

EMMAUS LIFE SCIENCES, INC.

FORM 10-Q (Quarterly Report)

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

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2024

OR

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

For the transition period from to

Commission File 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
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 ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☒
Emerging growth company ☐

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

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

The registrant had 63,865,571 shares of common stock, par value \$0.001 per share, outstanding as of August 15, 2024.

EMMAUS LIFE SCIENCES, INC.
For the Quarterly Period Ended June 30, 2024
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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	
	June 30, 2024	December 31, 2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,525	\$ 2,547
Accounts receivable, net	4,598	5,524
Inventories, net	1,628	1,711
Prepaid expenses and other current assets	1,261	1,727
Total current assets	9,012	11,509
Property and equipment, net	54	59
Right of use assets	1,903	2,337
Investment in convertible bond	14,662	20,978
Other assets	308	296
Total assets	\$ 25,939	\$ 35,179
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 18,920	\$ 17,725
Operating lease liabilities, current portion	903	865
Conversion feature derivative, notes payable	2,800	451
Other current liabilities	14,353	14,681
Warrant derivative liabilities	69	65
Notes payable, current portion, net of discount	7,879	8,215
Notes payable to related parties	2,772	3,122
Convertible notes payable, net of discount	16,329	16,383
Total current liabilities	64,025	61,507
Operating lease liabilities, less current portion	1,322	1,839
Other long-term liabilities	15,370	17,363
Notes payable to related parties, net of discount	2,236	2,226
Total liabilities	82,953	82,935
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, 63,865,571 and 61,845,963 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively	64	62
Additional paid-in capital	225,839	225,333
Net loan receivable from EJ Holdings	(16,869)	(16,869)
Accumulated other comprehensive loss	(3,394)	(160)
Accumulated deficit	(262,654)	(256,122)
Total stockholders' deficit	(57,014)	(47,756)
Total liabilities & stockholders' deficit	\$ 25,939	\$ 35,179

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
REVENUES, NET	\$ 5,377	\$ 10,759	\$ 7,883	\$ 17,512
COST OF GOODS SOLD	241	508	498	937
GROSS PROFIT	5,136	10,251	7,385	16,575
OPERATING EXPENSES				
Research and development	191	320	374	609
Selling	1,631	2,531	3,568	4,848
General and administrative	2,732	4,074	5,601	8,957
Total operating expenses	4,554	6,925	9,543	14,414
INCOME (LOSS) FROM OPERATIONS	582	3,326	(2,158)	2,161
OTHER INCOME (EXPENSE)				
Change in fair value of warrant derivative liabilities	5	383	(3)	445
Change in fair value of conversion feature derivative, notes payable	(1,440)	(1,058)	(2,347)	(969)
Realized loss on investment in convertible bond	(544)	(297)	(544)	(297)
Net loss on equity method investment	—	(439)	—	(966)
Gain on restructured debt	—	—	1,032	—
Foreign exchange gain (loss)	75	(1,887)	106	(2,406)
Interest and other income	135	173	282	333
Interest expense	(966)	(1,793)	(2,876)	(3,295)
Total other expense	(2,735)	(4,918)	(4,350)	(7,155)
LOSS BEFORE INCOME TAXES	(2,153)	(1,592)	(6,508)	(4,994)
Income tax provision (benefit)	31	(34)	24	15
NET LOSS	(2,184)	(1,558)	(6,532)	(5,009)
COMPONENTS OF OTHER COMPREHENSIVE LOSS				
Unrealized gain (loss) on debt securities available for sale (net of tax)	(1,733)	1,909	(3,461)	1,365
Reclassification adjustment for loss included in net loss	197	403	197	403
Foreign currency translation adjustment	12	551	30	737
Other comprehensive income (loss)	(1,524)	2,863	(3,234)	2,505
COMPREHENSIVE INCOME (LOSS)	\$ (3,708)	\$ 1,305	\$ (9,766)	\$ (2,504)
NET LOSS PER COMMON SHARE - BASIC AND DILUTED	\$ (0.03)	\$ (0.03)	\$ (0.10)	\$ (0.10)
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING	63,355,121	52,865,353	62,600,542	51,793,445

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	Loan	Accumulated	Accumula	Total
	Shares	Amount	paid-in	receivable	other	ted	stockholder
			capital	from	comprehensive	deficit	s'
				EJ Holdings	loss		deficit
Balance, January 1, 2024	61,845,963	\$ 62	\$ 225,333	\$ (16,869)	\$ (160)	\$ (256,122)	\$ (47,756)
Share-based compensation	—	—	170	—	—	—	170
Unrealized loss on debt securities available for sale (net of tax)	—	—	—	—	(1,728)	—	(1,728)
Foreign currency translation effect	—	—	—	—	18	—	18
Net loss	—	—	—	—	—	(4,348)	(4,348)
Balance, March 31, 2024	61,845,963	62	225,503	(16,869)	(1,870)	(260,470)	(53,644)
Convertible notes converted to shares	2,019,608	2	307	—	—	—	309
Share-based compensation	—	—	29	—	—	—	29
Unrealized loss on debt securities available for sale (net of tax)	—	—	—	—	(1,733)	—	(1,733)
Reclassification adjustment for loss included in net loss	—	—	—	—	197	—	197
Foreign currency translation effect	—	—	—	—	12	—	12
Net loss	—	—	—	—	—	(2,184)	(2,184)
Balance, June 30, 2024	63,865,571	\$ 64	\$ 225,839	\$ (16,869)	\$ (3,394)	\$ (262,654)	\$ (57,014)

	Common stock		Additional	Loan	Accumulated	Accumula	Total
	Shares	Amount	paid-in	receivable	other	ted	stockholder
			capital	from	comprehensive	deficit	s'
				EJ Holdings	loss		deficit
Balance January 1, 2023	49,583,501	\$ 50	\$ 220,815	\$ —	\$ (2,619)	\$ (252,337)	\$ (34,091)
Fair value of warrants including down-round protection adjustments	—	—	41	—	—	(41)	—
Convertible note converted to shares	1,351,351	1	499	—	—	—	500
Share-based compensation	—	—	38	—	—	—	38
Unrealized loss on debt securities available for sale (net of tax)	—	—	—	—	(544)	—	(544)
Foreign currency translation effect	—	—	—	—	186	—	186
Net loss	—	—	—	—	—	(3,451)	(3,451)
Balance, March 31, 2023	50,934,852	51	221,393	—	(2,977)	(255,829)	(37,362)
Convertible notes converted to shares	2,702,702	3	997	—	—	—	1,000
Share-based compensation	—	—	25	—	—	—	25
Unrealized gain on debt securities available for sale (net of tax)	—	—	—	—	1,909	—	1,909
Reclassification adjustment for loss included in net loss	—	—	—	—	403	—	403
Foreign currency translation effect	—	—	—	—	551	—	551
Net loss	—	—	—	—	—	(1,558)	(1,558)
Balance, June 30, 2023	53,637,554	\$ 54	\$ 222,415	\$ —	\$ (114)	\$ (257,387)	\$ (35,032)

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



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

	Six Months Ended June 30,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (6,532)	\$ (5,009)
Adjustments to reconcile net loss to net cash flows used in operating activities		
Depreciation and amortization	12	18
Inventory reserve	15	16
Amortization of discount of notes payable and convertible notes payable	563	1,266
Foreign exchange adjustments	(194)	2,382
Realized loss on investment in convertible bond	544	297
Net loss on equity method investment	—	966
Gain on restructured debt	(1,032)	—
Share-based compensation	199	1,215
Fair value of warrants issued for services	—	334
Change in fair value of warrant derivative liabilities	3	(445)
Change in fair value of conversion feature derivative, notes payable	2,347	969
Changes in fair value option instrument	—	(7)
Net changes in operating assets and liabilities		
Accounts receivable	921	(5,204)
Inventories	47	543
Prepaid expenses and other current assets	471	331
Other non-current assets	412	282
Accounts payable and accrued expenses	2,229	2,201
Other current liabilities	(2,681)	(316)
Other long-term liabilities	(101)	(2,436)
Net cash flows used in operating activities	(2,777)	(2,597)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of convertible bond	2,508	2,232
Purchase of property and equipment	(7)	(11)
Loan to equity method investee	—	(2,248)
Net cash flows provided by (used in) investing activities	2,501	(27)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable issued	2,401	2,453
Proceeds from notes payable issued, related parties	—	227
Proceeds from convertible notes payable issued, related party	—	1,000
Payments of notes payable	(2,571)	(1,642)
Payments of notes payable, related party	(350)	(50)
Payments of convertible notes	(200)	—
Net cash flows provided by (used in) financing activities	(720)	1,988
Effect of exchange rate changes on cash	(26)	(24)
Net decrease in cash and cash equivalents	(1,022)	(660)
Cash and cash equivalents, beginning of period	2,547	2,021
Cash and cash equivalents, end of period	\$ 1,525	\$ 1,361
SUPPLEMENTAL DISCLOSURES OF CASH FLOW ACTIVITIES		
Interest paid	\$ 1,234	\$ 1,018
Income taxes paid (refunded)	\$ 29	\$ (68)
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Renewal of notes payable including interest capitalized	\$ —	\$ 618
Conversion of convertible note payable and accrued interest to common stock	\$ 309	\$ 1,500

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

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

NOTE 1 — BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated interim financial statements of Emmaus Life Sciences, Inc., (“Emmaus”) and its direct and indirect consolidated subsidiaries (collectively, “we,” “our,” “us” or the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) on the basis that the Company will continue as a going concern. All significant intercompany transactions have been eliminated. The Company’s unaudited condensed consolidated interim financial statements contain adjustments, including normal recurring accruals necessary to fairly state the Company’s consolidated financial position, results of operations and cash flows. The condensed consolidated interim financial statements should be read in conjunction with the Annual Report on Form 10-K for the year ended December 31, 2023 (the “Annual Report”) filed with the Securities and Exchange Commission (“SEC”) on July 3, 2024. The accompanying condensed consolidated balance sheet at December 31, 2023 has been derived from the audited consolidated balance sheet at December 31, 2023 contained in the Annual Report. The results of operations for the three and six months ended June 30, 2024 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 only product, Endari® (prescription grade L-glutamine oral powder), is approved by the U.S. Food and Drug Administration, or FDA, and in certain jurisdictions in the Middle East North Africa, or MENA, region 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 unaudited condensed consolidated financial statements have been prepared on the basis that the Company will continue as a going concern. The Company incurred a net loss of \$6.5 million for six months ended June 30, 2024 and had a working capital deficit of \$55.0 million as of June 30, 2024. Management expects that the Company’s current liabilities, operating losses and expected capital needs, including debt service on its existing indebtedness and the expected costs relating to the commercialization of Endari® in the MENA region and elsewhere, will exceed its existing cash balances and cash expected to be generated from operations for the foreseeable future. To meet the Company’s current liabilities and future obligations, the Company will need to restructure or refinance its existing indebtedness and raise additional funds through related-party loans, third-party loans, equity or debt financings or licensing or other strategic agreements. Except as described below under “Factoring accounts receivable,” the Company has no understanding or arrangement for any additional financing, and there can be no assurance that the Company will be able to restructure or refinancing its existing indebtedness or obtain additional related-party or third-party loans or complete any additional equity or debt financings on favorable terms, or at all, or enter into licensing or other strategic arrangements. Due to the uncertainty of the Company’s ability to meet its current liabilities and operating expenses, there is substantial doubt about the Company’s ability to continue as a going concern for 12 months from the date that these condensed consolidated financial statements are issued. The condensed consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

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

Factoring accounts receivable — Emmaus Medical, Inc., or Emmaus Medical, the Company's indirect wholly owned subsidiary, has entered into a purchase and sales agreement with Prestige Capital Finance, LLC or Prestige Capital, pursuant to which Emmaus Medical may offer and sell to Prestige Capital from time to time eligible accounts receivable in exchange for Prestige Capital’s down payment, or advance, to Emmaus Medical of 65% to 80% of the face amount of the eligible accounts receivable, subject to a \$7.5 million cap on advances at any time. The balance of the face amount of the accounts receivable 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 \$276,000 and \$1,514,000 of factored accounts receivable and other current liabilities included approximately \$9,000 and \$24,000 of liabilities from factoring at June 30, 2024 and December 31, 2023, respectively. For the three months ended June 30, 2024 and 2023, the Company incurred approximately \$54,000 and \$231,000, respectively, and for the six months ended June 30, 2024 and 2023, the Company incurred approximately \$141,000 and \$340,000, respectively, of factoring fees.

Net loss per share — In accordance with Accounting Standard Codification ("ASC") 260, "*Earnings per Share*," the basic net loss per common share is computed by dividing net loss available to common stockholders by the weighted-average number of common shares outstanding. Diluted net loss per share is computed in a similar manner, except that the denominator is increased to include the number of additional shares of common stock that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. As of June 30, 2024 and June 30, 2023, the Company had outstanding potentially dilutive securities exercisable for or convertible into 112,986,381 shares and 69,300,024 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 each of the three and six months ended June 30, 2024 and June 30, 2023.

NOTE 3 — REVENUES

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

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Endari®	\$ 5,351	\$ 10,477	\$ 7,695	\$ 16,992
Other	26	282	188	520
Revenues, net	<u>\$ 5,377</u>	<u>\$ 10,759</u>	<u>\$ 7,883</u>	<u>\$ 17,512</u>

The following table summarizes the revenue allowance and accrual activities for the six months ended June 30, 2024 and June 30, 2023 (in thousands):

	Trade Discounts, Allowances and Chargebacks	Government Rebates and Other Incentives	Returns	Total
Balance as of December 31, 2023	\$ 1,212	\$ 5,658	\$ 863	\$ 7,733
Provision related to sales in the current year	730	1,759	82	2,571
Adjustments related to prior period sales	(79)	34	—	(45)
Credits and payments made	(746)	(765)	(884)	(2,395)
Balance as of June 30, 2024	<u>\$ 1,117</u>	<u>\$ 6,686</u>	<u>\$ 61</u>	<u>\$ 7,864</u>
Balance as of December 31, 2022	\$ 1,358	\$ 3,718	\$ 415	\$ 5,491
Provision related to sales in the current year	1,213	2,095	262	3,570
Adjustments related to prior period sales	(213)	136	—	(77)
Credits and payments made	(1,463)	(1,536)	(360)	(3,359)
Balance as of June 30, 2023	<u>\$ 895</u>	<u>\$ 4,413</u>	<u>\$ 317</u>	<u>\$ 5,625</u>

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 June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Customer A	38 %	15 %	40 %	17 %
Customer B	26 %	15 %	30 %	15 %
Customer C	21 %	11 %	15 %	13 %
Customer D	0 %	21 %	0 %	16 %

On June 15, 2017, the Company entered into a distributor agreement with Telcon RF Pharmaceutical, Inc., or Telcon, pursuant to which it granted Telcon exclusive rights to the Company's prescription grade L-glutamine ("PGLG") oral powder for the treatment of diverticulosis in South Korea, Japan and China in exchange for Telcon's payment of a \$10 million upfront fee and agreement to purchase from the Company specified minimum quantities of the PGLG. Telcon had the right to terminate the distributor agreement in certain circumstances for failure to obtain such product registrations, in which event the Company is obliged to repay Telcon the \$10 million upfront fee. In January, 2023, Telcon terminated the distributor agreement, and the upfront fee of \$10 million is included as unearned revenue in other current liabilities as of June 30, 2024 and December 31, 2023. See Notes 5, 6 and 11 and for additional details of the Company's agreements with Telcon.

NOTE 4 — SELECTED FINANCIAL STATEMENT — ASSETS

Inventories consisted of the following (in thousands):

	June 30, 2024	December 31, 2023
Raw materials and components	\$ 1,266	\$ 1,329
Work-in-process	285	186
Finished goods	5,059	5,163
Inventory reserve	(4,982)	(4,967)
Total inventories, net	<u>\$ 1,628</u>	<u>\$ 1,711</u>

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

	June 30, 2024	December 31, 2023
Prepaid insurance	\$ 328	\$ 595
Prepaid expenses	279	536
Other current assets	654	596
Total prepaid expenses and other current assets	<u>\$ 1,261</u>	<u>\$ 1,727</u>

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

	June 30, 2024	December 31, 2023
Equipment	\$ 386	\$ 383
Leasehold improvements	39	39
Furniture and fixtures	99	99
Total property and equipment	524	521
Less: accumulated depreciation	(470)	(462)
Total property and equipment, net	<u>\$ 54</u>	<u>\$ 59</u>

For the three months ended June 30, 2024 and 2023, depreciation expense was approximately \$6,000 and \$9,000, respectively. For the six months ended June 30, 2024 and 2023, the depreciation expense was approximately \$12,000 and \$18,000, respectively.

NOTE 5 — INVESTMENTS

Investment in convertible bond - On September 28, 2020, the Company entered into a convertible bond purchase agreement pursuant to which it purchased at face value a convertible bond of Telcon in the principal amount of approximately \$26.1 million which matures on October 16, 2030 and bears interest at the rate of 2.1% per year, payable quarterly. Beginning October 16, 2021, the Company became entitled on a quarterly basis to call for early redemption of all or any portion of the principal amount of the convertible bond. The convertible bond is convertible at the holder's option at any time and from time to time into common shares of Telcon at an initial conversion price of KRW9,232, or approximately \$8.00 per share. The initial conversion price is subject to downward adjustment monthly based on the volume-weighted average market price of Telcon shares as reported on Korean Securities Dealers Automated Quotations Market and in the event of the issuance of Telcon shares or share equivalents at a price below the market price of Telcon shares and to customary antidilution adjustments upon a merger or similar reorganization of Telcon or a stock split, reverse stock split, stock dividend or similar event. As of June 30, 2024 and December 31, 2023, the principal amount of the convertible note was KRW20.1 billion and KRW 23.6 billion, or approximately \$14.7 million and \$18.2 million, respectively. The conversion price as of June 30, 2024 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 binominal lattice model. The model produces an estimated fair value based on changes in the price of the underlying common stock over successive periods of time.

The revised API agreement with Telcon described in Note 6 provides for target annual revenue of more than \$5 million and annual "profit" (*i.e.*, sales margin) to Telcon of \$2.5 million. To the extent these targets are not met, which management refers to as a "target shortfall," Telcon may be entitled to payment of the target shortfall or to settle the target shortfall by exchange of principal and interest on the Telcon convertible bond and proceeds thereof that are pledged as a collateral to secure the Company's obligations under the API Supply Agreement and the revised API Agreement.

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

In April 2024, Telcon offset KRW3.5 billion, or approximately \$2.5 million, against the principal amount of the Telcon convertible bond and we released KRW893 million, or approximately \$640,000, in cash proceeds to Telcon in satisfaction the target shortfall for the year ended 2023. As a result, the Company realized a net loss on investment in convertible bond of \$347,000, which previously was classified as unrealized gain on debt securities available-for-sale in the other comprehensive loss.

The following table sets forth the fair value and changes in fair value of the investment in the Telcon convertible bond as of June 30, 2024 and December 31, 2023 (in thousands):

Investment in convertible bond	June 30, 2024	December 31, 2023
Balance, beginning of period	\$ 20,978	\$ 19,971
Sales of convertible bond	(2,508)	(2,232)
Net gain (loss) on investment on convertible bond	(347)	106
Change in fair value included in the statement of other comprehensive income	(3,461)	3,133
Balance, end of period	<u>\$ 14,662</u>	<u>\$ 20,978</u>

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

	June 30, 2024	December 31, 2023
Principal outstanding (South Korean won)	KRW 20.1 billion	KRW 23.6 billion
Stock price	KRW727	KRW 873
Expected life (in years)	6.29	6.79
Selected yield	14.50 %	12.25 %
Expected volatility (Telcon common stock)	65.60 %	71.90 %
Risk-free interest rate (South Korea government bond)	3.22 %	3.16 %
Expected dividend yield	—	—
Conversion price	KRW705(US\$0.51)	KRW705(US\$0.54)

Equity method investment – In 2018, the Company and Japan Industrial Partners, Inc., or JIP, formed EJ Holdings, Inc., or EJ Holdings, to acquire, own and operate a former amino acids manufacturing facility in Ube, Japan. In connection with the formation, the Company invested approximately \$32,000 in exchange for 40% of EJ Holdings' capital shares. JIP owned 60% of EJ Holdings' capital 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 bearing interest at the rate of 1%, payable annually. The loan proceeds were used by EJ Holdings to purchase the Ube facility in December 2019 and pay related taxes. One half of the principal amount of the loan (JPY 1,818,667,860) becomes due and payable on December 28, 2027 and the remaining principal balance become

due on September 30, 2028. During the year ended December 31, 2023, the Company made additional loans to EJ Holdings of \$2.6 million. The Company suspended any further loans to EJ Holdings in August 2023.

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 be dependent on loans from other financing unless and until its plant is activated and it can secure customers for its products. There is no assurance that needed funding will be available from other sources. 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, or approximately the end of 2024. In such event, it is likely that EJ Holdings would be unable to pay some or all the Company's loans.

On December 28, 2023, the Company sold and assigned its EJ Holdings shares at their cost of JPY3.6 million or US\$25,304 to Niihara International, Inc., which was formed by Yutaka Niihara, M.D., Ph. D., the former Chairman and Chief Executive Officer of the Company and a principal stockholder of the Company. In connection with the sale and assignment, the Company derecognized its investment in EJ Holdings, including \$1.5 million of currency translation adjustments recorded in other comprehensive loss. As of June 30, 2024 and December 31, 2023, the loan receivable from EJ Holdings was \$25.8 million. The net loan receivable from EJ Holdings was \$16.9 million as reflected in net loan receivable from EJ Holdings as contra-equity on the condensed consolidated balance sheets.

NOTE 6 — SELECTED FINANCIAL STATEMENT - LIABILITIES

Accounts payable and accrued expenses consisted of the following at June 30, 2024 and December 31, 2023 (in thousands):

	June 30, 2024	December 31, 2023
Accounts payable:		
Clinical and regulatory expenses	\$ 749	\$ 696
Professional fees	874	721
Selling expenses	2,253	1,498
Manufacturing costs	737	914
Non-employee director compensation	912	766
Other vendors	1,689	1,292
Total accounts payable	7,214	5,887
Accrued interest payable, related parties	705	542
Accrued interest payable	2,838	3,122
Accrued expenses:		
Payroll expenses	1,141	1,270
Government rebates and other rebates	6,938	5,881
Due to customers	—	844
Other accrued expenses	84	179
Total accrued expenses	8,163	8,174
Total accounts payable and accrued expenses	\$ 18,920	\$ 17,725

Other current liabilities consisted of the following at June 30, 2024 and December 31, 2023 (in thousands):

	June 30, 2024	December 31, 2023
Trade discount	\$ 3,000	\$ 3,000
Unearned revenue (a)	10,000	10,000
Other current liabilities	1,353	1,681
Total other current liabilities	\$ 14,353	\$ 14,681

(a) Refer to Note 3 for information regarding to the unearned revenue.

Other long-term liabilities consisted of the following at June 30, 2024 and December 31, 2023 (in thousands):

	June 30, 2024	December 31, 2023
Trade discount	\$ 15,327	\$ 17,324
Other long-term liabilities	43	39
Total other long-term liabilities	\$ 15,370	\$ 17,363

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 \$368,000 and \$388,000 of PGLG from Telcon for six months ended June 30, 2024 and 2023, respectively, of which \$511,000 and \$962,000 were reflected in accounts payable as of June 30, 2024 and December 31, 2023, 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 of the target shortfall.

NOTE 7 — NOTES PAYABLE

Notes payable consisted of the following at June 30, 2024 and December 31, 2023 (in thousands except for number of underlying shares):

Year Issued	Interest Rate Range	Term of Notes	Conversion Price	Principal Outstanding June 30, 2024	Unamortized Discount June 30, 2024	Carrying Amount June 30, 2024	Underlying Shares June 30, 2024
Notes payable							
2013	10%	Due on demand	—	\$ 621	\$ —	\$ 621	—
2022	10%-12%	Due on demand	—	1,249	—	1,249	—
2023	11%-40%	Due on demand - 32 weeks	—	3,833	11	3,822	—
2024	30%	2 month	—	2,245	58	2,187	—
				\$ 7,948	\$ 69	\$ 7,879	—
		Current		\$ 7,948	\$ 69	\$ 7,879	—
Notes payable - related parties							
2020	12%	Due on demand	—	100	—	100	—
2021	12%	Due on demand	—	700	—	700	—
2022	10%-12%	Due on demand - 5 years	—	3,716	85	3,631	—
2023	10%-60%	Due on demand - 2 month	—	577	—	577	—
				\$ 5,093	\$ 85	\$ 5,008	—
		Current		\$ 2,772	\$ —	\$ 2,772	—
		Non-current		\$ 2,321	\$ 85	\$ 2,236	—
Convertible notes payable							
2021	10%	Due on demand	\$ 0.13 (b)	1,120	—	1,120	10,444,856
2023	12%	6 months	\$ 10.00 (a)	3,150	—	3,150	357,745
2023	10%	1 year	\$ 0.29	1,000	1	999	3,731,695
2024	10%	1 year	\$ 0.13	11,060	—	11,060	88,778,279
				\$ 16,330	\$ 1	\$ 16,329	103,312,575
		Current		\$ 16,330	\$ 1	\$ 16,329	103,312,575
		Total		\$ 29,371	\$ 154	\$ 29,217	103,312,575

Year Issued	Interest Rate Range	Term of Notes	Conversion Price	Principal Outstanding December 31, 2023	Unamortized Discount December 31, 2023	Carrying Amount December 31, 2023	Underlying Shares December 31, 2023
Notes payable							
2013	10%	Due on demand	—	\$ 709	\$ —	\$ 709	—
2022	10% - 12%	Due on demand	—	1,284	—	1,284	—
2023	10% - 57%	Due on demand - 56 months	—	6,337	115	6,222	—
				\$ 8,330	\$ 115	\$ 8,215	—
		Current		\$ 8,330	\$ 115	\$ 8,215	—
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	—	3,716	95	3,621	—
2023	10%-60%	Due on demand - 2 months	—	927	—	927	—
				\$ 5,443	\$ 95	\$ 5,348	—
		Current		\$ 3,122	\$ —	\$ 3,122	—
		Non-current		\$ 2,321	\$ 95	\$ 2,226	—
Convertible notes payable							
2021	2%	3 years	\$ 0.13	12,640	407	12,233	113,009,154
2023	13%	Due on demand	\$ 10.00 (a)	3,150	—	3,150	337,326
2023	10%	1 year	\$ 0.29	1,000	—	1,000	3,559,754
				\$ 16,790	\$ 407	\$ 16,383	\$ 116,906,234
		Current		\$ 16,790	\$ 407	\$ 16,383	\$ 116,906,234
		Total		\$ 30,563	\$ 617	\$ 29,946	\$ 116,906,234

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

(b) The stated interest for the notes was 2%. As the loan is default as of March 31, 2024, the default interest rate is applicable.

The weighted-average stated annual interest rate of notes payable was 13% and 12% for the periods ended June 30, 2024 and December 31, 2023, respectively. The weighted-average effective annual interest rate of notes payable as of June 30, 2024 and December 31, 2023 was 14% and 23%, respectively, after giving effect to discounts relating to conversion features, warrants and deferred financing costs relating to the notes.

As of June 30, 2024, future contractual principal payments due on notes payable were as follows (in thousands):

Year Ending	
2024 (six months)	\$ 27,050
2025	—
2026	—
2027	2,321
Total	<u>\$ 29,371</u>

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

Commencing one year from the original issue date, the convertible promissory notes became convertible at the option of the holder into shares of the Company's common stock at an initial conversion price of \$1.48 per share, which equaled the "Average VWAP" (as defined) of the Company's common stock on the effective date. The initial conversion price is subject to adjustment as of the end of each three-month period following the original issue date, commencing May 31, 2021, to equal the Average VWAP as of the end of such three-month period if such Average VWAP is less than the then-conversion price. There is no floor on the conversion price. The conversion price will be subject to further adjustment in the event of a stock split, reverse stock split or certain other events specified in the convertible promissory notes. In January 2023, \$500,000 principal amount of the convertible promissory notes was converted into 1,351,351 shares of the Company's common stock. In April 2023, \$1 million principal amount of the convertible promissory note was converted into 2,702,702 shares of common stock. In February 2024, the Company repaid \$200,000 principal amount and accrued interests to two of the note holders. In April 2024, \$260,000 principal amount and its accrued interest was converted into 2,019,608 shares of the Company's stock. As of June 30, 2024, the conversion price was \$0.09 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.

In February and March 2024, Company entered into Exchange Agreements (the "Exchange Notes") with certain convertible notes holders pursuant to which it agreed to issue total of \$11.1 million principal amount of convertible promissory notes of the company due one year from issuance of the Exchange Notes in exchange for the surrender for cancellation and satisfaction in full of a like principal amount of our outstanding convertible promissory notes due in 2024. The surrendered notes bore interest at the annual rate of 2%, payable semi-annually, and were convertible at the election of the holder into shares of the Company's common stock at the conversion rate of \$0.13 per share. The Exchange Notes bear interest at the annual rate of 10% and are convertible into shares of the Company's common stock at an initial conversion rate of \$0.13 per share, subject to decrease, but not increase, at the end of each three-month period from issuance to equal the VWAP (as defined) of the Company's common stock and to adjustment in the event of a stock split, reverse stock split and similar events. The principal amount of and accrued interest on the Exchange Notes will be payable in two equal semi-annual installments. No additional consideration was paid in connection with the exchange. The convertible promissory notes are general, unsecured obligations of the Company. Management evaluated if the transaction qualified as troubled debt restructuring under ASC 470-60. Since the Company was experiencing financial difficulty and the effective borrowing rate on the restructured debt is less than the effective borrowing rate on the original debt, this transaction was accounted for a troubled debt restructuring. As a result, the Company recorded gain on restructured debt of \$1.0 million in the condensed consolidated statements of operations.

The conversion feature of the convertible promissory notes and the Exchange Notes is separately accounted for at fair value as a derivative liability under guidance in ASC 815 that is remeasured at fair value on a recurring basis using Level 3 inputs, with any changes in the fair value of the conversion feature liability recorded in the condensed consolidated statements of operations. The following table sets forth the fair value of the conversion feature liability as of June 30, 2024 and December 31, 2023 (in thousands):

Convertible promissory notes	June 30, 2024	December 31, 2023
Balance, beginning of period	\$ 451	\$ 3,248
Change in fair value included in the statement of operations	2,348	(2,797)
Balance, end of period	<u>\$ 2,799</u>	<u>\$ 451</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 June 30, 2024 and December 31, 2023 was based upon following assumptions:

Convertible promissory notes	June 30, 2024	December 31, 2023
Stock price	\$ 0.10	\$ 0.10
Conversion price	\$ 0.09	\$ 0.13
Selected yield	29.83 %	27.23 %
Expected volatility	50 %	50 %
Time until maturity (in years)	0.65	0.16
Dividend yield	—	—
Risk-free rate	5.26 %	5.51 %

In July 2022, Dr. Niihara 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 will be 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.

In December 2022, the Company entered into an Agreement for the Purchase and Sales of Future Receipts with a third party pursuant to which it sells \$3,105,000 of future receipts (the "Purchased Amount") in exchange for net proceeds of \$2,300,000. Under the agreement, the Company agrees to pay \$103,500 on a semi-monthly basis until the Purchased Amount is delivered. The portion of proceeds were used to prepay indebtedness of the Company under the Standard Merchant Cash Advance Agreements referred to above. In September 2023, the Company repaid in full the outstanding balance of the loan and recognized debt extinguishment loss of \$312,000 as the Company entered into another agreement discussed below.

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

In March 2023, Emmaus Medical entered into Revenue Purchase Agreement with a third party pursuant to which it sold and assigned \$700,212 of future receipts (the "Future Receipts") in exchange for net cash proceeds of \$491,933. Under the agreement, the Company agreed to pay the third party 4% of weekly sales receipts until the Future Receipts have been collected. In July 2023, Emmaus Medical reentered into a new Revenue Purchase Agreement pursuant to which it sold and assigned \$828,000 of future receipt in exchange for repayment of \$204,000 indebtedness from the previous agreement and net cash proceeds of approximately \$300,000. Under the new agreement, the Company agreed to pay the third party approximately \$26,000 weekly until the Future Receipts have been collected. The Company recognized debt extinguishment loss of \$81,000. In February 2024, the Company repaid the balance under the new Revenue Purchase Agreement.

In March 2023, Emmaus Medical entered into Revenue Based Financing Agreement with a third party pursuant to which it sold and assigned \$700,212 of future receipt in exchange for net proceeds of \$492,132. Under the agreement, the Company agreed to pay the third party approximately \$22,000 weekly until the Future Receipts have been collected. In July 2023, Emmaus Medical reentered into a new Revenue Based Financing Agreement pursuant to which it sold and assigned \$828,000 of future receipt in exchange for repayment of \$222,000 indebtedness under the previous agreement and net cash proceeds of approximately \$276,000. Under the new agreement, the Company agreed to pay the third party approximately \$26,000 weekly until the Future Receipts have

been collected. The Company recognized debt extinguishment loss of \$87,000. In March 2024, the Company repaid the balance under the Revenue Based Financing Agreement.

In May 2023, Emmaus Medical entered into Sale of Future Receipts Agreement with third party pursuant to which it sold and assigned \$528,200 of future receipts (the "Purchased Amount") in exchange for net cash proceeds of \$368,600. Under the agreement, the Company agreed to pay the third party approximately \$19,000 weekly until the Purchased Amount has been collected. In September 2023, the Company repaid in full the outstanding balance of the loan and recognized debt extinguishment loss of \$43,000 as the Company entered into another agreement discussed below.

In June 2023, Emmaus Medical entered into Standard Merchant Cash Advance Agreement with a third party pursuant to which it sold and assigned \$877,560 of future receipts (the "Purchased Amount") in exchange for net cash proceeds of \$600,000. Under the agreement, the Company agreed to pay the third party approximately \$34,000 weekly until the Purchased Amount has been collected. In September 2023, the Company repaid in full the outstanding balance of the loan and recognized debt extinguishment loss of \$124,000 as the Company entered into another agreement discussed below.

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

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

On March 5, 2024, the conversion feature of the convertible promissory note no longer met the scope exception in ASC 815-10-15-70(a) as the investors' Rule 144(d) holding period for the Company has ended and separately accounted for at fair value as a derivative liability that is remeasured at fair value on a recurring basis using Level 3 inputs, with any changes in fair value of the conversion feature liability recorded in the condensed consolidated statements of operations. As of June 30, 2024 and March 5, 2024, the fair value of the conversion feature was \$1,000 and \$2,000, respectively.

The fair value of conversion feature liability is determined using a convertible bond lattice model. The model produces an estimated fair value based on changes in the price of the underlying common stock over successive period of time. The following table presents the assumptions used to value the conversion features:

Smart Start Convertible Note	June 30, 2024		March 5, 2024	
Stock price	\$	0.10	\$	0.10
Conversion price	\$	0.29	\$	0.29
Selected yield		30.78 %		25.75 %
Expected volatility		50 %		50 %
Time until maturity (in years)		0.18		0.50
Dividend yield		—		—
Risk-free rate		5.48 %		5.35 %

In October 2023, Emmaus Medical entered into Purchase and Sale of Future Receivables Agreement with a third party pursuant to which it sold and assigned \$1,377,500 of future receipt (the "Purchased Amount") in exchange for net cash proceeds of \$875,000. Under the agreement, the Company agreed to pay the third party approximately \$81,000 weekly until the Purchase Amount has collected. In February 2024, the Company repaid the balance under the Purchase and Sale of Future Receivables Agreement.

In November 2023, Emmaus Medical entered into Agreement for the Purchase and Sale of Future Receipts with a third party pursuant to which it sold and assigned \$762,200 of future receipts (the "Purchase Amount") in exchange for net cash proceeds of \$468,650. Under the agreement, the Company agreed to pay the third party approximately \$49,000 weekly until the Purchase Amount has been collected. In March 2024, the Company repaid the balance under the Purchase and Sale of Future Receivables Agreement.

In December 2023, Wei Peu Zen, a director of the Company, loaned the Company \$700,000. The loan was due in two months and bears interest at the rate of 5% per month. In February 2024, the Company repaid \$350,000 in principal plus accrued interest on the loan.

Beginning in February 2024 two related holders of demand promissory notes of the Company in the aggregate principal amount of approximately \$2.8 million demanded repayment of the notes plus accrued interest. The Company has acknowledged its indebtedness to the holders and intends to seek to enter into a plan to repay the notes in installments. To date, the parties have not reached an agreement with respect to repayment of the notes.

In March 2024, Smart Start Investments Limited, of which Wei Peu Zen, a director of the Company is a director and 9.96% shareholder, loaned the Company the principal amount of \$1,400,000. The loan was due in two months and bears interest at the rate of 2.5% per month. As of May 2024, the loan became due on demand.

In May 2024, Emmaus Medical entered into Sale of Future Receipts Agreement with third party pursuant to which it sold and assigned \$1,628,000 of future receipts (the "Purchased Amount") in exchange for net cash proceeds of \$1,001,000. Under the agreement, the Company agreed to pay the third party approximately \$58,143 weekly until the Purchased Amount has been collected.

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

NOTE 8 — STOCKHOLDERS' DEFICIT

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

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 a comparative publicly traded securities. For the six months ended June 30, 2023, the Company recognized \$1.2 million of shared-based compensation. Under ASC 480-10 and ASC 815, the warrants are classified as a liability. For the three and six months ended June 30, 2023, the Company recorded the changes in fair value of approximately \$304,000 and \$286,000, respectively in the condensed consolidated statements of operations. The warrant expired by its terms in November 2023.

On January 12, 2023, the Company granted two consultants to the Company five-year warrants to purchase up to 250,000 shares of common stock each at the exercise price of \$0.50 a share. On January 27, 2023, the Company also granted a consulting company a five-year warrant to purchase up to 500,000 shares of common stock at an exercise price of \$0.47 a share. The warrants are subject to adjustment in the event of a stock split, reverse stock split and similar events. The fair value of the warrants was determined using the Black-Scholes Merton option pricing model. The fair value of the underlying shares was determined based upon the market value of the common stock. The expected volatility was adjusted using the historical volatility of the common stock and the market price of comparable public traded securities. The estimated fair value of \$334,000 was recorded as professional services in general and administrative expenses in the condensed consolidated statement of operations when the warrants were granted. Under ASC 480-10 and ASC 815, the warrants are classified as a liability. For the three months ended June 30, 2024 and 2023, the Company recorded the change in fair value of approximately \$5,000 and \$61,000, respectively, and for the six months ended June 30, 2024 and 2023, the Company recorded the change in fair value of approximately (\$3,000) and \$155,000, respectively, in the condensed consolidated statements of operations.

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

	June 30, 2024	December 31, 2023	June 30, 2023
Stock price	\$ 0.10	\$ 0.10	\$ 0.23
Exercise price	\$0.47 - \$0.50	\$0.47 - \$0.50	\$0.47 - \$4.50
Expected term	3.53-3.58 years	4.03-4.24 years	4.11-4.58 years
Risk-free rate	4.47%	3.90%-3.92%	4.21%-4.58%
Dividend yield	—	—	—
Volatility	144.42% - 145.16%	129.40%-130.23%	128.78%-134.9%

A summary of outstanding warrants as of June 30, 2024 and December 31, 2023 is presented below:

	June 30, 2024		December 31, 2023	
	Number of Warrants	Weighted-Average Exercise Price	Number of Warrants	Weighted-Average Exercise Price
Warrants outstanding, beginning of period	4,732,391	\$ 0.95	6,610,520	\$ 2.22
Granted	—	—	8,500,000	4.03
Exercised	—	—	—	—
Cancelled, forfeited or expired	(32,391)	6.12	(10,378,129)	4.23
Warrants outstanding, end of period	4,700,000	\$ 0.92	4,732,391	\$ 0.95
Warrants exercisable end of period	4,700,000	\$ 0.92	4,732,391	\$ 0.95

As of June 30, 2024, the weighted-average remaining contractual life of outstanding warrants was 1.6 years.

Stock options— The Company's former 2011 Stock Incentive Plan permitted grants of incentive stock options to employees, including executive officers, and other share-based awards such as stock appreciation rights, restricted stock, stock units, stock bonus and unrestricted stock awards to employees, directors, and consultants for up to 9,000,000 shares of common stock. Options granted under the 2011 Stock Incentive Plan generally expire ten years after grant. Options granted to directors vest in quarterly installments and all other option grants vest over a minimum period of three years, in each case, subject to continuous service with the Company. The 2011 Stock Incentive Plan expired in May 2021 and no further awards may be made under the Plan. As of June 30, 2024 and December 31, 2023, stock options to purchase up to 1,476,443, and 1,728,773 shares, respectively were outstanding under the 2011 Stock Incentive Plan.

The Company also formerly had an Amended and Restated 2012 Omnibus Incentive Compensation Plan under which the Company could grant incentive stock options and non-qualified stock option to selected employees including officers, non-employee consultants and non-employee directors. The Plan was terminated in September 2021. As of June 30, 2024 and December 31, 2023, stock options to purchase up to 245,108 share were outstanding under the Amended and Restated 2012 Omnibus Incentive Plan.

On September 29, 2021, the Board of Directors of the Company adopted the Emmaus Life Sciences, Inc. 2021 Stock Incentive Plan upon the recommendation of the Compensation Committee of the Board. The 2021 Stock Incentive Plan was approved by stockholders on November 23, 2021. No more than 4,000,000 shares of common stock may be issued pursuant to awards under the 2021 Stock Incentive Plan. The number of shares available for Awards, as well as the terms of outstanding awards, is subject to adjustment as provided in the 2021 Stock Incentive Plan for stock splits, stock dividends, reverse stock splits, recapitalizations and other similar events. During the six months ended June 30, 2024, the Company granted options to purchase 1,620,000 shares, 300,000 shares and 440,000 shares of common stock to employees, non-employee directors and consultants, respectively. All options are exercisable for ten years from the date of grant and will vest and become exercisable with respect to the underlying shares over three years for employees, one year for non-employee directors and immediately for the consultant. As of June 30, 2024 and December 31, 2023, stock options to purchase up to 3,610,000 and 1,250,000 shares, respectively, 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 common stock. The expected volatility was adjusted using the historical volatility of the common stock and a comparable public traded securities. The following table presents the assumptions used on the recent dates on which options were granted by the Company. The risk-free interest rate is based on the implied yield available on U.S. Treasury issues with a term approximating the expected life of the options depending on the date of the grant and expected life of the respective options.

	January 2024	January 2023
Stock Price	\$ 0.11	\$ 0.31
Exercise Price	\$ 0.15	\$ 4.50
Expected term	5-5.75 years	5-6 years
Risk-Free Rate	3.80-3.81%	3.51-3.53%
Dividend Yield	—	—
Volatility	127.39-136.00%	108.16-116.40%

A summary of outstanding stock options as of June 30, 2024 and December 31, 2023 is presented below:

	June 30, 2024		December 31, 2023	
	Number of Options	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price
Options outstanding, beginning of period	3,223,881	\$ 5.97	4,660,787	\$ 5.08
Granted or deemed granted	2,360,000	\$ 0.15	1,250,000	\$ 4.50
Exercised	—	\$ —	—	\$ —
Cancelled, forfeited and expired	(252,330)	\$ 3.20	(2,686,906)	\$ 3.74
Options outstanding, end of period	5,331,551	\$ 3.52	3,223,881	\$ 5.97
Options exercisable, end of period	4,530,051	\$ 3.65	2,373,881	\$ 6.50
Options available for future grant	360,000		2,750,000	

During the three months ended June 30, 2024 and June 30, 2023, the Company recognized approximately \$29,000 and \$25,000, respectively of share-based compensation expense related to stock options. During the six months ended June 30, 2024 and June 30, 2023, the Company recognized approximately \$199,000 and \$63,000, respectively, of share-based compensation expense. As of June 30, 2024, there was approximately \$112,000 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 1.24 year.

Amended and Restated Warrants – The Company evaluated its outstanding amended and restated warrants to purchase up to 2,375,000 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 June 30, 2024 and 2023, the Company recorded a provision for state income tax of \$31,000 and benefit of \$34,000, respectively. For the six months ended June 30, 2024 and 2023, the Company recorded an income tax provision of \$24,000 and \$15,000, respectively. The Company did not record a provision for federal income tax due to its net operating loss carryforwards. The Company established a full valuation allowance against its federal and state deferred tax assets and there was no unrecognized tax benefit as of June 30, 2024 or December 31, 2023.

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 \$87,514 per month, which lease will expire on September 30, 2026. In addition, the Company leases 1,163 square feet of office space in Dubai, United Arab Emirates, which lease will expire on June 19, 2026.

The lease expense during the three months ended June 30, 2024 and 2023 was approximately \$289,000 and \$307,000, respectively, and during the six months ended June 30, 2024 and 2023, was approximately \$590,000 and \$587,000, respectively.

Future minimum lease payments under the lease agreements were as follows as of June 30, 2024 (in thousands):

	Amount
2024 (six months)	\$ 554
2025	1,132
2026	846
Total lease payments	2,532
Less: Interest	307
Present value of lease liabilities	\$ 2,225

As of June 30, 2024, the Company had an operating lease right-of-use asset of \$1.9 million and lease liability of \$2.2 million reflected on the condensed consolidated balance sheet. The weighted average remaining term of the Company's leases as of June 30, 2024 was 2.2 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 of PGLG 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 collateral to secure our obligations. In September 2018, the Company entered into an agreement with Ajinomoto Health and Nutrition North America, Inc. ("Ajinomoto"), the producer of the PGLG, and Telcon to facilitate Telcon's purchase of PGLG from Ajinomoto for resale to the Company under the revised API agreement. The PGLG raw material purchased from Telcon is recorded in inventory at net realizable value and the excess purchase price is recorded against deferred trade discount. Refer to Notes 5 and 6 for more information.

NOTE 12 — RELATED PARTY TRANSACTIONS

The following table sets forth information relating to loans from related parties outstanding at any time during the six months ended June 30, 2024 (in thousands):

Class	Lender	Interest Rate	Date of Loan	Term of Loan	Principal Amount Outstanding at June 30, 2024	Highest Principal Outstanding	Amount of Principal Repaid or Converted to Shares	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	—	24
	Yutaka and Soomi Niihara(1)	10%	8/16/2022	5 years	250	250	—	13
	Yutaka and Soomi Niihara(1)	10%	8/16/2022	5 years	1,669	1,669	—	83
	Hope International Hospice, Inc. (1)	10%	8/17/2022	Due on Demand	50	50	—	—
	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	—	—
	Wei Peu Zen(2)	60%	12/1/2023	2 months	350	700	350	70
Subtotal					\$ 5,093	\$ 5,443	\$ 350	\$ 190
Total					\$ 5,093	\$ 5,443	\$ 350	\$ 190

The following table sets forth information relating to loans from related parties outstanding at any time during the year ended December 31, 2023:

Class	Lender	Interest Rate	Date of Loan	Term of Loan	Principal Amount Outstanding at December 31, 2023	Highest Principal Outstanding	Amount of Principal Repaid or Converted to Shares	Amount of Interest Paid
Current, Promissory note payable to related parties:								
	Willis C. 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)	12%	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)	10%	3/15/2022	Due on Demand	150	150	—	—
	Hope International Hospice, Inc. (1)	10%	3/30/2022	Due on Demand	150	150	—	—
	Wei Peu Zen(2)	10%	3/31/2022	Due on Demand	200	200	—	—
	Willis C. Lee(2)	10%	4/14/2022	Due on Demand	45	45	—	—
	Hope International Hospice, Inc. (1)	12%	5/25/2022	Due on Demand	40	40	—	—
	Yutaka and Soomi Niihara(1)	12%	7/27/2022	5 years	402	402	—	48
	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	—	25
	Yutaka and Soomi Niihara(1)	10%	8/16/2022	5 years	1,669	1,669	—	167
	Hope International Hospice, Inc. (1)	12%	8/17/2022	Due on Demand	50	50	—	—
	Yutaka and Soomi Niihara(1)	10%	8/17/2022	Due on Demand	—	60	60	6
	Seah Lim(2)	10%	9/16/2022	3 years	—	1,200	1,200	90
	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	—	—
	Wei Peu Zen(2)	60%	12/1/2023	2 months	700	700	—	—
				Subtotal	\$ 5,443	\$ 6,753	\$ 1,310	\$ 338
Convertible note payable to related parties:								
	Wei Peu Zen(2)	10%	1/18/2023	1 - 2 years	—	1,000	1,000	91
				Subtotal	\$ —	\$ 1,000	\$ 1,000	\$ 91
				Total	\$ 5,443	\$ 7,753	\$ 2,310	\$ 429

- (1) Dr. Niihara, a former Director and former 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 Note 7 for more information on recent developments with respect to certain related-party loans.

See Notes 5, 6 and 11 for a discussion of the Company's agreements with Telcon, which holds 4,147,491 shares of common stock of the Company, or approximately 6.5% of the common stock outstanding as of June 30, 2024. As of June 30, 2024, the Company held a Telcon convertible bond in the principal amount of KRW 20.1 billion, or approximately \$14.7 million as discussed in Note 5.

NOTE 13 — SUBSEQUENT EVENTS

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

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

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

Forward-Looking Statements

This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the audited consolidated financial statements and the related notes included in our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the Securities and Exchange Commission ("SEC") on July 3, 2024 (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 only product, Endari® (prescription-grade L-glutamine oral powder) is approved by the U.S. Food and Drug Administration, or FDA, to reduce the acute complications of sickle cell disease ("SCD"), in adult and pediatric patients five years of age and older. In April 2022, Endari® was approved by the Ministry of Health and Prevention in the United Arab Emirates, or U.A.E, in adults and pediatric patients five years of age and older. In November and December of 2022, we received marketing authorizations for Endari® in Qatar and Kuwait, respectively. In July 2023, we received marketing approval for Endari® in Oman. Applications for marketing authorization in other Gulf Cooperation Council, or GCC, countries are pending. While the applications are pending, the FDA approval of Endari® can be referenced to allow access to Endari® on a named-patient basis.

Until August 2024, Endari® was marketed and sold in the U.S. by our internal commercial sales team. In August 2024, we reduced our reliance on our internal sales team, which we do not expect to adversely affect our Endari® sales. 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.

As of June 30, 2024, our accumulated deficit was \$262.7 million and we had cash and cash equivalents of \$1.5 million. Until we can generate sufficient net revenues from Endari® sales, our future cash requirements are expected to be financed through loans from related parties, third-party loans, public or private equity or debt financings or possible corporate collaboration and licensing arrangements. We are unable to predict if or when we will become profitable.

Financial Overview

Revenues, net

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

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

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

Sales Discounts: We afford our customers prompt payment discounts and additional discounts to encourage bulk orders to generate needed working capital.

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

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

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

Cost of Goods Sold

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

Research and Development Expenses

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

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

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

Due to the inherently unpredictable nature of the drug approval process and applicable regulatory requirements, we are unable to estimate the amount of costs of obtaining regulatory approvals of Endari® outside of the U.S. or the development of our

other preclinical and clinical programs. In September 2023, we suspended most preclinical activities related to our product candidates to focus on commercial expansion of Endari® in the U.S. and the MENA region. Clinical development timelines, the probability of success and development costs can differ materially from expectations and can vary widely. These and other risks and uncertainties relating to product development are described in the Annual Report under the headings “Risk Factors—Risks Related to Our Business” and “Risk Factors—Risks Related to Regulatory Oversight of our Business and Compliance with Law.”

General and Administrative Expense

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

Selling Expenses

Selling expenses consist principally of salaries and related costs for personnel involved in the promotion, sales, and marketing of Endari®. Other selling expenses include advertising, third party consulting costs, the cost of in-house sales personnel and travel-related costs. We expect selling expenses to decrease due to reduction in sales force as exclusivity of Endari® in the U.S. expires in July 2024.

COVID-19

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

Inflation

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

Environmental Expenses

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

Inventories

Inventories consist of raw materials, finished goods and work-in-process and are valued on a first-in, first-out basis and at the lower of cost or net realizable value. Substantially all raw materials purchased during each of the six months ended June 30, 2024 and 2023 were supplied by one supplier.

Results of Operations:

Three months ended June 30, 2024 and 2023

Net Revenues. Net revenues decreased by \$5.4 million, or 50%, to \$5.4 million for the three months ended June 30, 2024, compared to 10.8 million for the three months ended June 30, 2023 due to a shortage of finished goods inventory attributable to previously reported delays by our sole packager in producing additional finished goods originally scheduled for December 2023. The shortage extended into the second quarter as well, and had a severe, adverse effect on our sales for the second quarter as compared to the same period in 2023. The packaging delays were resolved and in June 2024 we began fulfilling our order backlog of approximately \$4.6 million as of May 24, 2024. In mid-July, however, we experienced a second, one-month interruption in supply due

to the imposition and implementation of new FDA inventory tracking requirements, which interruption is expected to have a material, adverse effect on our sales for the third quarter as compared to the same period in 2023. Absent further unexpected supply interruptions, and depending on the effect on sales of the launch of the competing generic L-Glutamine Oral Powder discussed below, we expect that sales in the fourth quarter will rebound to levels experienced prior to the shortage, but sales for the full year are not expected to meet or exceed sales for the full year 2023. In the meantime, we are seeking additional sources of packaging in the U.S. and in the MENA regions to avoid similar problems in the future.

On July 15, 2024, ANI Pharmaceuticals, Inc., or ANI, announced the launch of its L-Glutamine Oral Powder, a generic version of Endari®, following final approval of its Abbreviated New Drug Application from the U.S. Food and Drug Administration. It is too early to predict the effect of the introduction of ANI's generic product or other generic versions of L-Glutamine oral powder on Endari® sales, but it may adversely affect the reimbursement rates that Medicare, Medicaid and third-party payors are willing to pay for Endari® and on sales volume of Endari®, which could have a material, adverse effect on our future net revenues.

Cost of Goods Sold. Cost of goods sold decreased by \$0.3 million, or 53%, to \$0.2 million for the three months ended June 30, 2024, compared to \$0.5 million for the three months ended June 30, 2023. The decrease was primarily due to the decrease in sales discussed above.

Research and Development Expenses. Research and development expenses decreased by 0.1 million, or 40%, to \$0.2 million for the three months ended June 30, 2024, compared to \$0.3 million for the three months ended June 30, 2023. The decrease was primarily due to a decrease in contract research organization expenses.

Selling Expenses. Selling expenses decreased by \$0.9 million, or 36%, to \$1.6 million for the three months ended June 30, 2024, compared to \$2.5 million for the three months ended June 30, 2023. The decrease was primarily due to a decrease in payroll expenses.

General and Administrative Expenses. General and administrative expenses decreased by \$1.3 million, or 33%, to \$2.7 million for the three months ended June 30, 2024, compared to \$4.1 million for the three months ended June 30, 2023. The decrease was primarily due to decreases of \$0.4 million in transaction cost, \$0.3 million in settlement fee, \$0.2 million in payroll expense, \$0.2 million in factoring expense and \$0.2 million in travel expense.

Other Income (Expense). Total other expense decreased by \$2.2 million, or 44%, to \$2.7 million for the three months ended June 30, 2024, compared to \$4.9 million for the three months ended June 30, 2023. The decrease was primarily due to an increase of a \$2.0 million in foreign exchange gain and a decrease of \$0.9 million in interest expense partially offset by decreases of \$0.4 million decrease in change in fair value of warrant derivative liabilities and \$0.4 million in change in fair value of embedded conversion option of convertible promissory notes.

Net Loss. Net loss were \$2.2 million and \$1.6 million for three months ended June 30, 2024 and 2023, respectively.

Six months ended June 30, 2024 and 2023

Net Revenues. Net revenues decreased by \$9.6 million, or 55%, to \$7.9 million for the six months ended June 30, 2024, compared to \$17.5 million for the six months ended June 30, 2023 due to a shortage of finished goods inventory discussed above, which is expected to have a material, adverse effect on our sales for the third quarter as compared to the same period in 2023. Absent further unexpected supply interruptions, and depending on the effect on sales of the launch of the competing generic L-Glutamine Oral Powder discussed below, we expect that sales in the fourth quarter will rebound to levels experienced prior to the shortage, but sales for the full year are not expected to meet or exceed sales for the full year 2023.

Cost of Goods Sold. Cost of goods sold decreased by \$0.4 million, or 47%, to \$0.5 million for the six months ended June 30, 2024, compared to \$0.9 million for the six months ended June 30, 2023. The decrease was primarily due to the decrease in sales discussed above.

Research and Development Expenses. Research and development expenses decreased by 0.2 million, or 39%, to \$0.4 million for the six months ended June 30, 2024, compared to \$0.6 million for the six months ended June 30, 2023. The decrease was primarily due to a decrease in contract research organization expenses.

Selling Expenses. Selling expenses decreased by \$1.3 million, or 26%, to \$3.6 million for the six months ended June 30, 2024, compared to \$4.8 million for the six months ended June 30, 2023. The decrease was primarily due to decrease of \$1.0 million in payroll expense and \$0.2 million in travel expense.

General and Administrative Expenses. General and administrative expenses decreased by \$3.4 million, or 37%, to \$5.6 million for the six months ended June 30, 2024, compared to \$9.0 million for the six months ended June 30, 2023. The decrease was primarily due to decreases of \$1.3 million in payroll expense including share-based compensation, \$0.7 million in transaction cost, \$0.3 million in settlement fee, \$0.2 million in public relations expense and \$0.2 million in professional services.

Other Income (Expense). Total other expense decreased by \$2.8 million, or 39%, to \$4.3 million for the six months ended June 30, 2024, compared to \$7.2 million for the six months ended June 30, 2023. The decrease was primarily due to increases of a \$1.0 million in gain on debt restructuring, a \$2.5 million decrease in foreign exchange gain and loss, and a \$1.0 million decrease in net loss on equity method investment, partially offset by an increase of \$1.4 million in change in fair value of embedded conversion option of convertible promissory notes.

Net Loss. Net loss was \$6.5 million and \$5.0 million for six months ended June 30, 2024 and 2023, respectively.

Liquidity and Capital Resources

Based on our losses to date, current liabilities and anticipated future net revenues and operating expenses and debt repayment obligations cash and cash equivalents balance of \$1.5 million as of June 30, 2024, we do not have sufficient operating capital for our business without raising additional capital. We realized a net loss of \$6.5 million for the six months ended June 30, 2024 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. 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 to 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 65-80% of the face amount of the accounts receivable, subject to a \$7,500,000 cap on advances at any time. The balance of the face amount of the accounts receivable will be reserved by Prestige Capital and paid to Emmaus Medical, less discount fees of Prestige Capital ranging from 2.25% to 7.25% of the face amount, as and when Prestige Capital collects the entire face amount of the accounts receivable.

Liquidity represents our ability to pay our liabilities when they become due, fund our business operations, and meet our contractual obligations 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 and debt service under our convertible notes payable and notes payable.

As of June 30, 2024, we had outstanding \$16.3 million principal amount of convertible promissory notes and \$13.0 million principal amount of other notes payable. Our minimum lease payment obligations were \$2.5 million, of which \$0.9 million was payable within 12 months.

Our API supply agreement with Telcon provides for an annual API purchase target of \$5 million and a target "profit" (*i.e.*, gross margin) to Telcon of \$2.5 million. To the extent these targets are not met, Telcon may be entitled to payment of the shortfall or to offset the shortfall against the Telcon convertible bond and proceeds thereof that are pledged as collateral to secure our obligations. In April 2024, Telcon offset KRW3.5 billion, or approximately \$2.5 million, against the principal amount of the Telcon convertible bond and we released KRW893 million, or approximately \$640,000, in cash proceeds to Telcon in satisfaction the target shortfall for the year ended 2023.

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 our condensed consolidated financial statements are issued, as referred to in the "Risk Factors" section of this Quarterly Report and Note 2 of the Notes to Condensed Consolidated Financial Statements included herein.

Cash flows for the six months ended June 30, 2024 and June 30, 2023

Net cash used in operating activities

Net cash used in operating activities increased by \$0.2 million, or 7%, to \$2.8 million for the six months ended June 30, 2024 from \$2.6 million for the six months ended June 30, 2023. This increase was primarily due to an increase of \$1.5 million in net loss and a \$4.6 million decrease in non-cash adjustments to net loss partially offset by a \$5.7 million increase in working capital. The decrease in non-cash adjustments to net loss was primarily attributable to a reduction of \$2.6 million in foreign exchange adjustments,

a \$1.0 million decrease in share-based compensation, a \$1.0 million increase in gain on restructured debt and a \$1.0 million decrease from loss on equity method investment, partially offset by a \$1.4 million increase in change in fair value of conversion feature derivative liabilities.

Net cash provided by (used in) investing activities

Net cash provided by investing activities increased to \$2.5 million for the six months ended June 30, 2024 from \$27,000 net cash used in investing activities for the six months ended June 30, 2023. The increase was primarily due to the sales of Telcon convertible bonds and the cessation of loan funding to EJ Holdings.

Net cash provided by (used in) from financing activities

Net cash used in from financing activities increased by \$2.7 million, or 136%, to \$0.7 million for the six months ended June 30, 2024 from a \$2.0 million net cash provided by financing activities for the six months ended June 30, 2023. This increase was the result of additional \$1.4 million repayment of notes payable and a \$1.3 million reduction of proceeds received from issuance of promissory notes and convertible notes.

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 six months ended June 30, 2024.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not required for a smaller reporting company.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

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

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal quarter ended June 30, 2024 which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Material Weaknesses

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 accounting treatment for complex accounting matters, 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 Checklists;
- 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.

In 2022, we implemented an integrated cloud-based enterprise resource planning system to manage our financial information and replace our outdated financial accounting systems and software. As a result of these actions, management has concluded that the material weaknesses identified in previous fiscal years have been remediated but that there continued to be material weakness in our internal control over financial reporting as of December 31, 2023. In particular, our finance and financial accounting department is thinly staffed, and there are some areas in which we lack formal policies and procedures.

During 2023, the Company paid \$650,000 in exchange for the promise of a standby letter of credit from foreign sources which was determined to have been fraudulent. In connection with this matter, we identified an additional material weakness related to insufficient board of directors' oversight and a lack of internal governance processes and procedures surrounding the evaluation of and background checks of advisors in foreign jurisdictions where we have less familiarity with laws and business practices.

To address the material weakness, our board of director appointed a Steering Committee of our Co-Presidents at the time and independent directors following the termination of employment of our former Chief Executive Officer and we engaged outside counsel to advise management on additional steps which should be taken to properly vet the Company's advisors and others with which it seeks to do business in the future.

Part II. Other Information

Item 1. Legal Proceedings

Not applicable.

Item 1A. Risk Factors

The following should be read in conjunction with the “Risk Factors” section of the Annual Report and subsequent Quarterly Reports.

The market exclusivity for Endari® for SCD in the U.S. expired on July 7, 2024 and Endari® has no intellectual property protection of Endari® in the U.S. or orphan drug or other market exclusivity in the MENA region, which lack of exclusivity may result in the introduction of generic versions of PGLG in the U.S. and MENA regions and adversely affect our Endari® sales and results of operations in future periods. On July 15, 2024, for example, ANI Pharmaceuticals, Inc., or ANI, announced the launch of its L-Glutamine Oral Powder, a generic version of Endari®, following final approval of its Abbreviated New Drug Application from the U.S. Food and Drug Administration. It is too early to predict the effect of the introduction of ANI’s generic product or other generic versions of L-Glutamine oral powder on Endari® sales, but it may have a material, adverse effect on our future net revenues. It is also possible that ANI or other generic maker will seek to introduce generic versions of Endari® in the MENA region.

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

The market for Endari® also depends on access to third-party payors’ drug formularies, which are lists of medications for which third-party payors provide coverage and reimbursement. The competition in the industry to be included in such formularies may lead to downward pricing pressures on us. Also, third-party payors may refuse to include Endari® in their formularies or otherwise restrict patient access to Endari® if a less costly generic equivalent or other alternative treatment is available. In this regard, Medicare and Medicaid reimbursement rate for branded products such as Endari are subject to decrease to the cost of comparable generic versions of the products such as ANI’s L-Glutamine Oral Powder or other generic versions of Endari®. In light of the recent launch of ANI’s L-Glutamine Oral Powder, we expect to reduce the wholesale acquisition cost of Endari to address these reimbursement requirements.

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

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

None

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

(a) Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed/ Furnished
		Form	File No.	Exhibit	Filing Date	
10.1	Agreement for the Purchase and Sale of Future Receipts with Agile Capital					*
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 as its XBRL tags are embedded within the Inline XBRL document					
101.SCH	Inline XBRL Taxonomy Extension Schema with Embedded Linkbase Document					
104	Cover Page formatted as Inline XBRL and contained in Exhibit 101					

* 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: September 10, 2024

By: /s/ WILLIS C. LEE

Name: Willis C. Lee

Its: Chief Executive Officer (Principal Executive Officer)

By: /s/ YASUSHI NAGASAKI

Name: Yasushi Nagasaki

Its: Chief Financial Officer (Principal Financial and Accounting Officer)

Agreement for the Purchase and Sale of Future Receipts

Seller's Legal Name: EMMAUS MEDICAL, INC.

D/B/A: EMMAUS MEDICAL

Form of Business Entity: ☐ Corporation; ☐ Limited Liability Company; ☐ Partnership; ☐ Limited Partnership; ☐ Limited Liability Partnership; ☐ Sole Proprietorship; ☐ Other:

Street Address: 21250 HAWTHORNE BLVD STE 800

City: TORRANCE

State: CA

Zip: 90503

Mailing Address: 251 LITTLE FALLS DRIVE **City:** WILMINGTON **State:** DE

Zip 19808

Primary Contact: Title: **Time in Business:** **Purchase Price:** \$1,100,000.00 **Purchased Amount:** \$1,628,000.00

Average Projected Monthly Sales: \$2,253,767.04

Federal Tax ID:

06-1708146

Specified Percentage: 15 % (Average Projected Monthly Sales x Specified Percentage / Average Business Days in a Calendar Month)

Initial Weekly Amount: \$58,142.86 **Origination Fee:** \$99,000.00 (to be deducted from the Purchase Price)

Payment will be withdrawn every Mo n d a y

Account for the Deposit of All Future Receipts: Bank: CALIFORNIA BANK & TRUST

Account No:

May 01, 2024

Effective, Seller, identified above, hereby sells, assigns and transfers to AGILE CAPITAL FUNDING, LLC ("Buyer" or

"Agile Capital Funding") located at 104 E 25th St, Suite 1001, New York, NY 10010 without recourse, the Specified Percentage of the proceeds of each future sale made by Seller (collectively "Future Receipts") until Seller has received the Purchased Amount. "Future Receipts" includes all payments made by cash, check, ACH or other electronic transfer, credit card, debit card, bank card, charge card (each such card shall be referred to herein as a "Payment Card") or other form of monetary payment in the ordinary course of Seller's business. As payment for the Purchased Amount, Buyer will deliver to Seller the Purchase Price, shown above, minus any Origination Fee shown above. Seller acknowledges that it has no right to repurchase the Purchased Amount from Buyer.

Both parties agree that 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 Purchase Price, minus any Origination Fee. Prior to accepting this Agreement, Buyer may conduct a processing trial to confirm its access to the Account and the ability to withdraw the Initial Daily Amount. If the processing trial is not completed to the satisfaction of Buyer, Buyer will refund to Seller all funds that were obtained by Buyer during the processing trial.

Agreement of Seller: By signing below Seller agrees to the terms and conditions contained in this Agreement, including those terms and conditions on the following pages, and further agrees that this transaction is for business purposes and not for personal, family, or household purposes.

Seller: EMMAUS MEDICAL, INC.

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

WILLIS C. LEE

Name:

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

Name: Buyer: Agile Capital Funding

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

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Agreement of Each Seller: Each Seller signing below agrees to the terms of the Credit Report Authorization below.

Seller: EMMAUS MEDICAL, INC.

Agreed to By: (Signature); Name: WILLIS C. LEE

Authorized Representative

(Title)

1. Delivery of Purchased Amount: Seller must deposit all Future Receipts into the single business banking account specified above, which may not be used for any personal, family or household purposes (the "Account") and must instruct Seller's credit card processor, which must be approved by Buyer (the "Processor") to deposit all Payment Card receipts of Seller into the Account. Seller agrees not to change the Account or add an additional Account without the express written consent of Buyer. Seller authorizes Buyer to debit the Weekly Amount from the Account each business day by either ACH or electronic check. Seller will provide Buyer with all required access codes and agrees not to change them without prior written consent from Buyer. Seller will provide an appropriate ACH authorization to Buyer. Seller understands that it is responsible for either ensuring that the Weekly Amount is available in the Account each business day or advising Buyer prior to each weekly withdrawal of a shortage of funds. Otherwise, Seller will be responsible for any fees incurred by Buyer resulting from a rejected electronic check or ACH debit attempt, as set forth on Appendix A. Buyer is not responsible for any overdrafts or rejected transactions that may result from Buyer's debiting any amount authorized under the terms of this Agreement. Seller understands that the foregoing ACH authorization is a fundamental condition to induce Buyer to accept the Agreement. Consequently, such authorization is intended to be irrevocable.

2. Reconciliation and Changes to the Weekly Amount: The Initial Weekly Amount is intended to represent the Specified Percentage of Seller's weekly Future Receipts. For as long as no Event of Default has occurred, Buyer shall on or about the fifteenth day of each month reconcile the Seller's Account ("Account Reconciliation") by either crediting or further debiting the Seller's Account by the difference between the actual amount debited since the date of the last Account Reconciliation and the Specific Percentage of the actual Future Receipts collected by the Seller since the date of the last Account Reconciliation. Failure by Buyer to make an Account Reconciliation at any time for one or more months or portions thereof shall not be deemed as a breach of Buyer's obligation hereunder and each Account Reconciliation shall be made for the entire period of time since the date of the last Account Reconciliation. Buyer may, at Buyer's sole discretion as it deems appropriate and upon Seller's request, adjust the amount of the then- applicable Weekly Amount due under this Agreement in order to cause such Weekly Amount to more accurately reflect an amount which will reduce the need to credit Seller's account on a consistently recurring basis.

3. Weekly Amount Upon Default. Upon the occurrence of an Event of Default, the Weekly Amount shall equal 100% of all Future Receipts.

4. Sale of Future Receipts (THIS IS NOT A LOAN): Seller is selling a portion of a future revenue stream to Buyer at a discount, not

borrowing money from Buyer. There is no interest rate or payment schedule and no time period during which the Purchased Amount must be collected by Buyer. If Future Receipts are remitted more slowly than Buyer may have anticipated or projected because Seller's business has slowed down, or if the full Purchased Amount is never remitted because Seller's business went bankrupt or otherwise ceased operations in the ordinary course of business, and Seller has not breached this Agreement, Seller would not owe anything to Buyer and would not be in breach of or default under 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 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 tax payer privilege in any such litigation or arbitration in which Seller asserts that this transaction is anything other than a sale of future receipts.

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Agile Capital Funding

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5. Power of Attorney Seller irrevocably appoints Buyer as its agent and attorney-in-fact with full authority to take any action or execute any instrument or document to settle all obligations due to Buyer from Seller, or in the case of a violation by Seller of this Agreement or the occurrence of an Event of Default under Section 15 hereof by Seller, including without limitation (i) to obtain and adjust insurance; (ii) to collect monies due or to become due under or in respect of any of the Future Receipts; (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 to direct payables to Buyer; (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 remaining Purchased Amount of the Future Receipts, or otherwise to enforce its rights with respect to delivery of the Purchased Amount; and/or (vi) to contact any Processor of Seller and to direct such Processor(s) to deliver directly to Buyer all or any portion of the amounts received by such Processor(s) and to provide any information regarding Seller requested by Buyer. Each Processor may rely on the previous sentence as written authorization of Seller to provide any information requested by Buyer. Each Processor is hereby irrevocably authorized and directed by Seller to follow any instruction of Buyer without inquiry as to Buyer's right or authority to give such instructions. Seller acknowledges the terms of the preceding sentence and agrees not to (a) interfere with Buyer's instructions or a Processor's compliance with this Agreement or (b) request any modification thereto without Buyer's prior written consent. Notwithstanding anything to the contrary herein, the power of attorney shall only be effected thirty (30) days after an Event of Default under this Agreement.

6. Fees and Charges: Other than the Origination Fee, if any, set forth above, Buyer is NOT CHARGING ANY ORIGINATION OR BROKER FEES to Seller. If Seller is charged another such fee, it is not being charged by Buyer. A list of all fees and charges applicable under this Agreement is contained in Appendix A.

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

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

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

10. Transactional History. Seller authorizes all of its banks and brokers and Payment Card processors to provide Buyer with Seller's banking, brokerage and/or processing history to determine qualification or continuation in this program, or for collections upon an Event of Default.

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Agile Capital Funding

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11. Publicity. Seller hereby authorizes Buyer to use its name in listings of clients and in advertising and marketing materials.

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

13. Representations, Warranties and Covenants of Seller:

13.1 Good Faith, Best Efforts and Due Diligence. Seller will conduct its business in good faith and will use its best efforts to continue its business at least at its current level, to ensure that Buyer obtains the Purchased Amount.

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

13.3 Financial Condition and Financial Information. Any bank statements and financial statements of Seller that have been furnished to Buyer, and future statements that will be furnished to Buyer, fairly represent the financial condition of Seller at such dates, and Seller will notify Buyer immediately if there are material adverse changes, financial or otherwise, in the condition or operation of Seller or any change in the ownership of Seller. Buyer may request statements at any time during the performance of this Agreement and the Seller shall provide them to Buyer within five business days. Furthermore, Seller represents that all documents, forms and recorded interviews provided to or with Buyer are true, accurate and complete in all respects, and accurately reflect Seller's financial condition and results of operations. Seller further agrees to authorize the release of any past or future tax returns to Seller.

13.4 Governmental 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 and/or will engage in hereafter.

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

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

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

13.8 Seller to Maintain Insurance. Seller will possess and maintain insurance in such amounts and against such risks as are necessary to protect its business and will provide proof of such insurance to Buyer upon demand.

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

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

13.11.No Diversion of Receipts. Seller will not permit any event to occur that could cause a diversion of any of Seller's Future Receipts from the Account to any other entity.

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

14. Rights of Buyer:

14.1Financing Statements Financing Statements and Security Interest. Following the occurrence of an Event of Default, Seller grants Buyer a security interest in all of Seller's present and future accounts receivable in an amount not to exceed the Purchased Amount, and in the Event of Default, not to exceed the Purchased Amount and all fees and cost contemplated under this Agreement, wherever located, and related proceeds now or hereafter owned or acquired by Seller.

Seller authorizes Buyer to file one or more UCC-1 forms consistent with the Uniform Commercial Code ("UCC") in order to give notice of this security interest and 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

14.2Right of Access. In order to ensure that Seller is complying with the terms of this Agreement, Buyer shall have the right to (i) 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 weekly receipts to the Processor and to ensure that Seller has not violated any other provision of this Agreement, and (ii) Seller shall provide access to its employees and records and all other items as requested by Buyer, and (iii) have Seller provide information about its business operations, banking relationships, vendors, landlord and other information to allow Buyer to interview any relevant parties.

14.3Phone Recordings and Contact. Seller agrees that any call between Buyer and Seller, and their agents and employees may be recorded or monitored. Further, Seller agrees that (i) it has an established business relationship with Buyer, its employees and agents and that Seller may be contacted from time-to-time regarding this or other business transactions; (ii) that such communications and contacts are not unsolicited or inconvenient; and (iii) that any such contact may be made at any phone number, emails address, or facsimile number given to Buyer by the Seller, its agents or employees, including cellular telephones.

15.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 Weekly Amount; (b) Seller violates any term of covenant in this Agreement; (c) Seller uses multiple depository accounts without the prior written consent of Buyer; (d) Seller changes its depositing account or its payment card processor without the prior written consent of Buyer; (e) Seller defaults under any of the terms, covenants and conditions of any other agreement with Buyer; or (f) Seller fails to provide timely notice to Buyer such that (i) where Seller is on a daily payment plan, two or more ACH transactions attempted by Buyer within one calendar month are rejected by Seller's bank, or (ii) where Seller is on a weekly payment plan, one or more ACH transaction attempted by Buyer is rejected by Seller's bank at any given time that such payment under the payment plan is due.

16.Remedies. If any Event of Default occurs, Buyer may proceed to protect and enforce its rights including, but not limited to, the following:

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

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16.2.Buyer may enforce the provisions of the Guaranty of Performance against the guarantor. Notwithstanding anything to the contrary herein, in the event that Seller receives funds, from its clients or customers or any entity holding its receivables or otherwise (collectively, the "A/C Holder"), for which the applicable A/C Holder for any reason is or may be responsible to make payment to Seller, then the Seller, agrees to make prompt payment of such funds to Buyer or to reimburse A/C Holder therefore in the event the A/C Holder has made such payment to their detriment, and Seller hereby guarantees to Buyer the prompt payment of such funds by Seller and further hereby indemnifies Buyer and any applicable A/C Holder from and against any and all loss, cost or expense in connection therewith.

16.3.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 of the lawsuit, including but not limited to all reasonable attorneys' fees and court costs. However, the rights of Buyer under this provision shall be limited as provided in the arbitration provision set forth below.

16.4. [Intentionally Omitted]

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

16.6. Seller shall pay to Buyer all reasonable costs associated with the Event of Default and the enforcement of Buyer's remedies, including but not limited to court costs and attorneys' fees

16.7. Buyer may exercise and enforce its rights as a secured party under the UCC.

16.8. 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.

17. 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 Buyer

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

19. Notices.

19.1. Notices from Buyer to Seller. Buyer may send any notices, disclosures, terms and conditions, other documents, and any future changes to Seller by regular mail or by e-mail, at Buyer's option and Seller consents to such electronic delivery. Notices sent by e-mail are effective when sent. Notices sent by regular mail become effective upon mailing to Seller's address set forth in this Agreement.

19.2. Notices from Seller to Buyer. Seller may send any notices to Buyer by e-mail only upon the prior written consent of Buyer, which consent may be withheld or revoked at any time in Buyer's sole discretion. Otherwise, any notices or other communications from Seller to Buyer must be delivered by certified mail, return receipt requested, to Buyer's address set forth in this Agreement. Notices sent to Buyer shall become effective only upon receipt by Buyer.

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20. Binding Effect; Governing Law, Venue and Jurisdiction. 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. This Agreement shall be governed by and construed in accordance with the laws of the state of New York, without regards to any applicable principals of conflicts of law. Any suit, action or proceeding arising hereunder, or the interpretation, performance or breach of this Agreement, shall, if Buyer so elects, be instituted in any court sitting in New York, (the "Acceptable Forums"). Seller agrees that the Acceptable Forums are convenient to it, and submits to the jurisdiction of the Acceptable Forums and waives any and all objections to jurisdiction or venue. Should such proceeding be initiated in any other forum, Seller waives any right to oppose any motion or application made by Buyer to transfer such proceeding to an Acceptable Forum.

21. 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.

22. Interpretation. All Parties hereto have reviewed this Agreement with an attorney of their own choosing and have relied only on their own attorney's guidance and advice. No construction determinations shall be made against either Party hereto as drafter.

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

24. Facsimile Acceptance. Facsimile signatures hereon, or other electronic means reflecting the party's signature hereto, shall be deemed acceptable for all purposes.

25. Confidentiality: The terms and conditions of this Agreement are proprietary and confidential unless required by law. Seller shall not disclose this information to anyone other than its attorney, accountant or similar service provider and then only to the extent such person uses the information solely for purpose of advising Seller and first agrees in writing to be bound by the terms of this Section. A breach entitles Buyer to damages and legal fees as well as temporary restraining order and preliminary injunction without bond.

26. Monitoring, Recording, and Solicitations.

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

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

27. JURY WAIVER. THE PARTIES WAIVE THE RIGHT TO A TRIAL BY JURY IN ANY COURT IN ANY SUIT, ACTION OR PROCEEDING ON ANY MATTER ARISING IN CONNECTION WITH OR IN ANY WAY RELATED TO THE TRANSACTIONS OF WHICH THIS AGREEMENT IS A PART OR ITS ENFORCEMENT, EXCEPT WHERE SUCH WAIVER IS PROHIBITED BY LAW OR DEEMED BY A COURT OF LAW TO BE AGAINST PUBLIC POLICY. THE PARTIES ACKNOWLEDGE THAT EACH MAKES THIS WAIVER KNOWINGLY, WILLINGLY AND VOLUNTARILY AND WITHOUT DURESS, AND ONLY AFTER EXTENSIVE CONSIDERATION OF THE RAMIFICATIONS OF THIS WAIVER WITH THEIR ATTORNEYS.

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28. 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.

29. ARBITRATION. IF BUYER, SELLER OR ANY GUARANTOR REQUESTS, THE OTHER PARTIES AGREE TO ARBITRATE ALL DISPUTES AND CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT. IF BUYER, SELLER OR ANY GUARANTOR SEEKS TO HAVE A DISPUTE SETTLED BY ARBITRATION, THAT PARTY MUST FIRST SEND TO ALL OTHER PARTIES, BY CERTIFIED MAIL, A WRITTEN NOTICE OF INTENT TO ARBITRATE. IF BUYER, SELLER OR ANY GUARANTOR DO NOT REACH AN AGREEMENT TO RESOLVE THE CLAIM WITHIN 30 DAYS AFTER THE NOTICE IS RECEIVED, BUYER, SELLER OR ANY GUARANTOR MAY COMMENCE AN ARBITRATION PROCEEDING WITH THE AMERICAN ARBITRATION ASSOCIATION ("AAA") OR NATIONAL ARBITRATION FORUM ("NAF"). BUYER WILL PROMPTLY REIMBURSE SELLER OR THE GUARANTOR ANY ARBITRATION FILING FEE, HOWEVER, IN THE EVENT THAT BOTH SELLER AND THE

GUARANTOR MUST PAY FILING FEES, BUYER WILL ONLY REIMBURSE SELLER'S ARBITRATION FILING FEE AND, EXCEPT AS PROVIDED IN THE NEXT SENTENCE, BUYER WILL PAY ALL ADMINISTRATION AND ARBITRATOR FEES. IF THE ARBITRATOR FINDS THAT EITHER THE SUBSTANCE OF THE CLAIM RAISED BY SELLER OR THE GUARANTOR OR THE RELIEF SOUGHT BY SELLER OR THE GUARANTOR IS IMPROPER OR NOT WARRANTED, AS MEASURED BY THE STANDARDS SET FORTH IN FEDERAL RULE OF PROCEDURE 11(B), THEN BUYER WILL PAY THESE FEES ONLY IF REQUIRED BY THE AAA OR NAF RULES. SELLER AND THE GUARANTOR AGREE THAT, BY ENTERING INTO THIS AGREEMENT, THEY ARE WAIVING THE RIGHT TO TRIAL BY JURY. BUYER, SELLER OR ANY GUARANTOR MAY BRING CLAIMS AGAINST ANY OTHER PARTY ONLY IN THEIR INDIVIDUAL CAPACITY, AND NOT AS A PLAINTIFF OR CLASS MEMBER IN ANY PURPORTED CLASS OR REPRESENTATIVE PROCEEDING. FURTHER, BUYER, SELLER AND ANY GUARANTOR AGREE THAT THE ARBITRATOR MAY NOT CONSOLIDATE PROCEEDINGS FOR MORE THAN ONE PERSON'S CLAIMS, AND MAY NOT OTHERWISE PRESIDE OVER ANY FORM OF A REPRESENTATIVE OR CLASS PROCEEDING, AND THAT IF THIS SPECIFIC PROVISION IS FOUND UNENFORCEABLE, THEN THE ENTIRETY OF THIS ARBITRATION CLAUSE SHALL BE NULL AND VOID.

30. RIGHT TO OPT OUT OF ARBITRATION. SELLER AND GUARANTOR(S) MAY OPT OUT OF THIS CLAUSE. TO OPT OUT OF THIS ARBITRATION CLAUSE, SELLER AND EACH GUARANTOR MUST SEND BUYER A NOTICE THAT THE SELLER AND EACH GUARANTOR DOES NOT WANT THIS CLAUSE TO APPLY TO THIS AGREEMENT. FOR ANY OPT OUT TO BE EFFECTIVE, SELLER AND EACH GUARANTOR MUST SEND AN OPT OUT NOTICE TO THE FOLLOWING ADDRESS BY REGISTERED MAIL, WITHIN 14 DAYS AFTER THE DATE OF THIS AGREEMENT: BUYER – ARBITRATION OPT OUT, Agile Capital Funding, 104 E 25th St, Suite 1001, New York, NY 10010, ATTENTION: LEGAL DEPARTMENT.

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31. SERVICE OF PROCESS. IN ADDITION TO THE METHODS OF SERVICE ALLOWED BY THE NEW YORK STATE CIVIL PRACTICE LAW & RULES ("CPLR"), SELLER HEREBY CONSENTS TO SERVICE OF PROCESS UPON IT BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, SERVICE HEREUNDER SHALL BE COMPLETE UPON SELLER'S ACTUAL RECEIPT 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 CAN BE MADE. SERVICE BY BUYER TO THE LAST KNOWN ADDRESS SHALL BE SUFFICIENT. SELLER WILL HAVE (30) CALENDAR DAYS AFTER SERVICE HEREUNDER IS COMPLETE 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 FOR THE PURCHASE AND SALE OF FUTURE RECEIVABLES SHALL BE DELIVERED IN ACCORDANCE WITH THE PROVISIONS OF THIS AGREEMENT FOR THE PURCHASE AND SALE OF FUTURE RECEIVABLES.

32. FEE STRUCTURE.

- a. NSF: \$75.00
 - b. ACH REJECTION: \$100.00
 - c. BANK CHANGE: \$50.00
 - d. BLOCKED ACCOUNT: \$2,500.00
 - e. DEFAULT: \$5,000.00
-

EMMAUS MEDICAL, INC.

Seller:

Agreed to by: (Signature)

WILLIS C. LEE

Name:

Title: Authorized Representative

EMMAUS MEDICAL, INC.

Guarantor:

Agreed to by: (Signature)

WILLIS C. LEE

Name:

Title: Authorized Representative

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GUARANTY OF PERFORMANCE

This Guaranty of Performance (this “Guaranty”) is executed as of

May 01, 2024

, by

EMMAUS MEDICAL, INC.

Capital Funding (“Buyer”) (“Buyer”).

(the “Guarantor”), for the benefit of Agile

Capitalized terms used herein, but not defined, shall have the meanings assigned to them in the Purchase Agreement (as hereinafter defined).

RECITALS

A. Pursuant to that Agreement for the Purchase and Sale of Future Receipts (the “Purchase Agreement”), dated of even date herewith, between Buyer and EMMAUS MEDICAL, INC (seller”), Buyer has purchased Future Receipts of Seller.

B. Buyer is not willing to enter into the Purchase Agreement unless Guarantor irrevocably, absolutely, and unconditionally guarantees prompt and complete performance to Buyer of all of the obligations of Seller; and

C. Guarantor will directly benefit from Buyer and Seller entering into the Purchase Agreement.

AGREEMENT

As an inducement to Buyer to purchase the Future Receipts identified in the Purchase 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 assigned to such terms in the Purchase Agreement.

2. Guaranty of Obligations: Guarantor hereby irrevocably, absolutely and unconditionally guarantees to Buyer prompt and complete performance of all of Seller's obligations under the Purchase Agreement

3. 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 without the prior written consent of Buyer, which may be withheld for any reason, until receipt of the entire Purchased Amount. Guarantor hereby agrees to pay all costs and attorney's fees incurred by Buyer in connection with any actions commenced by Buyer to enforce its rights or incurred in any action to defend its performance under the Purchase Agreement and this Guaranty. This Guaranty is binding upon Guarantor, and Guarantor's heirs, legal representatives, successors and assigns. If there is more than one Guarantor, the obligations of the Guarantors hereunder 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 Purchase Agreement or otherwise modify, amend or change the terms of the Purchase Agreement. Guarantor is hereby notified that a negative credit report reflecting on his/her credit record may be submitted to a credit reporting agency if the terms of this Guaranty are not honored by the Guarantor.

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4. Waiver; Remedies: No failure on the part of Buyer to exercise, and no delay in exercising, any right under this warranty 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. 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 Purchase Agreement, Buyer may enforce its rights under this guaranty without first seeking to obtain performance for such default from Seller or any other guarantor.

5. Acknowledgment of Purchase: Guarantor acknowledges and agrees that the Purchase Price paid by Buyer to Seller in exchange for the Purchased Amount is a purchase of the Purchased Amount and is not intended to be treated as a loan or financial accommodation from Buyer to Seller. Guarantor specifically acknowledges 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 the Purchase Price paid to Seller is good and valuable consideration for the sale of the Purchased Amount of Future Receipts.

6. 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 of this guaranty, guarantor submits to the exclusive jurisdiction and venue of the state or federal courts having jurisdiction over any city/county in the State of New York of any claims or actions 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

7. JURY WAIVER: THE PARTIES WAIVE THE RIGHT TO A TRIAL BY JURY IN ANY COURT IN ANY SUIT, ACTION OR PROCEEDING ON ANY MATTER ARISING IN CONNECTION WITH OR IN ANY WAY RELATED TO THE TRANSACTIONS OF WHICH THIS AGREEMENT IS A PART OR ITS ENFORCEMENT, EXCEPT WHERE SUCH WAIVER IS PROHIBITED BY LAW OR DEEMED BY A COURT OF LAW TO BE AGAINST PUBLIC POLICY. THE PARTIES ACKNOWLEDGE THAT EACH MAKES THIS WAIVER KNOWINGLY, WILLINGLY AND VOLUNTARILY AND WITHOUT DURESS, AND ONLY AFTER EXTENSIVE CONSIDERATION OF THE RAMIFICATIONS OF THIS WAIVER WITH THEIR ATTORNEYS.

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REIMBURSE SELLER OR THE GUARANTOR ANY ARBITRATION FILING FEE, HOWEVER, IN THE EVENT THAT BOTH SELLER AND THE GUARANTOR MUST PAY FILING FEES, BUYER WILL ONLY REIMBURSE SELLER'S ARBITRATION FILING FEE AND, EXCEPT AS PROVIDED IN THE NEXT SENTENCE, BUYER WILL PAY ALL ADMINISTRATION AND ARBITRATOR FEES. IF THE ARBITRATOR FINDS THAT EITHER THE SUBSTANCE OF THE CLAIM RAISED BY SELLER OR THE GUARANTOR OR THE RELIEF SOUGHT BY SELLER OR THE GUARANTOR IS IMPROPER OR NOT WARRANTED, AS MEASURED BY THE STANDARDS SET FORTH IN FEDERAL RULE OF PROCEDURE 11(B), THEN BUYER WILL PAY THESE FEES ONLY IF REQUIRED BY THE AAA OR NAF RULES. SELLER AND THE GUARANTOR AGREE THAT, BY ENTERING INTO THIS AGREEMENT, THEY ARE WAIVING THE RIGHT TO TRIAL BY JURY. BUYER, SELLER OR ANY GUARANTOR MAY BRING CLAIMS AGAINST ANY OTHER PARTY ONLY IN THEIR INDIVIDUAL CAPACITY, AND NOT AS A PLAINTIFF OR CLASS MEMBER IN ANY PURPORTED CLASS OR REPRESENTATIVE PROCEEDING. FURTHER, BUYER, SELLER AND ANY GUARANTOR AGREE THAT THE ARBITRATOR MAY NOT CONSOLIDATE PROCEEDINGS FOR MORE THAN ONE PERSON'S CLAIMS, AND MAY NOT OTHERWISE PRESIDE OVER ANY FORM OF A REPRESENTATIVE OR CLASS PROCEEDING, AND THAT IF THIS SPECIFIC PROVISION IS FOUND UNENFORCEABLE, THEN THE ENTIRETY OF THIS ARBITRATION CLAUSE SHALL BE NULL AND VOID.

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Agile Capital Funding 104 E 25th St, Suite 1001, New York, NY 10010 ,

ATTENTION: LEGAL DEPARTMENT.

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 TO SERVICE OF PROCESS UPON IT BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, SERVICE HEREUNDER SHALL BE COMPLETE UPON GUARANTOR'S ACTUAL RECEIPT OF PROCESS OR UPON BUYER'S RECEIPT OF THE RETURN THEREOF BY THE UNITED STATES POSTAL SERVICE AS REFUSED OR UNDELIVERABLE. GUARANTOR MUST PROMPTLY NOTIFY BUYER, IN WRITING, OF EACH AND EVERY CHANGE OF ADDRESS TO WHICH SERVICE OF PROCESS CAN BE MADE. SERVICE BY BUYER TO THE LAST

KNOWN ADDRESS SHALL BE SUFFICIENT. GUARANTOR WILL HAVE (30) CALENDAR DAYS AFTER SERVICE HEREUNDER IS COMPLETE 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 FOR THE PURCHASE AND SALE OF FUTURE RECEIVABLES SHALL BE DELIVERED IN ACCORDANCE WITH THE PROVISIONS OF THIS AGREEMENT FOR THE PURCHASE AND SALE OF FUTURE RECEIVABLES.

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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 it has carefully read this guaranty and has, or had a reasonable opportunity to, consult with its attorney. G uarantor understands the contents of this guaranty, and signs this guaranty as its 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.

Corporate Guarantors (or other entities)

Guarantor: (Print Name) By:

Print Name or Signer: Its: (Official Position)

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Agile Capital Funding
421859

AUTHORIZATION AGREEMENT

FOR AUTOMATED CLEARING HOUSE TRANSACTIONS

EMMAUS MEDICAL, INCseller”) here by authorizes Agile Capital Funding (“Buyer”) (“Buyer”) to present automated clearing house (ACH) debits to the following checking account in the amount of fees and other obligations due to Buyer from Seller under the terms of that Agreement for the Purchase and Sale of Future Receipts (the “Agreement”) entered into between Seller and Buyer, as it may be amended, supplemented or replaced from time to time. In addition, if an Event of Default (as defined in the Agreement) occurs, Seller authorizes Buyer to debit any and all accounts controlled by Seller or controlled by any entity with the same Federal Tax Identification Number as Seller up to the total amount, including but not limited to, all fees and charges, due to Buyer from Seller under the terms of the Agreement.

Transfer Funds To/From: Name of Bank:

California Bank & Trust

ABA Transit/Routing :

Checking Account : _

This authorization is to remain in full force and effect until all obligations due to Buyer under the Agreement have been fulfilled. Seller Information:

Seller s Name: EMMAUS MEDICAL, INC.

Signature of Authorized Representative:

WILLIS C. LEE

Print Name:

Title: AUTHORIZED REPRESENTATIVE

06-1708146

Seller s Tax ID:

05 / 01 / 2024

Date:

[Attached Voided Check Here]

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Agile Capital Funding

421859

Dear Seller,

Please fill out the form below with the access information for your bank account, please write legibly and indicate lower/upper case sensitivity.

Legal Name/DBA: Emmaus Medical, Inc.

Bank portal Website: https://singlepoint.usbank.com/cs70_bank

Username:

Password: _

Security Question/Answer 1:

Security Question/Answer 2:

Security Question/Answer :3

Security Question/Answer 4:

Security Question/Answer 5:

Security Question/Answer :6

Any other information necessary to access your account:

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Agile Capital Funding

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THIS FORM MUST BE FILLED OUT BEFORE FUNDING.

Dear Seller,

Please fill out the form below with contact information and reference.

Contact Information

Guarantor Name:
Emmaus Medical, Inc.

Phone Number: _

Email:

Personal Reference #1

Name:

Phone Number:

Personal Reference #2

Name:

Phone Number:

Business Reference #1

Company Name:

Contact Name:

Business Phone:

Business Reference #2

Company Name:

Contact Name:

Business Number:

Emergency Contact

Name:

Relationship:

Phone Number:

Email:

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Agile Capital Funding

421859

Agile Capital Funding 104
E 25th St, Suite 1001
New York, NY 10010

NO STACKING ADDENDUM

Addendum (the "Addendum") to the Purchase and Sale of Future Receivables Agreement (the "Agreement") by: Seller(s):

EMMAUS MEDICAL, INC.

Purchaser: Agile Capital Funding ("Purchaser")

Purchase Price: \$

1,100,000.00

Purchased Amount: \$1,628,000.00

Specified Percentage: 15%

1. Unless otherwise specifically defined herein, all capitalized terms in this Addendum shall have the meanings set forth in the Agreement.

2. Seller agrees and understands that while an outstanding balance of uncollected Receivables with Purchaser exists, Seller is **strictly prohibited** from entering into any transactions with a third party, whether an individual, company or other entity, to sell Future Receipts, or to initiate or accept a cash advance from any funding source without first paying off the outstanding balance with Purchaser. Seller understands and acknowledges that doing so would place Seller in breach of the Agreement, and ("Seller") a ("Guarantor") will be immediately liable for the full outstanding balance owed to Purchaser.

3. Seller further agrees not to create, incur or permit to exist any lien, security interest, pledge, charge or encumbrance of any kind in respect to Future Receivables while an outstanding balance of uncollected Receivables with Purchaser exists. In other words, Seller agrees not to use Future Receivables as collateral for any type of transaction while an outstanding balance with Purchaser exists.

4. Seller and Guarantor acknowledge that any false representation in this Addendum constitutes fraud and will trigger a default under the Agreement, entitling Purchaser to accelerate the receivable balance due and to seek any and all additional legal remedies available to the Purchaser provided for in the Agreement.

5. In further consideration of Purchaser entering into this transaction, Seller shall either (a) deliver to Purchaser all of Seller's bank account statements on or before the 10th day of every month during the term of the Agreement, or (b) provide Purchaser with active log on capabilities for every bank account maintained by Seller so that Purchaser can access all information Purchaser feels is necessary from such accounts.

6. In the event that Seller breaches the terms of Paragraphs 2, 3, 4 and/or 5 above, Purchaser shall have the following remedies, any or all of which may be exercised by Purchaser in its sole discretion:

- (a) The Purchased Amount due at each payment interval set forth in the Agreement (whether daily, weekly, bi-weekly or monthly, as applicable), shall immediately double to the sum or to the extent the collection method is a credit card split the holdback percentage will double;
- (b) The entire balance of the Purchased Amount shall be immediately due and payable;
- (c) The Confession of Judgment, if any, shall be immediately filed with the appropriate court of law; and
- (d) Purchaser shall avail itself of all additional remedies set forth in Section 16 of the Agreement.

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7. The Addendum and is hereby incorporated into the Agreement by reference and constitutes part of the Agreement. Except as amended hereby, the Agreement shall be and remain in full force and effect and is hereby ratified and confirmed by Seller and Purchaser. If the terms and provisions of this Addendum are inconsistent with the Agreement, the terms and provisions of the Addendum shall govern to the extent of such inconsistency.

8. All written notices and consents required to be given hereunder shall be given in accordance with the notice requirements under Section 19 of the Agreement.

9. This Addendum may be executed with facsimile signatures and/or in any number of counterparts, each of which shall be deemed an original and all of such counterparts when taken together shall constitute but one and the same documents which shall be sufficiently evidenced by such executed counterparts.

Agreed and Accepted on behalf of Seller:

Seller:

EMMAUS MEDICAL, INC.

Agreed to by: (Signature)

WILLIS C. LEE

Name:

Title: Authorized Representative

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Additional Seller Addendum to Purchase Agreement

Buyer	AGILE CAPITAL FUNDING LLC
Original Seller	EMMAUS MEDICAL, INC. Address: 21250 Hawthorne Bl 800, Torrance, CA 90503 EIN: 06-1708146
Additional Seller(s)	EMMAUS LIFE SCIENCES, INC. Address: 21250 Hawthorne Bl 800, Torrance, CA 9 EIN: 87-0419387
Additional Seller(s)	EMI HOLDING, INC. Address: 21250 Hawthorne Bl 800, Torrance, CA 9 EIN: 41-2254389

This Additional Seller Addendum to Purchase Agreement ("Addendum") is entered into by and among the above referenced Parties and amends that certain Purchase Agreement between Buyer and Original Seller dated May 01, 2024 (the "Purchase Agreement").

Each Additional Seller desires to enter into the Purchase Agreement and to agree to all the terms of the Purchase Agreement, so that they will all fully apply to such Additional Seller to the same extent as if the Additional Seller had executed the Purchase Agreement itself. Therefore, each of the Parties agree as follows:

- Each Additional Seller is fully bound by all the terms, conditions, representations, warranties and covenants of the Agreement. The Purchase Agreement is fully incorporated into this Addendum by reference and binds and inures to the benefit of each of the Parties hereto, and all their heirs, successors and assigns, the same as if such Additional Seller had signed the Purchase Agreement. All references to "Seller" in the Purchase Agreement mean individually, collectively and interchangeably the Original Seller and each Additional Seller. Notwithstanding the foregoing, the Parties acknowledge that the initial Weekly Amount established in the Purchase Agreement is based on the average monthly sales of the Original Seller only. By signing this Addendum and adding the Additional Sellers to the Purchase Agreement, the Parties do not intend to re-calculate the Weekly Amount by including the average monthly sales of the Additional Sellers. The Parties therefore agree that the Weekly Amount shall remain the same following the execution of this Addendum, subject to the Parties' right request changes to the Weekly Amount as set forth in the Purchase Agreement.
- Each Additional Seller agrees to and enters into the Purchase Agreement as a Seller and hereby joins in the sale of its Future Receipts and agrees to deliver the Amount Sold to Buyer on the terms and conditions set forth in the Purchase Agreement. The obligation of each Seller to deliver the entire Amount Sold is joint and several. Any default by a Seller under the Purchase Agreement shall constitute a default of every Seller under the Purchase Agreement. Each Seller hereby guarantees the prompt performance of the obligations of the other Sellers under the Purchase Agreement. Buyer may file suit against, or otherwise seek to collect receipt of the Amount Sold from any Seller without the necessity of Buyer first seeking to collect payment from the any other Seller or other party that may be liable for the obligations created by the Purchase Agreement.
- The Original Seller has received the Purchase Price on behalf of itself and the Additional Sellers. The Purchase Price shall be allocated among the Sellers in such amount a they may agree upon, but each shall have an undivided interest in the entire Purchase Price. Each Additional Seller is an affiliate that controls, is controlled by, or under common control with, the Original Seller. The Additional Sellers agree that joining in the sale of the Amount Sold by

signing this Addendum is in the mutually beneficial interest of all Sellers.

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AGILE CAPITAL FUNDING LLC

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4. The Parties acknowledge that each Additional Seller may maintain separate bank accounts and each Additional Seller will take such actions as are necessary or appropriate to enable Buyer to debit such Additional Seller's Approved Account. Each Seller agrees that Buyer may debit any or all Approved Accounts in such amounts as Buyer determines in its discretion until Buyer receives the Weekly Amount . Buyer shall not be required to debit each Approved Account in any specific amount or order to obtain the Weekly Amount and may, for example, debit it the Approved Account of any single Seller in an amount equal to the entire Weekly Amount .

5. Any notice to an Additional Seller in connection with the Purchase Agreement or this Addendum may be given to such the Original Seller on behalf of such Additional Seller in the manner set forth in the Purchase Agreement.

By their signatures below the Parties agree to be bound by this Addendum

Buyer

AGILE CAPITAL FUNDING LLC

By: Title: ~~CFO~~

US MEDICAL, INC.

EMMA

Original Seller

By: _

Title: 21250 Hawthorne Bl 800, Torrance, CA 9

Additional Seller(s)

EMMAUS LIFE SCIENCES, INC.

By:

Title: Authorized Signer Business

Address:

21250 Hawthorne Bl 800, Torrance, CA 9

EMI HOLDING, INC. By:

Title: Authorized Signer Business_

Address:

Consent and Reaffirmation of Guarantor

Each undersigned guarantor ("Guarantor") hereby reaffirms the Guaranty of Performance ("Guaranty") provided for the benefit of the Buyer, pursuant to which Guarantor guaranteed to Buyer the prompt and complete performance of all the Seller's obligations under the Purchase Agreement. Each Guarantor consents to the addition of the Additional Sellers as contemplated by this Addendum and agrees that, as used in the Guarantee. "Seller" means individually, collectively and interchangeably the Original Seller and each Additional Seller.

Authorized Signer: WILLIS C. LEE (Print Name) Signature:



AGILE CAPITAL FUNDING LLC Date: May 01, 2024

Business Legal Name: EMMAUS MEDICAL, INC.

RE: Pre-Payment Amendment

This amendment ("Amendment") to Merchant Agreement dated May 01, 2024 is made as of May 01, 2024 between AGILE CAPITAL FUNDING LLC and EMMAUS MEDICAL, INC. (the "Merchant(s)"). AGILE CAPITAL FUNDING LLC and the Merchant are sometimes referred to herein collectively as the "Parties" and each as a "Party." Whereas, the Parties desire to modify certain terms of the Merchant Agreement EMMAUS MEDICAL, INC., dated May 01, 2024.

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

Merchant may prepay Merchant's advance in whole using the following schedule:

Calendar Days After Funding	Payoff amount
30 Days \$	<u>1,265,000.00</u>
60 Days \$	<u>1,353,000.00</u>

If Merchant elects to prepay the Merchant Agreement, the sum of payments made up to that point will be applied and deducted from the aforementioned prepaid schedule of payments.

*The prepayment discount schedule is offered in good faith and must meet the following criteria to apply:

- The merchant's status must be "Performing";
- At no point can the merchants account reach a status of "Non-Performing, Legal, Collections, Suspended" or any other status other than Performing.

The Agreement shall remain in full force and effect as modified by this Amendment. This Amendment shall be governed by and construed in accordance with the laws of the State of New York without giving effect to the principles of conflicts of laws. This Amendment may be executed in counterparts, all of which together shall constitute one and the same instrument. Facsimile signatures shall be deemed to be original signatures and each party hereto may rely on a facsimile signature as an original for purposes of enforcing this Amendment.

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

Merchant: EMMAUS MEDICAL, INC. **Name:**
WILLIS C. LEE
Title: Authorized Signer

Signature:

05 / 01 / 2024

Date:

WCL



EMMAUS MEDICAL INC.-421859
EMMAUS_MEDICAL_INC.-421859.pdf
fd6c00fbdf55c021ea2ed6f9fad5a96eb64110b MM / DD / YYYY
● Signed

Document history

05 / 01 / 2024

10:57:08 UTC-4

Sent for signature to WILLIS C. LEE (wlee@emmauslifesciences.com) and Aaron Greenblott (contracts@lendwizely.com) from contracts@lendwizely.com
IP: 108.6.80.154

05 / 01 / 2024

11:03:38 UTC-4

05 / 01 / 2024

11:23:59 UTC-4

05 / 02 / 2024

12:04:00 UTC-4

05 / 02 / 2024

12:05:04 UTC-4

05 / 02 / 2024

12:05:04 UTC-4

Viewed by WILLIS C. LEE (wlee@emmauslifesciences.com) IP: 47.176.83.230

Signed by WILLIS C. LEE (wlee@emmauslifesciences.com) IP: 47.176.83.230

Viewed by Aaron Greenblott (contracts@lendwizely.com) IP: 108.6.80.154

Signed by Aaron Greenblott (contracts@lendwizely.com) IP: 108.6.80.154

The document has been completed.

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, Willis C. Lee, 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: September 10, 2024

/s/ WILLIS C. LEE

Willis C. Lee

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: September 10, 2024

/s/ YASUSHI NAGASAKI

Yasushi Nagasaki

Chief Financial Officer

(Principal Financial Officer)

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

In connection with the quarterly report of Emmaus Life Sciences, Inc. (the “Company”) on Form 10-Q for the quarter ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned, in the capacities and on the date indicated below, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

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

/s/ WILLIS C. LEE

Willis C. Lee

Chief Executive Office

(Principal Executive Officer)

September 10, 2024

/s/ YASUSHI NAGASAKI

Yasushi Nagasaki

Chief Financial Officer

(Principal Financial and Accounting Officer)

September 10, 2024
