described herein must be provided for underwriting review before FUNDKITE will enter into a transaction. Any misrepresentation in the application submitted to FUNDKITE or adverse change may void this preliminary offer. This preliminary offer is subject to change or cancellation if requested transaction no longer meets applicable requirements.

Please take your time to go over the below details and complete your documents.

Amount Paid to You (Purchase Price): \$507,400.00

Service Fees: \$15,407.00 Disbursement

Amount: \$491,993.00 Purchased Amount:

\$700,212.00 Remittance Percentage: 4%

Initial Estimated Delivery Amount (Weekly): \$21,881.63

EMMAUS MEDICAL, INC. (hereinafter “you” “your” and “yours”) You understand that by signing this notice, you are providing “written instructions” under the Fair Credit Reporting Act to AKF Inc. dba FundKite (“FUNDKITE”), thereby authorizing FUNDKITE to obtain information from your personal consumer credit report and business credit profile and/or other information from TransUnion, Experian, Equifax, Thompson Reuters Clear and/or LexisNexis. You hereby authorize FUNDKITE to obtain such information to confirm your identity to avoid fraudulent transactions in your name, determine prequalification for a commercial transaction or any other lawful purpose covered under the Fair Credit Reporting Act.

Principal Owner:

Print Name: YUTAKA NIIHARA

Signature:

REVENUE PURCHASE AGREEMENT

PURCHASE AND SALE OF FUTURE RECEIPTS (the "Agreement")

Dated MARCH 14, 2023, Between AKF Inc, DBA FundKite, located at 88 Pine Street, th Floor, New York NY 10005 hereafter known as ("BUYER"), the ("SELLER") listed below and each guarantor identified below (each a "Guarantor")

("THE SELLER") MERCHANT INFORMATION

Seller's Legal Name: EMMAUS MEDICAL, INC. DBA:

Physical Address: 21250 HAWTHORNE BLVD., SUITE 800, TORRANCE, CA 90503

Mailing Address: 21250 HAWTHORNE BLVD., SUITE 800, TORRANCE, CA 90503

Primary Telephone: 1-310-214-0065 Business Website: <https://www.emmausmedical.com/>

Type of entity: Corporation State of Incorporation: DE

Tax Id Number: Date Business Started: 11/19/2003

Name of Primary Authorized Signer: YUTAKA NIIHARA Position or Title: CEO

Email for Owner:

Price: \$507,400.00

(The agreed upon Purchase Price for the Receipts sold by SELLER to BUYER)

Service Fees: \$15,407.00

(See Appendix A for breakdown of fees)

Disbursement Amount: \$491,993.00

(The dollar amount BUYER will pay to SELLER after deducting Service Fees)

Purchased Amount: \$700,212.00

(The dollar value of the Receipts being sold and delivered to BUYER from SELLER)

Remittance Percentage: 4%

(The percentage of Receipts SELLER agrees to remit to BUYER each week.

Initial Estimated Delivery Amount (Weekly): \$21,881.63

(The dollar amount to be debited each week. from the SELLER's bank account as described below, subject to reconciliation)

Reconciliation Frequency: Monthly

*Reconciliation may result in an adjustment to the Initial Estimated Delivery Amount

Designated Bank Account (the "Designated Account")

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

Upon the terms and subject to the conditions set forth in this Agreement, DBA hereby sells, assigns and transfers to AKF Inc. DBA Fundkite ("FUNDKITE" and "BUYER") in consideration for the funds provided (the "PURCHASE PRICE"), all of Seller's future sales, accounts, contract rights and other obligations and entitlements arising from or relating to the payment of monies from Seller's customers and/or third-party payers and the proceeds thereof including, but not limited to all payments made by cash, check, electronic transfer or other form of monetary payment in the course of the Seller's business (the "Receipts"), in the amount specified above (the "Purchased Amount") to be delivered by the percentage of Receipts specified above (the "Remittance Percentage") until the Purchased Amount has been delivered by SELLER to BUYER. (SELLER and BUYER shall collectively be referred hereinafter to as the "PARTIES").

SELLER shall deliver the Remittance Percentage of Receipts to BUYER, until such time as BUYER receives full delivery of the Purchased Amount and any outstanding fees in accordance with Appendix A hereto. SELLER hereby authorizes BUYER to ACH Debit the initial estimated and adjusted delivery amounts from the Designated Account stated above (each a "Delivery Date") and will provide BUYER with access codes and monthly bank statements thereto. SELLER will be held responsible for any fees incurred by BUYER resulting from a rejected ACH attempt or an Event of Default, all such fees are outlined in Appendix A. BUYER is not responsible for any overdrafts or rejected transactions that may result from BUYER ACH debiting the specified remittances under the terms of this Agreement.

SELLER has elected to have BUYER debit the Initial Estimated Delivery Amount Weekly, therefore SELLER shall deliver Receipts once each week on a weekly basis. The Initial Estimated Delivery Amount is intended to represent the Remittance Percentage of SELLER's actual Receipts prior to the date of this Agreement.

A list of all fees applicable under this Agreement is outlined in Appendix A. SELLER agrees to pay all fees as described therein.

I. TERMS OF ENROLLMENT IN PROGRAM

1.1 SELLER Deposit Account. SELLER shall deposit all Receipts into the Designated Account with a bank acceptable to BUYER. SELLER shall provide BUYER and/or its authorized agent with all of the information, authorization, and passwords reasonable and necessary for verifying SELLER's receivables, Receipts, and deposits into the Designated Account. SELLER authorizes BUYER and/or its agent to withdraw the Remittance Percentage or Initial Estimated/Adjusted Delivery Amount from the Designated Account. The authorization shall be irrevocable without the written consent of the BUYER. For the duration of this Agreement, SELLER shall have the use and enjoyment of Receipts above the Remittance Percentage to be delivered to BUYER. Additionally, the Remittance Percentage of Receipts are to be held in trust in the Designated Account for the benefit of BUYER and SELLER shall have no legal or equitable interest in said Receipts. Upon an Event of Default, the Remittance Percentage shall equal 100% of all Receipts.

1.2 Non-Recourse Sale of Future Receipts (THIS IS NOT A LOAN). SELLER is selling a portion of Receipts 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. BUYER is taking the risk that Receipts may be remitted more slowly than BUYER may have anticipated or projected because SELLER's business has slowed down, or the full Purchased Amount may never be remitted because SELLER's business filed a Chapter 7 liquidation or otherwise ceased operations in the ordinary course of business. BUYER is buying the Purchased Amount of Receipts knowing the risks that SELLER's business, despite SELLER's reasonable efforts, 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 Receipts and SELLER retains no legal or equitable interest therein. SELLER will treat the Purchase Price and Purchased Amount in a manner consistent with a sale in its accounting records and tax returns. 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 purchase and sale of future Receipts.

1.3 Reconciliation. For the convenience of the parties, the initial amount to be withdrawn from the Designated Account on each Delivery Date will be equal to the Initial Estimated Delivery Amount. Buyer has calculated the Initial Estimated Delivery Amount based on Seller's actual Receipts prior to the date of this Agreement, determined by Buyer based on a review of Banking Records provided by Seller. "Banking Records" may include bank statements, accounts receivables reports, credit card receipts, and view-only access to business bank accounts.

Buyer will review Seller's Banking Records for each Review Period that occurs during the course of this Agreement so long as such records are provided to Buyer. Buyer will request that Seller's Banking Records be provided each month. If Seller fails or refuses to provide Banking Records in response to Buyer's request, Buyer shall not be obligated to conduct such a review. For this purpose, the "Review Period" is one month, beginning on the first of the month and ending on the last day of the month. Buyer will calculate Seller's actual Receipts based solely upon a review of the Banking Records made available to Buyer for the applicable Review Period. Absent manifest error, Buyer's calculation of Seller's actual Receipts for any Review Period shall be conclusive. Buyer's calculation of Seller's actual Receipts will take place on or around the 12th calendar day following the end of the Review Period (the "Calculation Date").

The parties agree to adjust the Initial Estimated Delivery Amount so that subsequent withdrawals from the Designated Account are equal to the Remittance Percentage of the actual Receipts collected by Seller during a prior Review Period, as determined by Buyer on the Calculation Date. Each such adjustment is referred to herein as an "Adjusted Delivery Amount."

On each Delivery Date following a Calculation Date, the amount withdrawn from the Designated Account shall be equal to the Adjusted Delivery Amount. If on any Calculation Date, the Buyer is unable to determine Seller's actual Receipts for the applicable Review Period, the parties agree that the Adjusted Delivery Amount shall be based on the actual Receipts from the most recent Review Period for which Buyer was able to determine Seller's actual Receipts.

Seller hereby agrees to provide Buyer with such Banking Records as Buyer may reasonably require to calculate Seller's actual Receipts, including authorization to have "view-only" access to all business bank accounts to accommodate the reconciliations. Seller shall maintain this view-only access at all times and shall provide Buyer with any updated password, login, and account information Buyer may require for this purpose.

1.4 Processing Trial and BUYER'S Acceptance of Agreement. Prior to paying the Disbursement Amount to SELLER, BUYER shall have the right to instruct the credit/debit card processor used by SELLER for conducting its business to conduct a processing trial (a "Processing Trial") to determine whether settlement amounts of Receipts will be processed, reported and paid as contemplated under this Agreement. SELLER agrees that BUYER will make its final decision, in its sole and absolute discretion and with or without regard for the results of the Processing Trial, whether to purchase the Purchased Amount of Receipts after completing the Processing Trial or opting not to conduct a Processing Trial, and any underwriting conducted by BUYER. If BUYER elects to purchase the Purchased Amount of Receipts, BUYER will pay the Disbursement Amount to SELLER, and SELLER's obligations hereunder to deliver the Purchased Amount shall commence immediately. The obligation of BUYER under this Agreement will not be effective unless and until BUYER has completed its review of the SELLER and has accepted this Agreement by delivering the Disbursement Amount.

1.5 Financial Condition. SELLER authorizes BUYER and its agents to investigate their financial responsibility and history, and will provide to BUYER any financial or bank statements, tax returns, credit card statements and accounts receivable reports, and view-only access to any business bank account maintained by SELLER, 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 is authorized to require Seller to provide updated information and financial profiles from time to time as it deems appropriate.

1.6 Transactional History. SELLER authorizes BUYER to obtain SELLER's banking or processing transactions and activity to verify information provided by Seller in connection with the performance of this program.

1.7 Indemnification. SELLER indemnifies and hold harmless BUYER, Processor, any and each of SELLER's, and any Account Debtors, their officers, directors, attorneys, assigns, agents and shareholders against all losses, damages, claims, liabilities and expenses (including reasonable attorney's fees) incurred, resulting from (a) all claims asserted by BUYER and its agents for amounts owed to BUYER from SELLER and (b) actions taken by Processor, SELLER's Banks and Account Debtors in reliance upon any information or instructions provided by BUYER and (c) litigation with SELLER and Guarantor(s). SELLER agrees to indemnify and hold harmless BUYER its officers, directors, attorneys, assigns, agents and shareholders against all losses, damages, claims, liabilities, and expenses (including reasonable attorney's fees) that they may have of any kind arising out of or related to the Agreement and enforcement of BUYER's remedies thereunder.

1.8 No Liability. In no event will BUYER and its agents, attorneys, assigns or affiliates be liable for any claims asserted by SELLER or Guarantor(s) under any legal theory for lost profits, lost revenue, lost business opportunities, exemplary, punitive, special, incidental, indirect or consequential damages, each of which is knowingly and voluntarily waived by SELLER or Guarantor(s). In the event these claims are nonetheless raised, SELLER and Guarantor(s) will be jointly liable for all of BUYER's attorney's fees and expenses resulting therefrom.

1.9 Reliance on Terms. Notwithstanding the fact that Processor, SELLER's bank, Guarantor(s)'s bank and Account Debtors, and their affiliates, are not parties to this Agreement, Sections 1.1, 1.2, 1.3, 1.4, 1.5, 1.6, 1.7, 1.8, 1.9, 1.10, 1.13, 1.14, 2.3, 2.5, 2.6, and 2.7 of this Agreement are also for the benefit of BUYER, SELLER's bank and Guarantor(s)'s bank, Account Debtors and Processor, and each of their respective officers, directors, attorneys, assigns, agents and shareholders, and these parties may rely upon these terms and raise them as a defense in any action.

1.10 Disclosure of Information. SELLER, Guarantor(s) and each person signing this Agreement on behalf of SELLER and/or as Owner or Guarantor(s), in respect of himself or herself personally authorizes BUYER to disclose information concerning SELLER, Guarantor(s)'s and each Owner's credit standing (including credit bureau reports that BUYER obtains) and business conduct to agents, affiliate subsidiaries, and credit reporting bureaus. SELLER and each Owner and Guarantor(s) hereby waive to the maximum extent permitted by law any claim for damages against BUYER or any of its affiliates relating to any (i) investigation undertaken by or on behalf of BUYER as permitted by this Agreement or (ii) disclosure of information as permitted by this Agreement.

1.11 Publicity. SELLER and each Owner authorize BUYER to use its, his or her name in a listing of clients and in advertising and marketing materials.

1.12 D/B/A's. SELLER, Guarantor(s), and each Owner acknowledges that BUYER may be using "doing business as" or "d/b/a" names or authorized agents in connection with various matters relating to the transaction between BUYER and SELLER, including the filing of UCC-1 financing statements and other notices or filing.

1.13 Bank Holidays and Other Bank Closures. BUYER will debit the Initial Estimated/Adjusted Delivery Amount only on each weekday on which SELLER's bank is open and able to process ACH transactions.

1.14 ACH Authorization. If an ACH transaction is rejected by SELLER's financial institution for any reason other than a stop payment order placed by SELLER with its financial institution, including without limitation insufficient funds, SELLER agrees that BUYER may resubmit up to two times any ACH transaction that is dishonored. SELLER's bank may charge SELLER fees for unsuccessful ACH entries. SELLER agrees that BUYER has no liability to SELLER for such fees. In the event BUYER makes an error in processing any payment or credit, SELLER authorizes BUYER to initiate ACH entries to or from the Designated Account or bank account to correct the error. SELLER acknowledges that the origination of ACH entries to and from the Designated Account or 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 transaction initiated pursuant to this Authorization, provided the transaction corresponds to the terms of this Authorization. SELLER requests the financial institution that holds the Designated Account and bank account to honor all

ACH entries initiated in accordance with this Authorization.

II. REPRESENTATIONS, WARRANTIES, AND COVENANTS

SELLER represents warrants and covenants that as of this date and, unless expressly stated otherwise, during the course of this Agreement:

2.1Accounts Receivables and Financial Information. SELLER's accounts receivables and payable reports, bank and financial statements, copies of which have been furnished to BUYER, and future statements which will be furnished hereafter at the discretion of BUYER, fairly represent the performance and financial condition of SELLER at the dates the statements are provided. All performance and financial information provided to BUYER by SELLER and any Guarantor(s) is truthful, complete and accurate as of the date of this Agreement. BUYER may request Banking Records at any time during the performance of this Agreement and the SELLER shall provide them to BUYER within 5 business days. SELLER's failure to do so is a material breach of this Agreement.

2.2Government Approvals. SELLER is in compliance and shall comply 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.

2.3Authorization. SELLER, and the persons(s) signing this Agreement on behalf of SELLER and Guarantor(s), have full power and authority to incur and perform the obligations under this Agreement, all of which have been duly authorized.

2.4Maintenance of Designated Account. SELLER will not voluntarily change, alter, close or divert Receipts from SELLER's Designated Account, or take any other voluntarily action that has any adverse effect upon Seller's obligations under this Agreement without BUYER's prior written consent. Any such change, interruption or diversion of Receipts shall be a material breach of this Agreement.

2.5Electronic Check Processing Agreement. SELLER will not change its payment processor and terminals, or change its financial institution or bank account(s).

2.6Change of Name, Location or Type of Business. SELLER will not conduct SELLER's business, or any similar business, under any name other than as disclosed to the Processor and BUYER or change the type of business it operates or any of its places of business without prior written consent from BUYER. Such change made without the prior written consent of BUYER shall be a material breach of this Agreement.

2.7Daily Batch Out. SELLER will batch out receipts with the Processor on a daily basis and shall deposit all proceeds of batches to the Designated Account on a daily basis.

2.8Estoppel 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, firm or corporation specified to BUYER a statement certifying that this Agreement is unmodified and in full force and effect (or, if there have been modifications, the same is in full force and effect as modified and stating the modifications) and stating the dates on which the Purchased Amount or any portion thereof has been delivered.

2.9No Bankruptcy or Assignment. As of the date of this Agreement, SELLER does not contemplate and has not filed any petition for bankruptcy protection or assignment for the benefit of creditors, and there has been no involuntary petition or receivership brought or pending against SELLER. SELLER further warrants that as of the date of this Agreement, Seller does not anticipate filing any such bankruptcy petition and has no knowledge of or reason to believe any creditor has any cause to file an involuntary petition or receivership as against SELLER.

2.10Working Capital Funding. At any time either contemporaneous with or after the execution of this Agreement, SELLER shall not, unless permitted in writing by BUYER, enter into any arrangement, agreement, or a loan that relates

to or encumbers Seller's Receipts or future revenue with any party other than BUYER.

2.11 Unencumbered Receipts. SELLER warrants that, unless otherwise disclosed in writing to BUYER prior to the date of this Agreement, it has good, complete and marketable title to all of its Receipts free and clear of any and all liabilities, liens, claims, changes, restriction, conditions, options, rights, mortgages, security, interests, equities, pledges and encumbrances of any kind or nature whatsoever or any other rights or interests that may be inconsistent with the transactions contemplated with, or adverse to the interests of BUYER.

2.12 Business Purposes. SELLER is a valid business in good standing under the laws of the jurisdictions in which it is organized and/or operates, and SELLER is entering into this Agreement for business purposes and not for consumer, personal, family or household purposes.

2.13 Defaults Under Other Contracts. SELLER's execution of and/or performance under this Agreement will not cause or create an event of default by SELLER under any contract with another person or entity.

2.14 Bank Account. SELLER represents and warrants that (i) any bank account disclosed by SELLER (including but not limited to the Designated Account) to BUYER is SELLER's bank account; (ii) the person executing this Authorization on behalf of SELLER is an authorized signer on the bank account and has the power and authority to authorize BUYER to initiate ACH transactions to and from the bank account; and (iii) the bank account is a legitimate, open, and active bank account used solely for business purposes and not for personal, family or household purposes.

III. EVENTS OF DEFAULT AND REMEDIES

3.1 Events of Default. If Seller violates any term or covenant in this Agreement, it shall constitute an "Event of Default" hereunder, including but not limited to the following:

- a) Any representation or warranty by SELLER in this Agreement proves to have been incorrect, false or misleading in any material respect when made;
- b) SELLER refuses to deliver the Remittance Percentage of its Receipts as required by this Agreement;
- c) SELLER refuses to provide reasonable and necessary access to SELLER's Banking Records;
- d) SELLER voluntarily transfers, assigns or sells its Receipts, without prior written consent of BUYER
- e) SELLER voluntarily transfers, assigns or sells all or substantially all of SELLER's assets, without prior written consent of BUYER;
- f) SELLER voluntarily transfers, assigns or sells, all or any portion of, its shares or membership interests in the business without the prior written consent of BUYER.
- g) SELLER fails to continue operations in the ordinary course of business with the intent to avoid delivering the Receipts to BUYER;
- h) SELLER uses multiple depository accounts without prior written consent of BUYER;
- i) SELLER changes its Designated Account or payment card processor without prior written consent of BUYER;
- j) BUYER is unable, at any time, to successfully debit the Designated Account due to any "block" placed on BUYER's debits by or at the behest of SELLER;
- k) SELLER voluntarily interrupts or diverts Receipts from SELLER's Designated Account with the intent to avoid delivering Receipts to BUYER;

3.2 Remedies. If any Event of Default occurs and is not waived pursuant to Section 4.4 hereof, the Remittance Percentages shall equal 100% and the full uncollected Purchased Amount of all Receipts plus all fees and charges (including reasonable attorney's fees, costs and default fees) due under this Agreement will become due and payable in full. BUYER may proceed to protect and enforce its rights or remedies by suit in equity or by action at law or both, whether for the specific performance of any event, agreement or other provision contained herein, or to enforce the discharge of SELLER's obligations or any other legal or equitable right or remedy. Subject to Arbitration, as provided in Section 4.14 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.

3.3Costs. SELLER and Guarantor(s) shall pay to BUYER all reasonable costs associated with (a) any Event of Default, and (b) the enforcement of BUYER's remedies, including but not limited to court costs and attorneys' fees.

3.4Required Notifications. SELLER is required to give BUYER three (3) days prior written notice of intent to change the Designated Account with updated account information attached to the notice. SELLER is required to give BUYER ten (10) days' written notice of the intent to sell, assign or transfer all or substantially all of the SELLER's assets or stock and shall provide BUYER in writing the name, address, phone number, email address and facsimile number of the proposed assignee, transferee or buyer's legal representative or owner.

3.5Security Interest. The parties agree and understand this purchase and sale transaction is governed by Article 9 of the Uniform Commercial Code (the "UCC") and BUYER has a security interest in the Receipts purchased. Pursuant to UCC Article 9, BUYER has a security interest in all (a) SELLER's present and future Accounts, and General Intangibles, as such terms are defined in the UCC, now owned or hereafter owned or acquired by SELLER; and (b) all proceeds, as that term is defined in Article 9 of the UCC (a and b collectively, the "Collateral"). The security interests created by this transaction and evidenced by this Agreement shall secure all of the BUYER's entitlements under this or any other agreement now existing or later entered into between SELLER and BUYER or an affiliate of BUYER. SELLER authorizes BUYER to file one or more UCC-1 forms consistent with the UCC in order to give notice that the Purchased Amount of Future Receipts is the sole property of BUYER. BUYER may notify Account Debtors and/or other persons obligated on the Receipts or Accounts, of SELLER's sale of the Receipts and may instruct them to make payment or otherwise render performance to or for the benefit of BUYER. SELLER authorizes BUYER to debit the Designated Account and all other business bank accounts of SELLER for all costs incurred by BUYER associated with the filing, amendment or termination of any UCC filings.

3.6Negative Pledge. SELLER agrees not to create, incur, or assume, directly or indirectly, any lien on or with respect to any of the Collateral (as defined in section 3.5 above), as applicable.

IV. MISCELLANEOUS.

4.1Modifications. 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 BUYER.

4.2Assignment. BUYER may assign, transfer or sell its right to receive the Purchased Amount or delegate its duties hereunder, either in whole or in part. The parties have entered into this Agreement in the State of New York and the Parties further agree that BUYER is the absolute owner of Receipts in consideration of the funds provided. Fundkite may act as the lead purchaser for itself and other co-investors making FUNDKITE on behalf of itself and all co-investors collectively "FUNDKITE" and "BUYER".

4.3Notices. All notices as required by Section 3.4 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 only upon receipt. All other notices, requests, consent, demands, and other communications may be made in writing sent by regular mail and/or electronic mail to SELLER and to BUYER.

4.4Waiver of 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 other right under this Agreement preclude any other or further exercise thereof or the exercise of any other right. Subject to Arbitration, as provided in section 4.14 of this Agreement, the remedies provided hereunder are cumulative and not exclusive to any remedies provided by law or equity.

4.5Phone Recordings and Contact. SELLER and each Guarantor(s) agree that any call between them and BUYER and its owners, managers, employees and agents may be recorded and/or monitored. Furthermore, SELLER and Guarantor(s) acknowledge and agree that: (i) they have an established business relationship with BUYER, its managers, employees and agents (collectively, the "BUYER Parties") and that SELLER and Guarantor(s) 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) they 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 and Guarantor(s)'s office, or its owners, managers, officers, or employees.

4.6Binding Effect: This Agreement shall be binding upon and inure to the benefit of SELLER, BUYER, and their respective successors and assigns, except that SELLER shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of BUYER which consent may be withheld in BUYER's sole discretion. BUYER reserves the right to assign this Agreement with or without prior written notice to SELLER.

4.7Governing Law, Venue, and Jurisdiction. Except as set forth in the Arbitration section, this Agreement shall be governed by or constructed in accordance with the laws of the state of New York, without regard to any applicable principles of conflicts of law. Any suit, action, or proceeding arising out of any disputes between the SELLER, Guarantor(s) and the BUYER, its affiliates agents, attorneys and assigns herein, or arising out of the Agreement hereunder, or the interpretation, performance or breach hereof, shall if BUYER so elects, be instituted in any court sitting in New York State, (the "Acceptable Forums"). SELLER and each Guarantor(s) agree that the Acceptable Forums are convenient to it/them and submit to the jurisdiction of the Acceptable Forums and waive any and all objections to jurisdiction or venue. Should such proceeding be initiated in any other forum, SELLER and each Guarantor(s) waive any right to oppose any motion or application made by BUYER to transfer and/or dismiss such proceeding.

4.8Survival of Representation, etc. All representations, warranties and covenants herein shall survive the full execution and delivery of this Agreement and shall continue in full force until all obligations under this Agreement shall have been satisfied in full.

4.9Severability. In case any of the provisions in this Agreement is found to be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of any other provision contained herein shall not in any way be affected or impaired. Any provision hereof prohibited by law shall be ineffective only to the extent of such prohibition without invalidating the remaining provisions of this Agreement.

4.10Entire Agreement. This Agreement and any Guaranty embody the entire agreement between SELLER and BUYER and Guarantor(s) and supersede all prior agreements and understanding relating to the subject matter hereof.

4.11JURY 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 THEREOF. THE PARTIES HERETO ACKNOWLEDGE THAT EACH PARTY AGREES TO THIS WAIVER KNOWINGLY, WILLINGLY AND VOLUNTARILY AND WITHOUT DURESS, AND ONLY AFTER EXTENSIVE CONSIDERATION OF THE RAMIFICATIONS OF THIS WAIVER WITH THEIR ATTORNEYS.

4.12CLASS ACTION WAIVER. THE PARTIES HERETO 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 AGAINST PUBLIC POLICY. TO THE EXTENT ANY PARTY IS PERMITTED BY 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); 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.

4.13 SERVICE OF PROCESS. SELLER HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES PERSONAL SERVICE OF LEGAL PROCESS AND ANY OBJECTION TO THE ABSENCE OF PERSONAL SERVICE OF PROCESS AND HEREBY AGREES TO ACCEPT SERVICE OF LEGAL PROCESS BY (I) ELECTRONIC MAIL SENT TO SELLER'S EMAIL ADDRESS PROVIDED TO BUYER BY SELLER ("LAST KNOWN EMAIL ADDRESS OF SELLER"), (II) UNITED STATES POSTAL SERVICES FIRST CLASS OR CERTIFIED MAIL SENT TO SELLER'S MAILING ADDRESS PROVIDED TO BUYER BY SELLER ("LAST KNOWN ADDRESS OF SELLER"), OR (III) BY ANY OTHER MEANS PERMITTED BY NEW YORK LAW. SELLER UNDERSTANDS AND AGREES THAT AN ACTION, LAWSUIT, OR CONTROVERSY MAY BE TAKEN UP AND CONSIDERED BY A COURT WITHOUT ANY FURTHER NOTICE. SERVICE OF PROCESS SHALL BE EFFECTIVE UPON SENDING / MAILING OF SERVICE OF PROCESS BY BUYER ("SERVICE DATE"). SELLER SHALL NOTIFY BUYER OF ANY CHANGE TO ITS LAST KNOWN EMAIL ADDRESS OR ITS LAST KNOWN ADDRESS FOR SERVICE. UNLESS BUYER IS NOTIFIED OF A CHANGE, BUYER'S LAST KNOWN EMAIL ADDRESS OR ITS LAST KNOWN ADDRESS SHALL BE PRESUMED TO BE ACCURATE AND VALID FOR THE PURPOSES OF SERVICE OF PROCESS AND NOTICES. THIS PROVISION SHALL SUPERSEDE ANY NOTICE REQUIREMENTS IN THE CONTRACT WITH RESPECT TO SERVICE OF PROCESS. SELLER WILL HAVE THIRTY (30) CALENDAR DAYS FROM THE SERVICE DATE OF THE SERVICE OF PROCESS HEREUNDER IN WHICH TO RESPOND. FURTHERMORE, SELLER EXPRESSLY CONSENTS THAT ANY AND ALL NOTICE(S), DEMAND(S), OR OTHER COMMUNICATION(S) UNDER AND PURSUANT TO THIS AGREEMENT SHALL BE DELIVERED IN ACCORDANCE WITH THE PROVISIONS OF THIS AGREEMENT.

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

4.15 RIGHT TO OPT OUT OF ARBITRATION. SELLER AND GUARANTOR(S) MAY OPT OUT OF THIS ARBITRATION CLAUSE. TO OPT OUT OF THIS ARBITRATION CLAUSE, SELLER AND EACH GUARANTOR(S) MUST SEND BUYER A NOTICE THAT THE SELLER AND EACH GUARANTOR(S) DOES NOT WANT THIS ARBITRATION CLAUSE TO APPLY TO THIS AGREEMENT. FOR ANY OPT OUT TO BE EFFECTIVE, SELLER AND EACH GUARANTOR(S) MUST SEND AN OPT OUT NOTICE TO THE FOLLOWING ADDRESS BY REGISTERED MAIL, WITHIN 14 DAYS AFTER THE DATE OF THIS AGREEMENT:

ARBITRATION OPT OUT,
FundKite, 88 Pine St, 24th Floor New York NY 10005.

4.16 Facsimile Acceptance. Facsimile signatures shall be deemed acceptable for all purposes.

4.17 Electronic Signatures. Electronic (digital) signatures and “DocuSign” signatures shall be deemed acceptable for all purposes.

4.18 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same Agreement. Electronic signatures complying with the New York Electronic Signatures and Records Act (N.Y. State Tech. §§ 301-309), as amended from time to time, or other applicable law will be deemed original signatures for purposes of this Agreement. Transmission by telecopy, electronic mail or other transmission method of an executed counterpart of this Agreement will constitute due and sufficient delivery of such counterpart.

(signature pages to follow)

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THE "TERMS OF ENROLLMENT IN PROGRAM", APPENDIX "A" AND "GUARANTY OF PERFORMANCE" ARE HEREBY INCORPORATED IN AND MADE A PART OF THIS AGREEMENT.

Agreement of SELLER: By signing below SELLER agrees to the terms and conditions contained in this Agreement, including those terms and conditions on the preceding and following pages, and further agrees that this transaction is for business purposes and not for personal, family, or household purposes, and Seller will use all funds received from Buyer to operate or grow its business.

SELLER: EMMAUS MEDICAL, INC.

Agreed to by: Signature

it's CEO (Title)

Agreement of Each Owner Guarantor(s) and Affiliated Business Guarantor(s): Each Owner, Guarantor and Affiliated Business Guarantor signing below agrees to the terms of this Agreement, including those terms and conditions on the preceding and following pages, and further agrees that this transaction is for business purposes and not for personal, family, or household purposes, and Seller will use all funds received from Buyer to operate or grow its business.

Sign as Owner:

Print Name: YUTAKA NIIHARA

Signature

Individual Guarantors Guarantor

Print Name: YUTAKA NIIHARA

Social Security Number

Driver's License: State Issued:

Signature

Affiliated Business Guarantors

Guarantor: EMMAUS LIFE SCIENCES, INC.

By Signature

Print Name of Signor: YUTAKA NIIHARA Its: Owner, (Official Position) Address: 21250
HAWTHORNE BLVD STE 800, TORRANCE, CA 90503
Tax Id #: State of Incorporation: Delaware

Guarantor: EMI HOLDING, INC.

By Signature

Print Name of Signor: YUTAKA NIIHARA Its: Owner, (Official Position) Address: 21250
HAWTHORNE BLVD STE 800, TORRANCE, CA 90503
Tax Id #: State of Incorporation: Delaware

Guarantor: NEWFIELD NUTRITION CORPORATION

By Signature

Print Name of Signor: YUTAKA NIIHARA Its: Owner, (Official Position) Address: 21250
HAWTHORNE BLVD STE 800 TORRANCE, CA 90503
Tax Id #: State of Incorporation: Delaware

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GUARANTY OF PERFORMANCE

A. Buyer has purchased Future Receipts of Seller, pursuant to that REVENUE PURCHASE AGREEMENT Purchase and Sale of Future Receipts (the "Agreement") dated, incorporated herein.

B. The undersigned Guarantor(s) hereby are parties to the Agreement and each agrees to irrevocably, absolutely and unconditionally guarantee to BUYER, SELLER's prompt and complete performance of the following "Guaranteed Obligations":

1. SELLER's obligation not to enter into any arrangement, agreement, or a loan that relates to or encumbers Seller's Receipts of future revenue with any party other than BUYER, unless permitted in writing by BUYER;
2. SELLER's representations, covenants and warranties shall be truthful, accurate and complete and shall not be misleading in any material respect when made;
3. SELLER's obligation to provide Banking Records to BUYER in accordance with the Agreement;
4. SELLER's obligation to not voluntarily transfer or sell all or substantially all of its assets, shares and/or membership interests without prior written consent of BUYER;
5. SELLER's obligation to not change, alter or terminate its Designated Account or payment card processor without prior written consent of BUYER;
6. SELLER's obligation to deliver Receipts as required by the Agreement and subject to SELLER's right to a reconciliation, without interruption by way of "stop payment" or any "block" on BUYER's debits

Indemnification. Guarantor indemnifies and hold harmless BUYER against all losses, damages, claims, liabilities and expenses (including reasonable attorney's fees) incurred, resulting from SELLER's failure to perform any of the Guaranteed Obligations.

Guarantor(s) Waivers. In the event that the SELLER fails to perform any of the Guaranteed Obligations, BUYER may enforce its rights under this Guaranty against any and all Guarantor(s) without first seeking to obtain performance from SELLER or any other Guarantor(s). BUYER is not required to notify Guarantor(s) of any of the following events and Guarantor(s) will not be released from its obligations under this Guaranty if it is not notified of: (i) SELLER's default, or failure to perform any obligations under the Agreement; (ii) BUYER's acceptance of the Agreement or this Guaranty; and (iii) any renewal, extension or other modification of the Agreement or Seller's other obligations to BUYER. In addition, BUYER may take any of the following actions without releasing Guarantor(s) from any of its obligations under this Guaranty: (i) renew, extend or otherwise modify the Agreement or SELLER's other obligations to BUYER; and (ii) release SELLER from its obligations to BUYER. Until SELLER's obligations to BUYER under the Agreement are satisfied in full, Guarantor(s) shall not seek reimbursement from SELLER or any other Guarantor(s) for any amounts paid by it under this Guaranty.

Guarantor(s) permanently waives and shall not seek to exercise any of the following rights that it may have against the SELLER, any other Guarantor(s), or any collateral provided by SELLER or any other Guarantor(s), for any amounts paid by it, or acts performed by it, under this agreement: (i) subrogation; (ii) reimbursement; (iii) performance; (iv) indemnification; or (v) contribution. In the event that BUYER must return any amount paid by or on behalf of SELLER or any other Guarantor(s) including but not limited to, a proceeding filed under the United States Bankruptcy Code or any similar law, Guarantor(s)'s obligations under this agreement shall include any such amounts.

Acknowledgment of Purchase. Guarantor(s) acknowledges and agrees that the Purchase Price paid by BUYER to SELLER in exchange for the Purchased Amount of Receipts is a purchase of the Purchased Amount of Receipts and is not intended to be treated as a loan or financial accommodation from BUYER to SELLER. Guarantor(s) specifically acknowledges that BUYER is not a lender, bank or credit card processor, and that BUYER has not offered any loans to SELLER. Guarantor(s) acknowledges the Receipts Purchase Price paid to SELLER is good and valuable consideration for the sale of the Purchased Amount of Receipts.

Joint and Several Liability. The obligations hereunder of the persons or entities constituting Guarantor(s) under this Agreement are joint and several.

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 THEREOF. THE PARTIES HERETO ACKNOWLEDGE THAT EACH PARTY AGREES TO THIS WAIVER KNOWINGLY, WILLINGLY AND VOLUNTARILY AND WITHOUT DURESS, AND ONLY AFTER EXTENSIVE CONSIDERATION OF THE RAMIFICATIONS OF THIS WAIVER WITH THEIR ATTORNEYS.

CLASS ACTION WAIVER. THE PARTIES HERETO 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 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 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); 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.

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

RIGHT TO OPT OUT OF ARBITRATION. SELLER AND GUARANTOR(S) MAY OPT OUT OF THIS ARBITRATION CLAUSE. TO OPT OUT OF THIS ARBITRATION CLAUSE, SELLER AND EACH GUARANTOR(S) MUST SEND BUYER A NOTICE THAT THE SELLER AND EACH GUARANTOR(S) DOES NOT WANT THIS CLAUSE TO APPLY TO THIS AGREEMENT. FOR ANY OPT OUT TO BE EFFECTIVE, SELLER AND EACH GUARANTOR(S) MUST SEND AN OPT OUT NOTICE TO THE FOLLOWING ADDRESS BY REGISTERED MAIL, WITHIN FOURTEEN 14 DAYS AFTER THE DATE OF THIS AGREEMENT:

ARBITRATION OPT OUT,
FundKite, 88 Pine Street, 24th Floor Street New York NY 10005.

SERVICE OF PROCESS. EACH GUARANTOR(S) HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES PERSONAL SERVICE OF LEGAL PROCESS AND ANY OBJECTION TO THE ABSENCE OF PERSONAL SERVICE OF PROCESS AND HEREBY AGREES TO ACCEPT SERVICE OF LEGAL PROCESS BY (I) ELECTRONIC MAIL SENT TO GUARANTOR'S EMAIL ADDRESS PROVIDED TO BUYER BY GUARANTOR ("LAST KNOWN EMAIL ADDRESS OF GUARANTOR"), (II) UNITED STATES POSTAL SERVICES CERTIFIED MAIL SENT TO GUARANTOR'S MAILING ADDRESS PROVIDED TO BUYER BY GUARANTOR ("LAST KNOWN ADDRESS OF GUARANTOR"), OR (III) BY ANY OTHER MEANS PERMITTED BY NEW YORK LAW. GUARANTOR UNDERSTANDS AND AGREES THAT AN ACTION, LAWSUIT, OR CONTROVERSY MAY BE TAKEN UP AND CONSIDERED BY A COURT WITHOUT ANY FURTHER NOTICE. SERVICE OF PROCESS SHALL BE EFFECTIVE UPON SENDING / MAILING OF SERVICE OF PROCESS BY BUYER ("SERVICE DATE"). GUARANTOR SHALL NOTIFY BUYER OF ANY CHANGE TO ITS LAST KNOWN EMAIL ADDRESS OR ITS LAST KNOWN ADDRESS FOR SERVICE. UNLESS BUYER IS NOTIFIED OF A CHANGE, BUYER'S LAST KNOWN EMAIL ADDRESS OR ITS LAST KNOWN ADDRESS SHALL BE PRESUMED TO BE ACCURATE AND VALID FOR THE PURPOSES OF SERVICE OF PROCESS AND NOTICES. THIS PROVISION SHALL SUPERSEDE ANY NOTICE REQUIREMENTS IN THE CONTRACT WITH RESPECT TO SERVICE OF PROCESS. EACH GUARANTOR(S) WILL HAVE THIRTY (30) CALENDAR DAYS FROM THE SERVICE DATE OF THE SERVICE OF PROCESS HEREUNDER IN WHICH TO RESPOND. FURTHERMORE, EACH GUARANTOR(S) 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.

Guarantor(s) Acknowledgement. Guarantor(s) acknowledges that: (i) He/She understands the seriousness of provisions of this Agreement; (ii) He/She has had a full opportunity to consult with counsel of his/her choice; and (iii) He/She has consulted with counsel of its choice or has decided not to avail himself/herself of that opportunity.

(signature pages to follow)

THE TERMS, DEFINITIONS, CONDITIONS AND INFORMATION SET FORTH IN THE "REVENUE PURCHASE AGREEMENT PURCHASE AND SALE OF FUTURE RECEIPTS" AND "TERMS OF ENROLLMENT IN PROGRAM" ARE HEREBY INCORPORATED IN AND MADE A PART OF THIS PERFORMANCE GUARANTY.

Individual Guarantors

Guarantor

Print Name: YUTAKA NIIHARA

Social Security Number:

Driver's License: State Issued:

Signature

Guarantor: **EMMAUS LIFE SCIENCES, INC.**

By Signature

Print Name of Signor: **YUTAKA NIIHARA** Its: **Owner**, (Official Position)

Address: **21250 HAWTHORNE BLVD STE 800, TORRANCE, CA 90503**

Guarantor: **EMI HOLDING, INC.**

By Signature

Print Name of Signor: **YUTAKA NIIHARA** Its: **Owner**, (Official Position) Address: **21250 HAWTHORNE BLVD STE 800, TORRANCE, CA 90503**

Affiliated Business Guarantors (continued)

Guarantor: NEWFIELD NUTRITION CORPORATION

By Signature

Print Name of Signor: YUTAKA NIIHARA Its: Owner, (Official Position) Address: 21250
HAWTHORNE BLVD STE 800 TORRANCE, CA 90503

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APPENDIX A: THE FEE STRUCTURE

A. Service Fees

FUNDKITE FEE - \$10,148.00 The Underwriting Fee is deducted from the Purchase Price. **ACH Program Fee** - \$5,074.00 The ACH Program Fee is deducted from the Purchase Price. **UCC Fee** - \$150.00. The UCC Fee is deducted from the Purchase Price.
WIRE FEE - \$35.00. The Wire Fee is deducted from the Purchase Price.

B. **NSF Fee** - \$35.00. The NSF Fee is due each time the BUYER'S debit ACH of the Account is rejected for insufficient funds. And will be debited from the SELLER'S account on the next available business day or added to the balance.

C. **Rejected ACH Fee**- \$100.00. The Rejected ACH Fee is due if SELLER directs the bank to reject BUYER'S debit ACH, and will be debited from the SELLER'S account on the next available business day or added to the balance.

D. **Default Fee** - In case of default, a default fee in the amount of 25% of the total amount of Purchased Receipts outstanding. The Default Fee is due when an Event of Default occurs.

**Agreement of Seller EMMAUS
MEDICAL, INC.**

Agreed to by: Signature

it's CEO (Title)



AUTHORIZATION AGREEMENT FOR AUTOMATED CLEARING HOUSE TRANSACTIONS

EMMAUS MEDICAL, INC. ("SELLER") hereby authorizes AKF Inc, DBA FundKite ("FUNDER") to present automated clearing house (ACH) debits to the following checking account in the amount of fees and other payments due to Funder from Seller under the terms of that Revenue Purchase Agreement (the "Agreement") dated MARCH 14, 2023 entered into between Seller and FUNDER, as it may be amended, supplemented or replaced from time to time. Seller also authorizes FUNDER to initiate additional entries (debits and credits) to correct any erroneous transfers. In addition, if an Event of Default (as defined in the Agreement) occurs, Seller authorizes FUNDER to debit any and all accounts controlled by Seller or controlled by any entity with the same Federal Tax Identification Number as Seller up to the total amount, including but not limited to, all fees and charges, due to FUNDER from Seller under the terms of the Agreement. Seller agrees to be bound by the Rules and Operating Guidelines of NACHA and represents and warrants that the designated account is established and used primarily for commercial/business purposes, and not for consumer, family or household purposes. Seller authorizes FUNDER to contact Seller's financial institution to obtain available funds information and/or to verify any information Seller has provided about the designated checking account and to correct any missing, erroneous or out-of-date information. Seller understands and agrees that any revocation or attempted revocation of this Authorization will constitute an event of default under the Agreement. In the event that Seller closes the designated checking account, or the designated checking account has insufficient funds for any ACH transaction under this Authorization, Seller authorizes FUNDER to contact Seller's financial institution and obtain information (including account number, routing number and available balance) concerning any other deposit account(s) maintained by Seller with Seller's financial institution, and to initiate ACH transactions under this Authorization to such additional account(s).


Transfer Funds To/From:

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

This authorization is to remain in full force and effect until all amounts due to Buyer under the Agreement have been paid in full, in such time and in such manner as to afford Buyer a reasonable opportunity to act on it.

Seller Information:

Seller's Name: **EMMAUS MEDICAL, INC.**
Contract ID:
Merchant's Tax ID:
Print Name:
Signature of Authorized Representative:


Digitally signed by G. S. Ghoshal
DN: cn=G. S. Ghoshal, o=AKF Inc, email=gsghoshal@akf.com

OFFER SUMMARY – REVENUE BASED FINANCING

Funding Provided	\$487,058.00	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 \$487,058.00. 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)	123.51 %	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	\$213,154.00	This is the dollar cost of your financing.
Estimated Total Payment Amount	\$700,212.00	This is the total dollar amount of payments we estimate you will make under the contract.
Estimated Monthly Cost	\$95,028.77	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	\$21,881.63/week	

Payment Terms

Each week, the Estimated Payment will be debited from your business bank account.

The Estimated Payment is based on 5 % of your estimated daily business receipts. There is not a fixed payment schedule and there is no minimum payment amount.

You have the right to obtain a refund if you demonstrate that your payments exceed 5% of your actual business receipts during any given month. For more details on your rights, see Section 10 and 11 of your contract.

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 \$213,154.00 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	\$487,058.00
2. Origination, Due Diligence, and UCC Fees (includes a \$12,177.60 broker fee paid to [James McNeil LLC])	\$20,342.00
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 (#)	
5. Amount Provided to You or on Your Behalf (1+2+3+4)	\$507,400.00
6. Prepaid Finance Charges: Origination, Due Diligence, and UCC Fees	\$20,342.00
7. Amount Financed (5 minus 6)	\$487,058.00

CLOUDFUND LLC

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

FUTURE RECEIPTS SALE AND PURCHASE AGREEMENT

This agreement (this "Agreement"), dated 3/14/2023, 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:

\$507,400.00

Purchased Amount:

\$700,212.00

Specified Percentage:

5 %

Remittance Amount:*

\$21,881.63

Remittance Period: Weekly

Less Closing Costs:

Due Diligence Fee:

\$5,074.00

Origination fee:

\$15,222.00

UCC FEE:

\$46.00

LESS PRIOR BALANCE(S) (IF APPLICABLE)

\$0.00

NET AMOUNT FUNDED TO SELLER:

\$487,058.00

FOR THE SELLER #1 FOR THE SELLER #2



By: By:

Name: YUTAKA NIIHARA

Title: Owner/Agent/Manager

Name: N/A
Title: N/A

Email: Email: N/A

Business Phone: 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:

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 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 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 3/14/2023, 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 3/14/2023, 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

OWNER/GUARANTOR #3:

By:

Name: N/A
SSN: N/A

CLOUDFUND LLC

By: _
Name:
Title:

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:

Bank Routing Number:

Bank Account Number:

Transaction Information:

Amount of Transaction: \$21,881.63 Effective Date: 3/14/2023
Rate of collection: Weekly

Authorization:

Pursuant to that certain Future Receipts Sale and Purchase Agreement dated 3/14/2023 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 3/14/2023, 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:
Phone:
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 3/14/2023 (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

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Name: YUTAKA NIIHARA SSN:

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CLOUDFUND LLC:

By: _
Name:
Title:

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EMMAUS LIFE SCIENCES, INC.
Promissory Note

Principal Amount: \$100,000.00 Loan Date: March 17, 2023
Interest Rate: 10% per year Loan Due Date: On demand
Lender: Hope International Hospice, Inc.
Address for Payment:

FOR VALUE RECEIVED, Emmaus Life Sciences, Inc., a Delaware corporation, located at 21250 Hawthorne Blvd., Suite 800 Torrance, CA 90503 (“Borrower”), agrees to pay to Lender or his or her registered assigns (the “Holder”) the Principal Amount, together with accrued interest at the stated Interest Rate, on the following terms of this Promissory Note (this “Note”).

Terms of Repayment: Simple interest at the stated Interest Rate will accrue on the outstanding Principal Amount hereof commencing on the stated Loan Date until this Note is paid in full. The entire unpaid Principal Amount hereof and accrued and unpaid interest hereon shall become immediately due and payable upon the stated Loan Due Date.

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

3. Place of Payment: All payments due under this Note shall be made by check of Borrower sent to the Lender’s address set forth above, or at such other place as the Holder may designate in writing to Borrower. At Borrower’s request, the Holder shall furnish Borrower with the Holder’s taxpayer ID number or Social Security number to facilitate the Borrower’s tax reporting.

4. Default: In the event of default hereunder, Borrower agrees to pay all costs and expenses, including reasonable attorney’s fees, incurred by the Holder in connection therewith.

5. Acceleration of Debt: If Borrower (i) fails to make any payment due under the terms of this Note or seeks relief under the U.S. Bankruptcy Code, (ii) suffers an involuntary petition in bankruptcy or receivership that is not vacated within 60 days, (iii) consents to the appointment of a receiver, trustee, assignee, liquidator or similar official or such appointment is not discharged or stayed within 60 days, (iv) makes a general assignment for the benefit of its creditors or (v) admits in writing that it is generally unable to pay its debts as they become due, the entire outstanding Principal Amount and any accrued and unpaid interest hereon shall be immediately due and payable to the Holder without demand therefor.

6. Modification: No modification or waiver of any of the terms of this Note shall be effective unless set forth in a writing signed by Borrower and the Holder. No waiver of any breach or default hereunder shall be deemed a waiver of any subsequent breach or default of the same or similar nature.

7. Complete Note: This Note is the complete and exclusive statement of agreement of the parties with respect to the subject matter hereof. This Note replaces and supersedes all prior written or oral agreements or statements by and among the parties with respect to the same subject matter. No representation, statement, condition or warranty is made by the parties in connection with this Note except as expressly set forth herein.

8. Transfer of the Note: This Note may be transferred, in whole or in part, at any time or from time to time, by the Lender upon surrender of this Note to Borrower, whereupon the Borrower will forthwith issue and deliver a new Note registered as the Holder may request, representing the outstanding Principal Amount hereof being transferred and, if less than the entire outstanding Principal Amount is being transferred, a new Note to the Holder representing the outstanding Principal Amount not being transferred. Prior to due presentment for transfer to Borrower of this Note, Borrower and its agents may treat the Holder in whose name this Note is duly registered on Borrower's books and records as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Note is overdue, and neither Borrower nor any such agent shall be affected by notice to the contrary.

9. Lost, Stolen or Mutilated Note: Upon receipt by Borrower of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Note, and, in the case of loss, theft or destruction, a written undertaking by the Holder in customary form and content to indemnify Borrower and, in the case of mutilation, upon surrender and cancellation of this Note, the Borrower shall execute and deliver to the Holder a new promissory note of like tenor representing the outstanding Principal Amount hereof and accrued and unpaid interest hereon.

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

11. Choice of Law: This Note shall be construed and interpreted under the internal laws of California without regard to conflict of law principles.

(Signature Page Follows)

Signed this 17th day of March, 2023

Emmaus Life Sciences, Inc.

By: _____
Willis C. Lee, Chief Operating Officer

EMMAUS LIFE SCIENCES, INC.
Promissory Note

Principal Amount: \$127,000.00 Loan Date: March 21, 2023
Interest Rate: 10% per year Loan Due Date: On demand
Lender: Yutaka & Soomi Niihara
Address for Payment:

FOR VALUE RECEIVED, Emmaus Life Sciences, Inc., a Delaware corporation, located at 21250 Hawthorne Blvd., Suite 800 Torrance, CA 90503 (“Borrower”), agrees to pay to Lender or his or her registered assigns (the “Holder”) the Principal Amount, together with accrued interest at the stated Interest Rate, on the following terms of this Promissory Note (this “Note”).

Terms of Repayment: Simple interest at the stated Interest Rate will accrue on the outstanding Principal Amount hereof commencing on the stated Loan Date until this Note is paid in full. The entire unpaid Principal Amount hereof and accrued and unpaid interest hereon shall become immediately due and payable upon the stated Loan Due Date.

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

3. Place of Payment: All payments due under this Note shall be made by check of Borrower sent to the Lender’s address set forth above, or at such other place as the Holder may designate in writing to Borrower. At Borrower’s request, the Holder shall furnish Borrower with the Holder’s taxpayer ID number or Social Security number to facilitate the Borrower’s tax reporting.

4. Default: In the event of default hereunder, Borrower agrees to pay all costs and expenses, including reasonable attorney’s fees, incurred by the Holder in connection therewith.

5. Acceleration of Debt: If Borrower (i) fails to make any payment due under the terms of this Note or seeks relief under the U.S. Bankruptcy Code, (ii) suffers an involuntary petition in bankruptcy or receivership that is not vacated within 60 days, (iii) consents to the appointment of a receiver, trustee, assignee, liquidator or similar official or such appointment is not discharged or stayed within 60 days, (iv) makes a general assignment for the benefit of its creditors or (v) admits in writing that it is generally unable to pay its debts as they become due, the entire outstanding Principal Amount and any accrued and unpaid interest hereon shall be immediately due and payable to the Holder without demand therefor.

6. Modification: No modification or waiver of any of the terms of this Note shall be effective unless set forth in a writing signed by Borrower and the Holder. No waiver of any breach or default hereunder shall be deemed a waiver of any subsequent breach or default of the same or similar nature.

7. Complete Note: This Note is the complete and exclusive statement of agreement of the parties with respect to the subject matter hereof. This Note replaces and supersedes all prior written or oral agreements or statements by and among the parties with respect to the same subject matter. No representation, statement, condition or warranty is made by the parties in connection with this Note except as expressly set forth herein.

8. Transfer of the Note: This Note may be transferred, in whole or in part, at any time or from time to time, by the Lender upon surrender of this Note to Borrower, whereupon the Borrower will forthwith issue and deliver a new Note registered as the Holder may request, representing the outstanding Principal Amount hereof being transferred and, if less than the entire outstanding Principal Amount is being transferred, a new Note to the Holder representing the outstanding Principal Amount not being transferred. Prior to due presentment for transfer to Borrower of this Note, Borrower and its agents may treat the Holder in whose name this Note is duly registered on Borrower's books and records as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Note is overdue, and neither Borrower nor any such agent shall be affected by notice to the contrary.

9. Lost, Stolen or Mutilated Note: Upon receipt by Borrower of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Note, and, in the case of loss, theft or destruction, a written undertaking by the Holder in customary form and content to indemnify Borrower and, in the case of mutilation, upon surrender and cancellation of this Note, the Borrower shall execute and deliver to the Holder a new promissory note of like tenor representing the outstanding Principal Amount hereof and accrued and unpaid interest hereon.

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

11. Choice of Law: This Note shall be construed and interpreted under the internal laws of California without regard to conflict of law principles.

(Signature Page Follows)

Signed this 21st day of March, 2023

Emmaus Life Sciences, Inc.

By: _____
Willis C. Lee, Chief Operating Officer

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

I, Yutaka Niihara, certify that:

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

Date: May 12, 2023

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

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

I, Yasushi Nagasaki, certify that:

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

Date: May 12, 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 March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, in the capacities and on the date indicated below, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

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

/s/ Yutaka Niihara
Yutaka Niihara, M.D., M.P.H.
Chief Executive Officer
(Principal Executive Officer)
May 12, 2023

/s/ Yasushi Nagasaki
Yasushi Nagasaki
Chief Financial Officer
(Principal Financial and Accounting Officer)
May 12, 2023
