
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): **March 19, 2023**

JANONE INC.

(Exact Name of Registrant as Specified in Charter)

Nevada
(State or Other Jurisdiction
of Incorporation)

000-19621
(Commission
File Number)

41-1454591
(IRS Employer
Identification No.)

**325 E. Warm Springs Road, Suite 102
Las Vegas, NV 89119**
(Address of Principal Executive Offices and Zip Code)

Registrant's telephone number, including area code: 702-997-5968
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 par value per share	JAN	The NASDAQ Stock Market LLC (The NASDAQ Capital Market)

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 1.01 Entry into a Material Definitive Agreement.

On March 19, 2023, JanOne Inc. (“our,” “us,” “we,” or the “Company”) entered into a Stock Purchase Agreement (the “Purchase Agreement”) with VM7 Corporation, a Delaware corporation (the “Buyer”), under which the Buyer agreed to acquire all of the outstanding equity interests of (a) ARCA Recycling, Inc., a California corporation (“ARCA”), (b) Customer Connexx LLC, a Nevada limited liability company (“Connexx”), and (c) ARCA Canada Inc., a corporation organized under the laws of Ontario, Canada (“ARCA Canada”; and, together with ARCA and Connexx, the “Subsidiaries”). The principal of the Buyer is Virland A. Johnson, our Chief Financial Officer. The sale of all of the outstanding equity interests of the Subsidiaries to the Buyer under the Purchase Agreement (the “Disposition Transaction”) was consummated simultaneously with the execution of the Purchase Agreement. Our Board of Directors unanimously approved the Purchase Agreement and the Disposition Transaction.

The economic aspects of the Disposition Transaction are: (i) we reduced the liabilities on our consolidated balance sheets by approximately \$17.6 million (excluding those related to the California Business Fee and Tax Division, as discussed below); (ii) we will receive not less than \$24.0 million in aggregate monthly payments from the Buyer, which payments are subject to potential increase due to the Subsidiaries’ future performance; and (iii) during the next five years, we may request that the Buyer prepay aggregate monthly payments in the aggregate amount of \$1 million. We also received one thousand dollars for the equity of each of the Subsidiaries at the closing. Each monthly payment is to be the greater of (a) \$140,000 (or \$100,000 for each January and February during the 15-year payment period) or (b) a monthly percentage-based payment, which is an amount calculated as follows: (i) 5% of the Subsidiaries’ aggregate gross revenues up to \$2,000,000 for the relevant month, plus (ii) 4% of the Subsidiaries’ aggregate gross revenues between \$2,000,000 and \$3,000,000 for the relevant month, plus (iii) 3% of the Subsidiaries aggregate gross revenues over \$3,000,000 for the relevant month. The Buyer will receive credit toward the payment of the first monthly payment (March of 2023) for any payments, distributions, or cash dividends paid by any of the Subsidiaries to the Seller on or after March 19, 2023.

The Buyer may prepay, at any time and in total, the estimated aggregate of the future monthly payments. That amount will be an amount equal to the then-present value of the estimated future monthly payments, discounted at the rate of 5% per annum (the “Prepayment Price”). Furthermore, the Buyer will be required to pay the Prepayment Price upon the earliest of (i) Mr. Johnson holding less than 75% of the capital stock of the Buyer, (ii) the Buyer selling substantially all of its assets, (iii) the Buyer holding less than 50% of the capital stock of the Subsidiaries, or (iv) the Subsidiaries selling substantially all of their respective assets. Upon payment of the Prepayment Price, Buyer will have no further purchase price payment obligations to the Seller.

Additional terms of the Disposition Transaction are: (i) we have the right to appoint one member of the Buyer’s board of directors until the sooner of the Buyer having paid the Prepayment Price or having tendered all of the monthly payments; (ii) Mr. Johnson’s annual salary as Chief Executive Officer of the Buyer shall be \$400,000, prorated, for the remainder of the 2023 calendar year, and then adjusted annually to an amount equal to 1% of the Subsidiaries’ aggregate gross revenues, until the sooner of the Buyer having paid the Prepayment Price or having tendered all of the monthly payments; and (iii) we will receive additional payments from the Buyer (that are not related to the on-going monthly payments) that relate to certain taxing agency issues. Upon settlement of the continuing dispute between ARCA and the California Business Fee and Tax Division (as to which settlement, there can be no assurance), the ARCA will pay to us 50% of the amount of the reduction between the current assessment and any such settlement. The payment will be memorialized by a three-year promissory note with interest at five percent per annum. The first payment under the note will be on the last day of the Buyer’s fiscal year in which the settlement occurs and the remaining payments each year thereafter. If ARCA receives a refund from the agency for payments previously made, it shall pay to us an amount equivalent to 25% of such refund after reduction for the legal fees payable to counsel for this proceeding. ARCA and Connexx are due to receive from the Internal Revenue Service two payments in the aggregate amount of approximately \$931,000 in connection with the Employee Retention Credit provisions of the Coronavirus Aid, Relief, and Economic Security Act and the Taxpayer Certainty and Disaster Tax Relief Act of 2020. Those payments are to be tendered to us within 10 days of receipt by ARCA or Connexx.

To secure the Buyer’s obligations under the Purchase Agreement and pursuant to a Stock and Membership Interests Pledge Agreement dated March 19, 2023 (the “Pledge Agreement”), Mr. Johnson pledged to us all of the capital stock in the Buyer (the “Buyer’s Capital Stock”) and the Buyer pledged to us all of the equity interests of the Subsidiaries (the “Subject Securities”). Under the terms of the Pledge Agreement, upon an Event of Default (as defined in the Pledge Agreement), among other remedies in our favor, we may foreclose on any or all of the Buyer’s Capital Stock and the Subject Securities. We may also cause the ownership of the Buyer’s Capital Stock and of the Subject Securities to be transferred to us automatically, pursuant to an irrevocable transfer entered in our favor, as referenced in the Pledge Agreement. In the event of an automatic transfer, all of the monthly payments previously made by the Buyer pursuant to the terms of the Purchase Agreement will then be characterized as contributions to the capital of the Company without dilution of the Company’s capital stock.

The parties have made customary representations, warranties, covenants, and indemnities in connection with the Disposition Transaction.

The Purchase Agreement contains certain representations and warranties that the parties made to each other as of the date of the Purchase Agreement or such other date as explicitly referenced therein. The representations and warranties were made solely for purposes of the Purchase Agreement and (i) are subject to limitations agreed by the parties in negotiating the terms and conditions thereof, (ii) may not be accurate or complete as of any specified date, (iii) will be qualified by the underlying disclosure schedules, (iv) may be subject to a contractual standard of materiality different from those generally applicable to investors, and (v) may have been used for the purpose of allocating risk among the parties thereto, rather than for establishing any matters as facts. Information concerning the subject matter of the representations and warranties may change after March 19, 2023, and subsequent information may or may not be fully reflected in JanOne’s public disclosures. For the foregoing reasons, the representations and warranties contained in the Purchase Agreement should not be relied upon as statements of factual information.

The foregoing descriptions of the Purchase Agreement and the Disposition Transaction and of the Pledge Agreement do not purport to be complete and are qualified in their entirety by reference to the Purchase Agreement and the Pledge Agreement, a copy of each of which is filed with this Current Report on Form 8-K as Exhibits 10.95 and 10.96, respectively, and are incorporated herein by reference.

Forward-Looking Statements

This Current Report on Form 8-K contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and Private Securities Litigation Reform Act, as amended, including those relating to the consummation of the Disposition Transaction and other statements that are predictive in nature. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industry and markets in which we operate and management's current beliefs and assumptions.

These statements may be identified by the use of forward-looking expressions, including, but not limited to, "expect," "anticipate," "intend," "plan," "believe," "estimate," "potential," "predict," "project," "should," "would," and similar expressions and the negatives of those terms. These statements relate to future events or our financial performance and involve known and unknown risks, uncertainties, and other factors which may cause actual results, performance, or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include those set forth in the Company's filings with the SEC. Prospective investors are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date of this press release. The Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

Item 9.01. Financial Statements and Exhibits

(b) Pro forma financial information

On March 19, 2023, JanOne Inc. entered into a Stock Purchase Agreement with VM7 Corporation, a Delaware corporation (the "Disposition Transaction"), under which VM7 agreed to acquire all of the outstanding equity interests of three specific subsidiaries of JanOne: (a) ARCA Recycling, Inc., a California corporation, (b) Customer Connexx LLC, a Nevada limited liability company, and (c) ARCA Canada Inc., a corporation organized under the laws of Ontario, Canada. The sale of all of the outstanding equity interests of the three subsidiaries to VM7 was consummated on March 19, 2023, effective as of March 1, 2023.

Attached hereto as Exhibit 99.1 are the unaudited pro forma condensed financial statements of JanOne, Inc., specifically its (a) unaudited condensed Balance Sheet as of January 1, 2022, (b) its unaudited condensed Statement of Operations and Comprehensive Loss for the fiscal year ended January 1, 2022, (c) unaudited condensed Balance Sheet as of October 1, 2022, and (d) unaudited condensed Statement of Operations and Comprehensive Income for the 39 weeks ended October 1, 2022, each noting the effect that the Disposition Transaction had on such financial statements, had the Disposition Transaction closed on January 1, 2022, or October 1, 2022, respectively.

(d) Exhibits

Exhibit Number	Description
10.95	Stock Purchase Agreement between JanOne Inc. and VM7 Corporation, dated as of March 19, 2023.
10.96	Stock and Membership Interests Pledge Agreement made by VM7 Corporation and Virland Johnson in favor of JanOne Inc., dated March 19, 2023.
99.1	Unaudited condensed pro forma financial statements of the registrant as of January 1, 2022 and its fiscal year then ended and as of October 1, 2022, and the thirty-nine weeks then ended.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, we have duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

JanOne Inc.

By: /s/ Tony Isaac
Name: Tony Isaac
Title: Chief Executive Officer

Dated: March 20, 2023

STOCK PURCHASE AGREEMENT

between

JANONE, INC.

and

VM7 CORPORATION

dated as of

March 19, 2023

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STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement (this “**Agreement**”), dated as of March 19, 2023, and effective as of March 1, 2023, is entered into between JanOne, Inc., a Nevada corporation (“**Seller**”), and VM7 Corporation, a Delaware corporation (“**Buyer**”). Capitalized terms used in this Agreement have the meanings given to such terms herein.

RECITALS

WHEREAS, Seller owns, directly or indirectly:

- i. all of the issued and outstanding shares of capital stock, no par value per share (the “**ARCA California Securities**”), of ARCA Recycling, Inc., a California corporation (“**Arca California**”);
- ii. one hundred percent of the membership interests (the “**Connexx Interests**”) of Customer Connexx, LLC, a Nevada limited liability company (“**Connexx**”); and
- iii. all the issued and outstanding shares of common stock, \$1.00 par value per share (the “**ARCA Canada Securities**”), of ARCA Canada Inc., a corporation organized under the laws of Ontario, Canada (“**ARCA Canada**”). The ARCA California Securities, the Connexx Interests, and ARCA Canada Securities are collectively referred to as the “**Subsidiaries’ Securities**” and ARCA California, Connexx, and ARCA Canada are collectively referred to as the “**Subsidiaries**”.

WHEREAS, Seller wishes to sell to Buyer, and Buyer wishes to purchase from Seller, all and not less than all of the Subsidiaries’ Securities, subject to the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I PURCHASE AND SALE

Section 1.01 Purchase and Sale. Subject to the terms and conditions set forth herein, at the Closing, Seller shall sell to Buyer, and Buyer shall purchase from Seller, the Subsidiaries’ Securities, free and clear of any mortgage, pledge, lien, charge, security interest, claim, community property interest, option, equitable interest, restriction of any kind (including any restriction on use, voting, transfer, receipt of income, or exercise of any other ownership attribute), or other encumbrance (each, an “**Encumbrance**”) (other than restrictions on transfer arising under applicable state or federal securities laws).

Section 1.02 Purchase Price . The aggregate purchase price for the Subsidiaries’ Securities to be paid by Buyer (the “**Purchase Price**”) shall consist of:

(a) the base price of \$3,000 (the “**Base Price**”), payable at the Closing in cash by wire transfer of immediately available funds in accordance with the wire transfer instructions set forth in Section 1.02 of the Disclosure Schedules; plus

(b) the Contingent Price.

The Contingent Price (the “**Contingent Price**”) means an amount equal to the greater of the Monthly Minimum Buyer’s payment on the fifth day each month (the “**Payment Date**”) during the Contingent Price Period (as that term is defined herein below) equal to the greater of the Monthly Minimum Payment or the Monthly Percentage-based Payment. The Buyer’s failure to make one or more payments in full of the Contingent Price, as provided herein within 25 days of the due date thereof, whether or not the Seller has provided written notice to the Buyer of such Contingent Price payment default, shall constitute a “**Payment Event of Default**”. The “**Monthly Minimum Payment**” shall equal \$100,000 for the months of January and February during the pendency of the Contingent Price Period and \$140,000 for all other months during the pendency of the Contingent Price Period.

Subject to the Monthly Minimum Payment, the “**Monthly Percentage-based Payment**” will equal:

For Subsidiaries’ aggregate gross revenues up to and including \$2,000,000 for the calendar month prior to the date on which the Contingent Price payment is due,	5% of such amount of revenues,
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Plus

For Subsidiaries’ aggregate gross revenues in excess of \$2,000,000 up to and including \$3,000,000 for the calendar month prior to the date on which the Contingent Price payment is due,	4% of such amount of revenues
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Plus

For Subsidiaries’ aggregate gross revenues in excess of \$3,000,000 for the calendar month prior to the date on which	3% of such amount of revenues
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the Contingent Price payment is due.

Notwithstanding the prior The “**Contingent Price Period**” means the period beginning with the Closing Date and ending on the fifteenth annual anniversary of the Closing Date. “**Disclosure Schedules**” means the disclosure schedules, attached hereto, and made a part hereof, delivered by Seller and Buyer concurrently with the execution, closing, and delivery of this Agreement. In the case of fractional monthly periods that are a part of the Contingent Price Period, a fraction shall be calculated, the numerator of which shall be the number of the days of such fractional month and the denominator of which shall be the number of days in such month. The Subsidiaries’ net revenues for such fractional month shall equal the net revenues for all of such month multiplied by the Proportional Fraction. The net revenue brackets above shall be adjusted for such fractional month by multiplying the Proportional Fraction by each of the bracket amounts stated above.

If Buyer fails to timely make a monthly payment of the Contingent Price (a “**Delayed Payment**”), the Buyer shall pay to Seller, a late payment fee of \$1000.00 for each day after the payment date until Seller receive full payment of the Delayed Payment.

Section 1.03 Buyer’s Credit for Certain ARCA Distributions. The Subsidiaries or any of them will make payments, distributions or pay cash dividends to the Seller (the “**Subsidiaries’ Distributions**”), Seller will credit to Buyers liability for payments of the Contingent Price, the amount of the Subsidiaries’ Distributions made on March 1, 2023, and thereafter. Such credit will be applied to the next Buyer’s payments required hereby. If, on the date for any payment of Contingent Price, the balance of uncredited Subsidiaries’ Distributions is greater than the payment amount, the amount by which the balance exceeds such month’s liability for the Contingent Price will be credited against the Buyer’s liability for payment for the next succeeding month.

Section 1.04 Voluntary/Mandatory Prepayment of Contingent Price; Sale of Buyer or Subsidiaries; Pledge of Stock and Irrevocable Transfers.

(a) The Buyer may at any time, prepay in full, but only in full upon the payment to Seller, in cash, an amount equal to the Prepayment Price. The Prepayment Price will equal to the present value of the anticipated remaining monthly payments of Contingent Price discounted at the rate of 5% per annum. The Parties will establish a reasonable estimate of the remaining Contingent Price Payments in order to determine the Prepayment Price.

(b) The Buyer shall pay an amount equal to the Prepayment Price on a date thirty days after the earliest date upon which (i) the current holder of 100 percent of the capital stock of the Buyer holds less than 75 percent of the capital stock thereof, (ii) the Buyer sells substantially all of its assets, (iii) the Buyer holds less than fifty percent of the capital stock of the Subsidiaries, or (iv) the Subsidiaries sell substantially all of their respective assets. Such payment will be considered a prepayment of all of Buyer’s liability for the Contingent Price and thereafter Buyer shall have no liability to Seller for the payment of the Contingent Price. Upon any such occurrence, the Prepayment Price will equal to the present value of the anticipated remaining monthly payments of Contingent Price discounted at the rate of 5% per annum. The

Parties will establish a reasonable estimate of the remaining Contingent Price Payments in order to determine the Prepayment Price.

(c) Notwithstanding anything to the contrary contained herein, the Buyer may not undertake any of the actions referenced in subsections (b)(ii), (iii), or (iv), above, without the prior written consent of the Seller. Further, the Buyer may not undertake the action referenced in section (a), above, in contemplation of or in connection with any of the actions referenced in subsections (b)(ii), (iii), or (iv), above, without the prior written consent of the Seller.

Section 1.05 Pledge of Stock; Irrevocable Transfers. The Buyer will secure its obligations hereunder, including its obligations to pay the Contingent Price with a grant of a security interests in all of the capital stock pursuant to the terms of the **Pledge Agreement** in the form attached hereto as **Exhibit B**. If the Seller exercises any of its rights in the Pledge Agreement, the payment of the Contingent Price will be deemed accelerated to an amount equal to the Prepayment Price and the taking or transfer of the Collateral as defined in the Pledge Agreement will be deemed a discharge of Buyer's liability for the payment of the Contingent Price. For the avoidance of doubt this Paragraph expresses the Parties' agreement that Buyer's liability for payment of the Contingent Price is limited to the stock of the Subsidiaries and the Seller's rights under the Pledge Agreement. Notwithstanding the Seller's rights as provided in the Pledge Agreement in connection with such securing of obligations, the Buyer will also execute and deliver to the Seller the Irrevocable Transfers in the form attached hereto as **Exhibit C**.

ARTICLE II CLOSING

Section 2.01 Closing. The closing of the transactions contemplated by this Agreement (the "**Closing**") shall take place simultaneously with the execution of this Agreement on the date of this Agreement (the "**Closing Date**") remotely by exchange of documents and signatures (or their electronic counterparts). The consummation of the transactions contemplated by this Agreement shall be deemed to occur at 12:01 a.m. Central Standard Time on March 1, 2023.

Section 2.02 Seller Closing Deliverables. At the Closing, Seller shall deliver to Buyer the following:

(a) Share certificates evidencing the ARCA California Securities and the ARCA Canada Securities and an assignment of the Connexx Interests, free and clear of all Encumbrances (other than restrictions on transfer arising under applicable state or federal securities laws), duly endorsed in blank or accompanied by stock powers or other instruments of transfer duly executed in blank.

(b) A certificate of the Secretary (or other officer) of Seller certifying: (i) that attached thereto are true and complete copies of all resolutions of the board of directors and the stockholders of Seller authorizing the execution, delivery, and, as relevant, performance of this Agreement, the Pledge Agreement, and the Irrevocable Transfers, and the other agreements, instruments, and documents required to be delivered in connection with this Agreement or at the Closing (collectively, the "**Transaction Documents**") to which Seller is a party and the consummation of the transactions contemplated hereby and thereby, and that such resolutions are

in full force and effect; (ii) the names, titles, and signatures of the officers of Seller authorized to sign this Agreement and the other Transaction Documents; and (iii) that attached thereto are true and complete copies of the governing documents of the Subsidiaries, including any amendments or restatements thereof, and that such governing documents are in full force and effect. The term “**Pledge Agreement**” means the Stock And Membership Interests Pledge Agreement to be entered into between the Buyer and the Seller in which the Buyer has granted certain security interests to the Seller in connection with certain of the Buyer’s obligations to the Seller referenced in this Agreement. The term “**Irrevocable Transfers**” means those certain agreements to be executed and delivered by the Buyer as referenced in the Pledge Agreement.

(c) Resignations of the directors and officers of the Subsidiaries, effective as of the Closing Date.

(d) Good standing certificates (or their equivalent) for each of the Subsidiaries from the secretary of state or similar Governmental Authority of the jurisdiction in which each Subsidiary is organized and each jurisdiction where each Subsidiary is required to be qualified, registered, or authorized to do business. The term “**Governmental Authority**” means any federal, state, local, or foreign government or political subdivision thereof, or any agency or instrumentality of such government or political subdivision, or any arbitrator, court, or tribunal of competent jurisdiction.

(e) A certificate pursuant to Treasury Regulations Section 1.1445-2(b) that Seller is not a foreign person within the meaning of Section 1445 of the Internal Revenue Code of 1986, as amended (the “**Code**”).

(f) Written consents and waivers of default from the Subsidiary’s secured lenders. The secured lenders are set forth in Disclosure Schedule 2.02(f).

(g) The Pledge Agreement fully executed by all necessary Seller parties.

Section 2.03 Buyer’s Deliveries. At the Closing, Buyer shall deliver the following to Seller:

(a) The Base Purchase Price.

(b) A certificate of the Secretary (or other officer) of Buyer certifying: (i) that attached thereto are true and complete copies of all resolutions of the board of directors of Buyer authorizing the execution, delivery, and performance of this Agreement and the Transaction Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby, and that such resolutions are in full force and effect and (ii) the names, titles, and signatures of the officers of Buyer authorized to sign this Agreement and the other Transaction Documents to which it is a party.

(c) The Pledge Agreement fully executed by all necessary Buyer parties.

(d) The Irrevocable Transfers fully executed by VM7, ARCA California, ARCA Canada, and Connexx.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants to Buyer that the statements contained in this ARTICLE III are true and correct as of the date hereof. For purposes of this ARTICLE III, “**Seller’s knowledge**,” “**knowledge of Seller**,” and any similar phrases shall mean the actual or constructive knowledge of any director or officer of Seller, after due inquiry.

Section 3.01 Organization and Authority of Seller. Seller is a corporation duly organized, validly existing, and in good standing under the Laws of the state of Nevada. Seller has full corporate power and authority to enter into this Agreement and the other Transaction Documents to which Seller is a party, to carry out its obligations hereunder and thereunder, and to consummate the transactions contemplated hereby and thereby. The execution and delivery by Seller of this Agreement and any other Transaction Document to which Seller is a party, the performance by Seller of its obligations hereunder and thereunder, and the consummation by Seller of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate action on the part of Seller. This Agreement and each Transaction Document to which Seller is a party constitute legal, valid, and binding obligations of Seller enforceable against Seller in accordance with their respective terms. Laws shall mean any statute, law, ordinance, regulation, rule, code, treaty, or other requirement of any Governmental Authority (collectively, “**Law**”)

Section 3.02 Organization, Authority, and Qualification of the Subsidiaries. ARCA California is a corporation duly organized, validly existing, and in good standing under the Laws of the state of the State of California. ARCA Canada is a corporation duly organized, validly existing, and in good standing under the Laws of Ontario, Canada. Connexx is a limited liability company duly organized, validly existing, and in good standing under the laws of the State of Nevada. Each Subsidiary has full power and authority to own, operate, or lease the properties and assets now owned, operated, or leased by it and to carry on its business as it has been and is currently conducted.

Section 3.03 Capitalization.

(a) The authorized and issued shares or interests of each Subsidiary are correctly stated in Schedule 3.03 (a) of the Disclosure Schedule and the issued shares or interests therein disclosed constitute the Subsidiaries’ Securities. All of the Subsidiaries’ Securities have been duly authorized, are validly issued, fully paid and nonassessable, and are owned of record and beneficially by Seller, free and clear of all Encumbrances. Upon the transfer, assignment, and delivery of the Subsidiaries’ Securities and payment therefor in accordance with the terms of this Agreement, Buyer shall own all of the Subsidiaries’ Securities, free and clear of all Encumbrances.

(b) All of the Subsidiaries’ Securities were issued in compliance with applicable Laws. None of the Subsidiaries’ Securities were issued in violation of any agreement or commitment to which Seller or a Subsidiary is a party or is subject to or in violation of any preemptive or similar rights of any individual, corporation, partnership, joint venture, limited

liability company, Governmental Authority, unincorporated organization, trust, association, or other entity (each, a “**Person**”).

(c) There are no outstanding or authorized options, warrants, convertible securities, stock appreciation, phantom stock, profit participation, or other rights, agreements, or commitments relating to the shares or interests of any Subsidiary or obligating Seller or a Subsidiary to issue or sell any shares of, or any other interest in, a Subsidiary. There are no voting trusts, stockholder agreements, proxies, or other agreements in effect with respect to the voting or transfer of any of the Subsidiaries’ Securities.

Section 3.04 Closing Balance Sheet; Assets and Liabilities. Each Subsidiary has delivered to Buyer its balance sheet (the “**Closing Balance Sheet**”) as of the date hereof. Except as disclosed in Section 3.04 of the Disclosure Schedule, the Subsidiaries have title to the Assets reflected on a Subsidiary’s Closing Balance Sheet and owns such Assets free and clear of Encumbrances. Each Subsidiary’s Closing Balance Sheet lists all of a Subsidiary’s Liabilities and except as disclosed on the Subsidiary’s Closing Balance Sheet, each Subsidiary has no Liabilities or contingent Liabilities and each Liability reflected on a Subsidiary’s Closing Balance Sheet is a duly incurred Liability of such Subsidiary. Assets means assets, properties and rights of every kind and nature, whether real, personal, or mixed, tangible or intangible (including goodwill) as make up the accounts from which the Assets part of the balance sheet is derived. “Liabilities” means liabilities, obligations, or commitments of any nature whatsoever, asserted or unasserted, known or unknown, absolute or contingent, accrued or unaccrued, matured or unmatured or otherwise.

Section 3.05 Intercompany Liabilities. There are no liabilities owed among the Seller and each of the Subsidiaries except as disclosed on Disclosure Schedule 3.05. All liabilities disclosed on the Disclosure Schedule Section 3.05 will be discharged or waived prior to the Closing and at the Closing Date no liability shall exist among the Seller and any Subsidiary, except for the obligation of ARCA California in favor of SkyBridge Americas, Inc. in the approximate amount of \$1.3 million for which funds are on deposit with the Hennepin County [Minnesota] District Court and an additional amount of approximately \$366,777.83 (collectively, the “**SkyBridge Obligations**”). The \$1.3 million SkyBridge Obligation shall remain an obligation of ARCA California until the funds have been released by the relevant court and the \$366,777.83 SkyBridge Obligation shall be assumed by ARCA California.

Section 3.06 Books and Records. The minute books and share record and transfer books of each of the Subsidiaries, all of which are in the possession of the Seller and have been made available to Buyer, are complete and correct.

Section 3.07 Brokers. No broker, finder, or investment banker is entitled to any brokerage, finder’s, or other fee or commission in connection with the transactions contemplated by this Agreement or any other Transaction Document based upon arrangements made by or on behalf of Seller.

**ARTICLE IV TC “ARTICLE IV REPRESENTATIONS AND WARRANTIES OF BUYER” \L 1
REPRESENTATIONS AND WARRANTIES OF BUYER**

Buyer represents and warrants to Seller that the statements contained in this Article IV are true and correct as of the date hereof. For purposes of this Article IV, “**Buyer’s knowledge**,” “**knowledge of Buyer**,” and any similar phrases shall mean the actual or constructive knowledge of any director or officer of Buyer, after due inquiry.

Section 4.01 Organization and Authority of Buyer. Buyer is a corporation duly organized, validly existing, and in good standing under the Laws of the state of Delaware. Buyer has full corporate power and authority to enter into this Agreement and the other Transaction Documents to which Buyer is a party, to carry out its obligations hereunder and thereunder, and to consummate the transactions contemplated hereby and thereby. The execution and delivery by Buyer of this Agreement and any other Transaction Document to which Buyer is a party, the performance by Buyer of its obligations hereunder and thereunder, and the consummation by Buyer of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate action on the part of Buyer. This Agreement and each Transaction Document constitute legal, valid, and binding obligations of Buyer enforceable against Buyer in accordance with their respective terms.

Section 4.02 No Conflicts; Consents. The execution, delivery, and performance by Buyer of this Agreement and the other Transaction Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not: (a) violate or conflict with any provision of the certificate of incorporation, by-laws, or other governing documents of Buyer; (b) violate or conflict with any provision of any Law or Governmental Order applicable to Buyer; or (c) require the consent, notice, declaration, or filing with or other action by any Person or require any Permit, license, or Governmental Order.

Section 4.03 Investment Purpose. Buyer is acquiring the Subsidiaries’ Securities solely for its own account for investment purposes and not with a view to, or for offer or sale in connection with, any distribution thereof or any other security related thereto within the meaning of the Securities Act of 1933, as amended (the “**Securities Act**”). Buyer acknowledges that Seller has not registered the offer and sale of the Subsidiaries’ Securities under the Securities Act or any state securities laws, and that the Subsidiaries’ Securities may not be pledged, transferred, sold, offered for sale, hypothecated, or otherwise disposed of except pursuant to the registration provisions of the Securities Act or pursuant to an applicable exemption therefrom and subject to state securities laws and regulations, as applicable.

Section 4.04 Brokers. No broker, finder, or investment banker is entitled to any brokerage, finder’s, or other fee or commission in connection with the transactions contemplated by this Agreement or any other Transaction Document based upon arrangements made by or on behalf of Buyer.

ARTICLE V COVENANTS

Section 5.01 Confidentiality. From and after the Closing, Seller shall, and shall cause its Affiliates and its and their respective directors, officers, employees, consultants, counsel, accountants, and other agents (collectively, “**Representatives**”) to, hold in confidence any and all information, in any form, concerning the Subsidiaries, except to the extent that Seller can show that such information: (a) is generally available to and known by the public through no fault of Seller, any of its Affiliates, or their respective Representatives; or (b) is lawfully acquired by Seller, any of its Affiliates, or their respective Representatives from and after the Closing from sources which are not prohibited from disclosing such information by any obligation. If Seller or any of its Affiliates or their respective Representatives are compelled to disclose any information by Governmental Order or Law, Seller shall promptly notify Buyer in writing and shall disclose only that portion of such information which is legally required to be disclosed; *provided, however*, Seller shall use reasonable best efforts to obtain as promptly as possible an appropriate protective order or other reasonable assurance that confidential treatment will be accorded such information.

Section 5.02 Non-Solicitation.

(a) For a period of three years commencing on the Closing Date (the “**Restricted Period**”), Seller shall not, and shall not permit any of its Affiliates to, directly or indirectly, hire or solicit any current or former employee of a Subsidiary or encourage any employee to leave such Subsidiary’s employment, except pursuant to a general solicitation which is not directed specifically to any such employees; *provided, however*, nothing in this Section 5.02(a) shall prevent Seller or any of its Affiliates from hiring: (i) any employee terminated by the Buyer or a Subsidiary or (ii) after one hundred eighty (180) days from the date of resignation, any employee who has resigned from the Buyer or a Subsidiary.

(b) Seller acknowledges that a breach or threatened breach of this Section 5.02 would give rise to irreparable harm to Buyer, for which monetary damages would not be an adequate remedy, and hereby agrees that in the event of a breach or a threatened breach by Seller of any such obligations, Buyer shall, in addition to any and all other rights and remedies that may be available to it in respect of such breach, be entitled to equitable relief, including a temporary restraining order, an injunction, or specific performance (without any requirement to post bond).

Section 5.03 Additional Seller Payment.

(a) The California Business Fee and Tax Division assessed ARCA California for a sales tax liability of approximately \$4.13 million plus accrued interest in the amount of approximately \$2.65 million for an aggregate amount of approximately \$6.78 million as of the date of this Agreement (the “**Assessment**”). ARCA California has vigorously opposed the Assessment and is presently disputing the Assessment in certain administrative proceedings. If the Assessment is resolved for less than Assessment amount, ARCA California will pay to Seller an amount equal to fifty percent of the reduced Assessment amount (the “**Shared Sales Tax Obligation**”) by delivering its promissory note to the Seller evidencing the Seller Sales Tax Payment. The promissory note will provide for the payment of the Shared Sales Tax Obligation

in three equal annual payments of the principal amount of such promissory note and the monthly payment of accrued interest on the unpaid balance of the promissory note at a rate of five percent per annum. Buyer will pay the first annual payment of the Shared Sales Tax Obligation to Seller on the last day of Buyer's fiscal year of the year in which the Shared Sales Tax Obligation arises and Buyer will pay the second and third payments of the Shared Sales Tax Obligation to Seller on the last day of each of the next succeeding fiscal years of Buyer. If the Assessment is not resolved in a manner that is acceptable to the Seller in its sole and absolute discretion, the Buyer and ARCA California may continue with the dispute resolution process at the California Business Fee and Tax Division, but will solely bear all of the legal and related fees and costs associate therewith.

(b) If ARCA California receives a refund (the "**CBFTD Refund**") from the California Business Fee and Tax Division for previously paid California sales taxes, the Buyer will pay to the Seller an amount equal to twenty-five percent of the Net California Sales Tax Recovery (the "**Shared Sales Tax Recovery**"). Net California Sales Tax Recovery means the actual amount of sales taxes refunded by the California Business Tax and Fee Division, including any amount of interest refunded thereon, less any amount of incentive legal fees paid or payable to Dakassian Law, the professional service fee representing the Seller and ARCA California in such California sales tax proceedings. ARCA California shall pay to the Seller the Shared Sales Tax Recovery in cash on or before the tenth business day after the later of (i) ARCA California's receipt of the CBFTD Refund and (ii) the determination of the amount of such incentive legal fees.

(c) The Buyer and ARCA California each acknowledges that current or former customers of ARCA California may, directly or indirectly, contact the Buyer or ARCA California concerning (i) payments of sales taxes made to or through ARCA California in respect of California sales tax obligations during the period of time for which the CBFTD Refund was calculated and that such customers may demand a repayment of such sales tax payments or (ii) new assessments from the California Business Fee and Tax Division for sales tax obligations against such customers. The Buyer and ARCA California each agrees that any such customer payment issues are the sole responsibilities of the Buyer and ARCA California, which entities shall fully indemnify the Seller in respect thereof.

Section 5.04 Prior Proposed Transaction. Seller, for itself and for each of the Subsidiaries and Virland Johnson, for himself and for his Affiliates, each waives all liabilities and obligations arising from an earlier proposed transaction commenced in 2020 (the "**Prior Transaction**"), whereby certain Affiliates of Johnson were to purchase substantially all of the Assets of the Subsidiaries and assume certain Liabilities. For the avoidance of doubt, this waiver discharges all obligations to make a payment of \$100,000 to the Seller and the Subsidiaries if the Prior Transaction did not occur prior to March 31, 2023.

Section 5.05 ERC Payments. Prior to the date hereof ARCA California and Connexx distributed to Seller, their respective rights to all payments from the Internal Revenue Service, in the approximate amounts of \$601,000 plus accrued interest (currently estimated to be approximately \$96,000) and \$331,000 inclusive of accrued interest, respectively (collectively, the "**ERC Payments**"), to be received pursuant to the Employee Retention Credit provisions of the Coronavirus Aid, Relief, and Economic Security Act and the Taxpayer Certainty and

Disaster Tax Relief Act of 2020, enacted December 27, 2020. When the ERC Payments are received by ARCA California and Connexx or any Affiliates thereof, the Buyer will cause and direct payments to the Seller of an amount equivalent to the ERC Payments be made within 10 days of such party's receipt of the ERC Payments. Through and including the last date of such payments, the "SkyBridge Obligations" shall remain a payable of ARCA California and a receivable of the Seller.

Section 5.06 Further Assurances; Future Conduct; Non-Payment Events of Non-payment Default.

(a) Following the Closing, each of the parties hereto shall, and shall cause their respective Affiliates to, execute and deliver such additional documents and instruments and take such further actions as may be reasonably required to carry out the provisions hereof and give effect to the transactions contemplated by this Agreement and the other Transaction Documents.

(b) During the first five-year period from and after the Closing (unless the Contingent Price has been paid in full prior thereto), upon the Seller's written request, the Buyer shall tender to the Seller prepayments of the Contingent Price to a maximum of \$1,000,000. Each such tender shall be made within 10 days' of the request therefor. During such first five-year period, for any month for which the Monthly Percentage-based Payment would exceed the Monthly Minimum Payment, the excess thereof shall not be tendered by the Buyer to the Seller and shall be deemed to reduce any then-outstanding prepayment. During each month of the second five-year period from and after the Closing, the Seller shall tender to the Buyer an amount equivalent to one-sixtieth of the amount of any remaining Seller prepayments. As of the Closing, the Buyer has provided the Seller with prepayments of the Contingent Price in the amount of approximately \$100,000. Through and including April 17, 2023, the parties anticipate that the Buyer, on not less than two days' notice, will tender additional prepayments to the Seller in the aggregate amount of approximately an additional \$500,000. Neither the prepayments nor the repayments shall bear interest. Failure by the Buyer to tender any such requested prepayments, promptly and as requested, subject to a 2-day cure period for written requests on or before April 17, 2022 and to a 20-day cure period for written requests thereafter, shall constitute a "**Non-payment Event of Default**" hereunder.

(c) The Buyer and each of the Subsidiaries shall timely and faithfully undertake all of their respective indemnification obligations, if and as required, as set forth in this Agreement. Any failure to do so subject to a 25-day cure period, shall constitute a "**Non-payment Event of Default**" hereunder.

(d) The Buyer and each of the Subsidiaries shall timely and faithfully undertake the performance of all of their respective covenants as set forth in this Agreement. Any failure to do so subject to a 25-day cure period, shall constitute a "**Non-payment Event of Default**" hereunder.

(e) Any representation or warranty made or deemed made by the Buyer to the Seller herein is incorrect in any material respect on the date as of which such representation or warranty was made or deemed made shall constitute a "**Non-payment Event of Default**" hereunder.

(f) The occurrence of an event of default by any of the Buyer or any of its Subsidiaries under any instrument, document, or agreement executed in connection with borrowed money (as defined under such instrument, document or agreement), where the Buyer or any of its Subsidiaries is a borrower or a guarantor if the effect of such an event of default is to cause or permit the acceleration of such indebtedness, subject to the applicable notice and cure provisions, if any, set forth in such agreements shall constitute a “**Non-payment Event of Default**” hereunder.

(g) Activities in respect of the Buyer or any of its Subsidiaries in any manner set forth below shall constitute a “**Non-payment Event of Default**” hereunder.

(i) The Buyer or any of its Subsidiaries commences any case, proceeding, or other action (1) under any existing or future law relating to bankruptcy, insolvency, reorganization, or other relief of debtors, seeking to have an order for relief entered with respect to such entity, or seeking to adjudicate it as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition, or other relief with respect to such entity or its debts or (2) seeking appointment of a receiver, trustee, custodian, conservator, or other similar official for such or for all or any substantial part of its assets, or the Buyer or any of its Subsidiaries makes a general assignment for the benefit of such entity’s creditors;

(ii) There is commenced against the Buyer or any of its Subsidiaries any case, proceeding, or other action of a nature referred to in clause (i) above that (1) results in the entry of an order for relief or any such adjudication or appointment or (2) remains undismissed, undischarged, or unbonded for a period of 60 days;

(iii) There is commenced against the Buyer or any of its Subsidiaries any case, proceeding, or other action seeking issuance of a warrant of attachment, execution, or similar process against all or any substantial part of its assets that results in the entry of an order for any such relief that has not been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof;

(iv) The Buyer or any of its Subsidiaries takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or

(v) The Buyer or any of its Subsidiaries is generally not, or is unable to, or admits in writing its inability to, pay its debts as they become due.

(h) Until the Buyer’s and each of its Subsidiaries’ respective obligations to the Seller hereunder have been satisfied in full, the Buyer shall operate the Subsidiaries in the ordinary course, as historically operated. Failure to do so subject to a 25-day cure period, shall constitute a “**Non-payment Event of Default**” hereunder.

(i) Upon the occurrence of any Payment Event of Default or any Non-payment Event of Default that remains uncured beyond the 2-, 20-, or 25-day cure period, as relevant, the Buyer shall tender to the Seller the amount of \$1,000 per day until such Event of Default has been cured.

ARTICLE VI
TAX MATTERS

Section 6.01 Tax Covenants.

(a) The term “**Taxes**” means all federal, state, local, foreign, and other income, gross receipts, sales, use, production, ad valorem, transfer, franchise, registration, profits, license, lease, service, service use, withholding, payroll, employment, unemployment, estimated, excise, severance, environmental, stamp, occupation, premium, property (real or personal), real property gains, windfall profits, customs, duties, or other taxes, fees, assessments, or charges of any kind whatsoever, together with any interest, additions, or penalties with respect thereto.

(b) The term “**Tax Return**” means all returns, declarations, reports, information returns, and statements, and other documents relating to Taxes (including amended returns and claims for refund).

(c) Without the prior written consent of Buyer (which shall not be unreasonably withheld, delayed, denied, or conditioned), Seller shall not, to the extent it may affect or relate to a Subsidiary: (i) make, change, or rescind any Tax election; (ii) amend any Tax Return; (iii) take any position on any Tax Return; or (iv) take any action, omit to take any action, or enter into any other transaction that would have the effect of increasing the Tax liability or reducing any Tax asset of Buyer or a Subsidiary, in respect of any taxable period that begins after the Closing Date or, in respect of any taxable period that begins before and ends after the Closing Date (each such period, a “**Straddle Period**”), the portion of any Straddle Period beginning after the Closing Date.

(d) All transfer, documentary, sales, use, stamp, registration, value added, and other such Taxes and fees (including any penalties and interest) incurred in connection with this Agreement and the other Transaction Documents shall be borne and paid by Seller when due. Seller shall, at its own expense, timely file any Tax Return or other document with respect to such Taxes or fees (and Buyer shall cooperate with respect thereto as necessary).

(e) Buyer shall prepare, or cause to be prepared, all Tax Returns required to be filed by each Subsidiary after the Closing Date with respect to any taxable period or portion thereof ending on or before the Closing Date and all Straddle Period Tax Returns. Any such Tax Return shall be prepared in a manner consistent with past practice (unless otherwise required by Law) and without a change of any election or any accounting method. Tax Returns means all returns, declarations, reports, information returns and statements, and other documents relating to Taxes (including amended returns and claims for refund)

Section 6.02 Straddle Period. In the case of Taxes that are payable with respect to a Straddle Period, the portion of any such Taxes that are allocated to Pre-Closing Tax Periods (as defined in Section 6.04) for purposes of this Agreement shall be: (a) in the case of Taxes: (i) based upon, or related to, income, receipts, profits, wages, capital, or net worth; (ii) imposed in connection with the sale, transfer, or assignment of property; or (iii) required to be withheld, the amount of Taxes which would be payable if the taxable year ended with the Closing Date; and (b) in the case of other Taxes, the amount of such Taxes for the entire period multiplied by a fraction, the

numerator of which is the number of days in the period ending on the Closing Date and the denominator of which is the number of days in the entire period.

Section 6.03 Termination of Existing Tax Sharing Agreements. Any and all existing Tax sharing agreements (whether written or not) binding upon the Seller or any Subsidiary shall be terminated as of the Closing Date. After such date neither the Buyer, Seller, nor any of Seller's Affiliates and their respective Representatives shall have any further rights or liabilities thereunder.

Section 6.04 Tax Indemnification. Except as otherwise provided herein, Seller shall indemnify the Buyer, each Subsidiary, and each Buyer Indemnitee (as defined in Section 7.01) and hold them harmless from and against (a) any loss, damage, liability, deficiency, Action, judgment, interest, award, penalty, fine, cost, or expense of whatever kind (collectively, including reasonable attorneys' fees and the cost of enforcing any right to indemnification under this Agreement, "**Losses**") attributable to any breach of or inaccuracy in any representation or warranty made in any Tax Return; (b) any Loss attributable to any breach or violation of, or failure to fully perform, any covenant, agreement, undertaking, or obligation in ARTICLE VI; (c) all Taxes of the Seller and each Subsidiary or relating to the business of the Subsidiaries for all Pre-Closing Tax Periods (as defined below); (d) all Taxes of any member of an affiliated, consolidated, combined, or unitary group of which the Seller (or any predecessor thereof) is or was a member on or prior to the Closing Date by reason of a liability under Treasury Regulation Section 1.1502-6 or any comparable provisions of foreign, state, or local Law; and (e) any and all Taxes of any Person imposed on a Subsidiary arising under the principles of transferee or successor liability or by contract, relating to an event or transaction occurring before the Closing Date. In each of the above cases, together with any out-of-pocket fees and expenses (including attorneys' and accountants' fees) incurred in connection therewith, Seller shall reimburse Buyer for any Taxes of a Subsidiary that are the responsibility of Seller pursuant to this Section 6.04 within ten business days after payment of such Taxes by Buyer or a Subsidiary. The term "**Pre-Closing Tax Period**" means any taxable period ending on or before the Closing Date and, with respect to any taxable period beginning before and ending after the Closing Date, the portion of such taxable period ending on and including the Closing Date.

Section 6.05 Section 338(h)(10) Election.

(a) Election. At the request of Buyer, the Seller and Buyer shall jointly make, and shall take any and all actions necessary to effect, an election under Section 338(h)(10) of the Code (and any corresponding election under state, local, and foreign Law) with respect to the purchase and sale of the Subsidiaries' Securities hereunder (collectively, a "**Section 338(h)(10) Election**"). If Buyer requests a Section 338(h)(10) Election, Seller and Buyer shall, within ten days prior to the date such forms are required to be filed under Applicable Law, exchange completed and executed copies of IRS Forms 8023 and 8883, required schedules thereto, and any similar state, local or foreign forms. The completed and executed IRS Form 8883 shall reflect the Allocation Schedule agreed to by Seller and Buyer pursuant to Section 6.05(b). If a Section 338(h)(10) Election is made, Seller and Buyer shall report the purchase and sale of the Shares consistent with the treatment of the purchase of the Shares as a "qualified stock purchase" and consistent with the Section 338(h)(10) Election and shall take no position inconsistent therewith in any Tax Return, any proceeding before any Taxing Authority or otherwise.

(b) Allocation of Purchase Price. If a Section 338(h)(10) Election is made, Seller and Buyer agree that the Purchase Price and the Liabilities of each Subsidiary and any other relevant items (the “**Section 338(h)(10) Consideration**”) shall be allocated among the assets of each of the Subsidiaries for all purposes (including Tax and financial reporting) as shown on the allocation schedule (the **Allocation Schedule**). A draft of the Allocation Schedule shall be prepared by Buyer and delivered to Seller within 45 days following Buyer’s request to make a Section 338(h)(10) Election. Buyer, each Subsidiary (if relevant), and Seller shall file all Tax Returns (including amended returns and claims for refund) and information reports in a manner consistent with the Allocation Schedule.

Section 6.06 Cooperation and Exchange of Information. Seller and Buyer shall provide each other with such cooperation and information as either of them reasonably may request of the other in filing any Tax Return pursuant to this ARTICLE VI or in connection with any proceeding in respect of Taxes of each Subsidiary, including providing copies of relevant Tax Returns and accompanying documents. Each of Seller, each Subsidiary (if relevant), and Buyer shall retain all Tax Returns and other documents in its possession relating to Tax matters of each Subsidiary for any Pre-Closing Tax Period (collectively, “**Tax Records**”) until the expiration of the statute of limitations of the taxable periods to which such Tax Records relate.

Section 6.07 Survival. Notwithstanding anything in this Agreement to the contrary, the provisions of this ARTICLE VI shall survive for the full period of all applicable statutes of limitations (giving effect to any waiver, mitigation, or extension thereof) plus 90 days.

ARTICLE VII TC “ARTICLE VII INDEMNIFICATION” \L 1 INDEMNIFICATION

Section 7.01 Indemnification by Seller. Except as otherwise provided herein, Subject to the other terms and conditions of this ARTICLE VII, Seller shall indemnify and defend each of Buyer and its Affiliates (including the Subsidiary) and their respective Representatives (collectively, the “**Buyer Indemnitees**”) against, and shall hold each of them harmless from and against, and shall pay and reimburse each of them for, any and all Losses incurred or sustained by, or imposed upon, the Buyer Indemnitees based upon, arising out of, with respect to, or by reason of:

(a) any inaccuracy in or breach of any of the representations or warranties of Seller contained in this Agreement or the other Transaction Documents; or

(b) any breach or non-fulfillment of any covenant, agreement, or obligation to be performed by Seller pursuant to this Agreement or the other Transaction Documents.

Section 7.02 Indemnification by Buyer. Subject to the other terms and conditions of this ARTICLE VII, Buyer shall indemnify and defend each of Seller and its Affiliates and their respective Representatives (collectively, the “**Seller Indemnitees**”) against, and shall hold each of them harmless from and against, and shall pay and reimburse each of them for, any and all Losses incurred or sustained by, or imposed upon, the Seller Indemnitees based upon, arising out of, with respect to, or by reason of:

(a) any inaccuracy in or breach of any of the representations or warranties of Buyer contained in this Agreement or the other Transaction Documents; or

(b) any breach or non-fulfillment of any covenant, agreement, or obligation to be performed by Buyer pursuant to this Agreement.

Section 7.03 Indemnification Procedures. Whenever any claim shall arise for indemnification hereunder, the party entitled to indemnification (the “**Indemnified Party**”) shall promptly provide written notice of such claim to the other party (the “**Indemnifying Party**”). In connection with any claim giving rise to indemnity hereunder resulting from or arising out of any Action by a Person who is not a party to this Agreement, the Indemnifying Party, at its sole cost and expense and upon written notice to the Indemnified Party, may assume the defense of any such Action with counsel reasonably satisfactory to the Indemnified Party. The Indemnified Party shall be entitled to participate in the defense of any such Action, with its counsel and at its own cost and expense. If the Indemnifying Party does not assume the defense of any such Action, the Indemnified Party may, but shall not be obligated to, defend against such Action in such manner as it may deem appropriate, including settling such Action, after giving notice of it to the Indemnifying Party, on such terms as the Indemnified Party may deem appropriate and no action taken by the Indemnified Party in accordance with such defense and settlement shall relieve the Indemnifying Party of its indemnification obligations herein provided with respect to any damages resulting therefrom. The Indemnifying Party shall not settle any Action without the Indemnified Party’s prior written consent (which consent shall not be unreasonably withheld or delayed).

Section 7.04 Survival. Subject to the limitations and other provisions of this Agreement, the representations and warranties contained herein and all related rights to indemnification shall survive the Closing. Subject to ARTICLE VI, all covenants and agreements of the parties contained herein shall survive the Closing indefinitely unless another period is explicitly specified herein.

Section 7.05 Tax Claims. Notwithstanding any other provision of this Agreement, the control of any claim, assertion, event, or proceeding in respect of Taxes of a Subsidiary or any breach or violation of or failure to fully perform any covenant, agreement, undertaking, or obligation in ARTICLE VI) shall be governed exclusively by Article VI hereof.

Section 7.06 Cumulative Remedies. The rights and remedies provided for in this ARTICLE VII (and in Article VI) are cumulative and are in addition to and not in substitution for any other rights and remedies available at Law or in equity or otherwise.

ARTICLE VIII MISCELLANEOUS

Section 8.01 Expenses. All costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses.

Section 8.02 Notices. All notices, claims, demands, and other communications hereunder shall be in writing and shall be deemed to have been given: (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by email of a PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next business day if sent after normal business hours of the recipient; or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid, if sent to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 8.02):

If to Seller: JanOne Inc.
325 E. Warm Springs Rd., Suite 102
Las Vegas, NV 89119
Email: tisaac@arcainc.com
Attention: Tony Isaac, CEO

with a mandatory copy (which shall not constitute notice) to: Clark Hill PLC
555 South Flower Street, 24th Floor
Los Angeles CA 90071
Email: rkatz@clarkhill.com
Attention: Randolph Katz, Esq.

If to Buyer: VM7 Corporation
7301 Ohms Lane, Suite 320
Edina, MN 55439
Email: virland@virlandj.onmicrosoft.com
Attention: Virland Johnson, CEO and President

with a mandatory copy (which shall not constitute notice) to: James J. Gatziolis, Esq.

Email: james.gatziolis@gmail.com

Section 8.03 Interpretation; Headings. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

Section 8.04 Severability. If any term or provision of this Agreement is invalid, illegal, or unenforceable in any jurisdiction, such invalidity, illegality, or unenforceability shall not affect any other term or provision of this Agreement.

Section 8.05 Entire Agreement. This Agreement and the other Transaction Documents constitute the sole and entire agreement of the parties to this Agreement with respect to the subject matter contained herein and therein, and supersede all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject matter. In the event of any inconsistency between the statements in the body of this Agreement and those in the

other Transaction Documents, any exhibits, and the Disclosure Schedules (other than an exception expressly set forth as such in the Disclosure Schedules), the statements in the body of this Agreement will control.

Section 8.06 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither party may assign its rights or obligations hereunder without the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed. No assignment shall relieve the assigning party of any of its obligations hereunder.

Section 8.07 Amendment and Modification; Waiver. This Agreement may only be amended, modified, or supplemented by an agreement in writing signed by each party hereto. No waiver by any party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No failure to exercise, or delay in exercising, any right or remedy arising from this Agreement shall operate or be construed as a waiver thereof. No single or partial exercise of any right or remedy hereunder shall preclude any other or further exercise thereof or the exercise of any other right or remedy.

Section 8.08 Governing Law; Submission to Jurisdiction; Waiver of Jury Trial.

(a) All matters arising out of or relating to this Agreement shall be governed by and construed in accordance with the internal laws of the State of Nevada without giving effect to any choice or conflict of law provision or rule (whether of the State of Nevada or any other jurisdiction). Any legal suit, action, proceeding, or dispute arising out of or related to this Agreement, the other Transaction Documents, or the transactions contemplated hereby or thereby may be instituted in the federal courts of the United States of America or the courts of the State of Nevada in each case located in the City of Las Vegas and County of Clark, and each party irrevocably submits to the exclusive jurisdiction of such courts in any such suit, action, proceeding, or dispute.

(b) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT OR THE OTHER TRANSACTION DOCUMENTS IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL ACTION, PROCEEDING, CAUSE OF ACTION, OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT, INCLUDING ANY EXHIBITS AND SCHEDULES ATTACHED TO THIS AGREEMENT, THE OTHER TRANSACTION DOCUMENTS, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT: (I) NO REPRESENTATIVE OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT THE OTHER PARTY WOULD NOT SEEK TO ENFORCE THE FOREGOING WAIVER IN THE EVENT OF A LEGAL ACTION; (II) EACH PARTY HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER; (III) EACH PARTY MAKES THIS WAIVER KNOWINGLY AND VOLUNTARILY; AND (IV) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS

AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 8.09 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

[SIGNATURE PAGE FOLLOWS]

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

JANONE INC.

By _____
Tony Isaac
Chief Executive Officer

VM7 CORPORATION

By _____
Virland Johnson
President

EXHIBIT A

DEFINITIONS CROSS-REFERENCE TABLE

The following terms have the meanings set forth in the location in this Agreement referenced below:

<u>Term</u>	<u>Section</u>
Agreement	Preamble
Base Price	Section 1.02(a)
Buyer	Preamble
Buyer Indemnitees	Section 7.01
Closing	Section 2.01
Closing Date	Section 2.01
Code	Section 2.02(e)
Disclosure Schedules	Section 1.02
Contingent Price	Section 102(b)
Encumbrance	Section 1.01
Governmental Authority	Section 2.02(d)
Indemnified Party	Section 7.03
Indemnifying Party	Section 7.03
Law	Section 3.01
Losses	Section 6.04
Monthly Minimum Payment	Section 102(b)

Monthly Percentage-based Payment	Section 102(b)
Non-payment Events of Default	Section 102(b)
Person	Section 3.03(b)
Payment Date	Section 102(b)
Payment Event of Default	Section 102(b)
Pre-Closing Tax Period	Section 6.04
Purchase Price	Section 1.02
Representatives	Section 5.01
Restricted Period	Section 5.02(a)
Securities Act	Section 4.03
Seller	Preamble
Seller Indemnitees	Section 7.02
Subsidiaries' Securities	Recitals
Subsidiaries	Recitals
Straddle Period	Section 6.01(a)
Taxes	Section 6.01(a)
Tax Records	Section 6.06
Tax Return	Section 6.01(b)
Transaction Documents	Section 2.02(b)

STOCK AND MEMBERSHIP INTERESTS PLEDGE AGREEMENT

This STOCK AND MEMBERSHIP INTEREST PLEDGE AGREEMENT, dated as of March 19, 2023 (as amended, supplemented, or otherwise modified from time to time in accordance with the provisions hereof, this “**Agreement**”), made by VM7 Corporation, a Delaware corporation (“**VM7**”), and by Virland Johnson, chief executive officer, one of the directors of, and record and beneficial holder of 100 percent of the capital stock of VM7 (“**Mr. Johnson**”; and with VM7, collectively, the “**Pledgors**”), in favor of JanOne, Inc., a Nevada corporation (the “**Secured Party**”).

WHEREAS, on the date hereof, the Secured Party has sold all of the outstanding capital stock of ARCA Recycling, Inc., a California corporation (“**ARCA California**”), and of ARCA Canada Inc., an Ontario, Canada corporation (“**ARCA Canada**”), and all of the membership interests of Customer Connexx, LLC, a Nevada limited liability company (“**Connexx**”; and, with ARCA California and Connexx, collectively, the “**Subsidiaries**”), pursuant to a stock purchase agreement (the “**SPA**”) dated March 9, 2023, between VM7 and the Secured Party;

WHEREAS, the SPA provides, among other items, for VM7 to make the payments of the Contingent Price (as that term is defined in the SPA) to the Secured Party as set forth in the SPA;

WHEREAS, this Agreement is given by the Pledgors in favor of the Secured Party, to, among other reasons, secure the payments of the Contingent Price; and

WHEREAS, it is a condition to the Closing (as that term is defined in the SPA) of the transactions contemplated by the SPA that the Pledgor execute and deliver this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, terms and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Definitions.

(a) Unless otherwise specified herein, all references to Sections and Schedules herein are to Sections and Schedules of this Agreement.

(b) Unless otherwise defined herein, terms used herein that are defined in the UCC shall have the meanings assigned to them in the UCC. However, if a term is defined in Article 9 of the UCC differently than in another Article of the UCC, the term has the meaning specified in Article 9.

(c) For purposes of this Agreement, the following terms shall have the following meanings:

“**Collateral**” has the meaning set forth in 22.

“**Event of Default**” means a Payment Event of Default or a Non-payment Event of Default, in each case as provided in the SPA.

“**Irrevocable Transfers**” means the irrevocable stock powers or membership powers executed by VM7 in favor of the Secured Party in respect of the equity of ARCA California, ARCA Canada, or Connexx and the irrevocable stock powers of the VM7 Owners in favor of the Secured Party in respect of the equity of VM7.

“**Pledged Securities**” means the aggregate of the Subsidiary Pledged Securities and the VM7 Pledged Securities.

“**Proceeds**” means “proceeds” as such term is defined in Section 9-102 of the UCC and, in any event, shall include, without limitation, all dividends or other income from the Pledged Securities, collections thereon, or distributions with respect thereto.

“**Secured Obligations**” has the meaning set forth in 33.

“**Subsidiary Pledged Securities**” means the aggregate of the shares of capital stock of ARCA California and ARA Canada and the membership interests of Connexx, as described in Schedule 1 hereto and issued by the issuers named therein, and the certificates, instruments, and agreements representing the Subsidiary Pledged Securities and includes any securities or other interests, howsoever evidenced or denominated, received by VM7 in exchange for or as a dividend or distribution on or otherwise received in respect of the Subsidiary Pledged Securities.

“**VM7 Pledged Securities**” means the aggregate of the shares of capital stock of VM7, as described in Schedule 1 hereto and issued by VM7, and the certificates, instruments, and agreements representing the VM7 Pledged Securities and includes any securities or other interests, howsoever evidenced or denominated, received by the holders thereof in exchange for or as a dividend or distribution on or otherwise received in respect of the VM7 Pledged Securities.

“**UCC**” means the Uniform Commercial Code as in effect from time to time in the State of Nevada or, when the laws of any other state govern the method or manner of the perfection or enforcement of any security interest in any of the Collateral, the Uniform Commercial Code as in effect from time to time in such state.

2.Pledge. Each Pledgor hereby pledges, assigns, and grants to the Secured Party, and hereby creates a continuing first priority lien and security interest in favor of the Secured Party in and to all of its right, title and interest in and to the following, wherever located, whether now existing or hereafter from time to time arising, or acquired (collectively, the “**Collateral**”):

(a) the Pledged Securities; and

(b) all Proceeds and products of the foregoing.

3.Secured Obligations. The Collateral secures the due and prompt payment and performance of the obligations of VM7 from time to time arising under or in connection with the SPA, including, but not limited to, the due and prompt payments of the Contingent Price, as defined in the SPA (the “**Secured Obligations**”).

4.Perfection of Pledge. Each Pledgor hereby irrevocably authorizes the Secured Party at any time and from time to time to file in any relevant jurisdiction any financing statements and amendments thereto that contain the information required by Article 9 of the UCC of each applicable jurisdiction for the filing of any financing statement or amendment relating to the Collateral, without the signature of the Pledgor where permitted by law. Each Pledgor agrees to provide all information required by the Secured Party pursuant to this Section promptly to the Secured Party upon request. Further, as of the date of this Agreement, each Pledgor, as relevant, has tendered to the Secured Party the certificates that represent all of the Pledged Securities.

5.Representations and Warranties. The Pledgor represent and warrant, jointly and severally, as follows:

(a)At the time the Collateral becomes subject to the lien and security interest created by this Agreement, the Pledgor will be the sole, direct, legal, and beneficial owner thereof, free and clear of any lien, security interest, encumbrance, claim, option, or right of others, respectively, except for the security interest created by this Agreement.

(b)The pledge of the Collateral pursuant to this Agreement creates a valid and perfected first priority security interest in the Collateral, securing the payment and performance when due of the Secured Obligations.

(c)This Agreement has been duly authorized, executed, and delivered by the Pledgor and constitutes a legal, valid and binding obligation of the Pledgor enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors’ rights generally and subject to equitable principles (regardless of whether enforcement is sought in equity or at law).

6.Dividends and Voting Rights; Compensation Paid to Virland Johnson.

(a)The Secured Party agrees that, unless an Event of Default shall have occurred and be continuing, (i) VM7 may, to the extent it has such right as a holder of the Subsidiary Pledged Securities, vote and give consents, ratifications, and waivers with respect thereto, except as such vote, consent, ratification, and waiver may denigrate any of the rights and privileges of the Secured Party under the SPA, this Agreement, or any other agreement entered by or on behalf of the Secured Party in respect of the transactions contemplated by the SPA or this Agreement and (ii) Mr. Johnson may vote and give consents, ratifications, and waivers with respect thereto, except as such vote, consent, ratification, and waiver may denigrate any of the rights and privileges of the Secured Party under the SPA, this Agreement, or any other agreement entered by or on behalf of the Secured Party in respect of the transactions contemplated by the SPA or this Agreement.

(b)The Secured Party agrees that VM7 may, unless an Event of Default shall have occurred and be continuing, receive and retain all dividends and other distributions with respect to the Subsidiary Pledged Securities; however, during the pendency of this Agreement, under no circumstances may the Secured Party declare or pay any dividends or make any distributions of any of its property. Mr. Johnson acknowledges and agrees that under no circumstances may VM7 declare or pay any dividends or make any distributions of any of its property unless approved in writing by the Secured Party.

(c)Notwithstanding anything in this Section 6 to the contrary, VM7 will not cause or permit any of the Subsidiaries to distribute any sums to VM7 as the stockholder or member of a Subsidiary except for:

(i)All sums required for the payment of any income, franchise, and other taxes of a similar nature on account of the business operations and investments of VM7 and the Subsidiaries and to pay estimated payments of such taxes as required by law; and

(ii)Such other distributions as authorized by VM7 or the Subsidiaries provided the conditions of VM7 and the Subsidiaries set forth in Schedule 3 exist at the time of the payment of such distribution.

(d)The compensation paid to Mr. Johnson by VM7 or the Subsidiaries in the aggregate will not exceed the amounts set forth in Schedule 4.

(e)Notwithstanding any limitations on distributions by any of VM7 or the Subsidiaries set forth herein, the Secured Party acknowledges and agrees that Mr. Johnson may, at any time and from time to time, tender up to an aggregate of \$600,000 to Mark Szafranowski and Jianne Demeroutis, which sum constitutes funds that Mr. Johnson borrowed from such individuals in two private transactions in preparation for closing of the transactions contemplated by the SPA and which funds do not constitute either equity in VM7 or any of the Subsidiaries or obligations thereof.

7. Further Assurances.

(a)Each Pledgor agrees that, at any time and from time to time, at the sole expense of the Pledgors, each Pledgor will promptly execute and deliver all further instruments and documents, obtain such agreements from third parties, and take all further action, that may be necessary or desirable, in order to create and/or maintain the validity, perfection, or priority of and protect any security interest granted or purported to be granted hereby or to enable the Secured Party to exercise and enforce its rights and remedies hereunder or under any other agreement with respect to any Collateral.

(b)No Pledgor will, without providing at least 30 days' prior written notice to the Secured Party, change his or its legal name, identity, type of organization, jurisdiction of organization, corporate structure, location of its chief executive office or its principal place of business, his principal place of residence, his Social Security Number, or its Federal Taxpayer Identification Number or organizational identification number.

8. Pledgors' Covenants.

(a)VM7 will elect for its board of directors and for the Subsidiaries' boards of directors or managers, those persons or designees as provided in Schedule 2 hereto.

(b)No Pledgor will and will cause any Subsidiary to participate in a merger, sale of substantially all a material portion of its assets and will not engage in a product line or line of business addition, abandonment or change without the consent of the Secured Party as long as the security interest herein provided continues. Each Pledgor will seek and receive such consent, if at all, from the single natural person appointed for such person by the Secured Party. If during such period, the Secured Party fails to appoint such person or replacement because of a vacancy after appointing such person, the Secured Party shall be deemed to have waived the terms of this section.

9.Transfers and Other Liens. Each Pledgor agrees that he or it will not sell, offer to sell, dispose of, convey, assign, or otherwise transfer, grant any option with respect to, restrict, or grant, create, permit, or suffer to exist any mortgage, pledge, lien, security interest, option, right of first offer, encumbrance, or other restriction or limitation of any nature whatsoever on, any of the Collateral or any interest therein except as expressly provided for herein.

10.Reasonable Care. The Secured Party shall have no duty with respect to the care and preservation of the Collateral beyond the exercise of reasonable care. The Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which the Secured Party accords its own property, it being understood that the Secured Party shall not have any responsibility for (a) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders, or other matters relative to any Collateral, whether or not the Secured Party has or is deemed to have knowledge of such matters, or (b) taking any necessary steps to preserve rights against any parties with respect to any Collateral. Nothing set forth in this Agreement, nor the exercise by the Secured Party of any of the rights and remedies hereunder, shall relieve any Pledgor from the performance of any obligation on each Pledgor's part to be performed or observed in respect of any of the Collateral.

11.Remedies Upon Event of Default.

(a)If any Event of Default shall have occurred and be continuing, the Secured Party may, without any other notice to or demand upon any Pledgor, assert all rights and remedies of a secured party under the UCC or other applicable law, including, without limitation, the right to take possession of, hold, collect, sell, lease, deliver, grant options to purchase, or otherwise retain, liquidate, or dispose of all or any portion of the Collateral. If notice prior to disposition of the Collateral or any portion thereof is necessary under applicable law, written notice mailed to each relevant Pledgor at his or its notice address as provided in 713 ten days prior to the date of such disposition shall constitute reasonable notice, but notice given in any other reasonable manner shall be sufficient. So long as the sale of the Collateral is made in a commercially reasonable manner, the Secured Party may sell such Collateral on such terms and to such purchaser(s) as the Secured Party in its sole and absolute discretion may choose, without assuming any credit risk and without any obligation to advertise or give notice of any kind other than that necessary under applicable law. Without precluding any other methods of sale, the sale of the Collateral or any portion thereof shall have been made in

a commercially reasonable manner if conducted in conformity with reasonable commercial practices of creditors disposing of similar property. At any sale of the Collateral, if permitted by applicable law, the Secured Party may be the purchaser, licensee, assignee, or recipient of the Collateral or any part thereof and shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold, assigned, or licensed at such sale, to use and apply any of the Secured Obligations as a credit on account of the purchase price of the Collateral or any part thereof payable at such sale. To the extent permitted by applicable law, each Pledgor waives all claims, damages, and demands he or it may acquire against the Secured Party arising out of the exercise by it of any rights hereunder. Each Pledgor hereby waives and releases to the fullest extent permitted by law any right or equity of redemption with respect to the Collateral, whether before or after sale hereunder, and all rights, if any, of marshalling the Collateral and any other security for the Secured Obligations or otherwise. At any such sale, unless prohibited by applicable law, the Secured Party or any custodian may bid for and purchase all or any part of the Collateral so sold free from any such right or equity of redemption. Neither the Secured Party nor any custodian shall be liable for failure to collect or realize upon any or all of the Collateral or for any delay in so doing, nor shall it be under any obligation to take any action whatsoever with regard thereto. Each Pledgor agrees that it would not be commercially unreasonable for the Secured Party to dispose of the Collateral or any portion thereof by utilizing internet sites that provide for the auction of assets of the type included in the Collateral or that have the reasonable capability of doing so, or that match buyers and sellers of assets.

(b) If any Event of Default shall have occurred and be continuing, all rights of each Pledgor to (i) exercise the voting and other consensual rights it would otherwise be entitled to exercise pursuant to Section 6(a) and (ii) receive the dividends and other distributions which it would otherwise be entitled to receive and retain pursuant to Section 6(b), shall immediately cease, and all such rights shall thereupon become vested in the Secured Party, which shall have the sole right to exercise such voting and other consensual rights and receive and hold such dividends and other distributions as Collateral.

(c) If any Event of Default shall have occurred and be continuing, any cash held by the Secured Party as Collateral and all cash Proceeds received by the Secured Party in respect of any sale of, collection from, or other realization upon all or any part of the Collateral shall be applied in whole or in part by the Secured Party to the payment of expenses incurred by the Secured Party in connection with the foregoing or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Secured Party hereunder, including reasonable attorneys' fees, and the balance of such proceeds shall be applied or set off against all or any part of the Secured Obligations in such order as the Secured Party shall elect. Any surplus of such cash or cash Proceeds held by the Secured Party and remaining after payment in full of all the Secured Obligations shall be paid over to the relevant Pledgor or to whomsoever may be lawfully entitled to receive such surplus. Each Pledgor shall remain liable for any deficiency if such cash and the cash Proceeds of any sale or other realization of the Collateral are insufficient to pay the Secured Obligations and the fees and other charges of any attorneys employed by the Secured Party to collect such deficiency.

(d) If the Secured Party shall determine to exercise its rights to sell all or any of the Collateral pursuant to this Section, each Pledgor agrees that, upon request of the Secured Party, each Pledgor will do or cause to be done all such acts and things as may be necessary to make such sale of the Collateral or any part thereof valid and binding and in compliance with applicable law.

(e) Notwithstanding anything to the contrary contained herein, upon the occurrence of an Event of Default, the Irrevocable Transfers (in the form attached hereto as Exhibit 1) shall immediately vest without any further act by any Pledgor and the Secured Party, subject only to the Secured Party's one-time waiver of such vesting for such Event of Default. Upon an Event of Default, subject to any waiver by the Secured Party, any funds previously tendered by or on behalf of VM7 to the Secured Party pursuant to VM7's obligations under the SPA or this Agreement shall be deemed solely to be contributions to the capital of the Secured Party.

12.No Waiver and Cumulative Remedies. The Secured Party shall not by any act (except by a written instrument pursuant to 712), delay, indulgence, omission, or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Event of Default. All rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies provided by law.

13.Amendments. None of the terms or provisions of this Agreement may be amended, modified, supplemented, terminated, or waived, and no consent to any departure by any Pledgor therefrom shall be effective unless the same shall be in writing and signed by the Secured Party and each Pledgor, and then such amendment, modification, supplement, waiver, or consent shall be effective only in the specific instance and for the specific purpose for which made or given.

14.Addresses For Notices. All notices and other communications provided for in this Agreement shall be in writing and shall be given in the manner and become effective as set forth in the SPA, and addressed to the respective parties at their addresses as specified on the signature pages hereof or as to either party at such other address as shall be designated by such party in a written notice to each other party.

15.Continuing Security Interest; Further Actions. This Agreement shall create a continuing first priority lien and security interest in the Collateral and shall (a) subject to 815, remain in full force and effect until payment and performance in full of the Secured Obligations, (b) be binding upon each Pledgor, his or its successors and assigns, and (c) inure to the benefit of the Secured Party and its successors, transferees, and assigns; provided that no Pledgor may not assign or otherwise transfer any of his or its rights or obligations under this Agreement without the prior written consent of the Secured Party.

16.Termination; Release. On the date on which all the Secured Obligations have been paid and performed in full, the Secured Party will: (a) duly assign, transfer, and deliver to or at the direction of each relevant Pledgor (without recourse and without any representation or warranty) such of the Collateral as may then remain in the possession of the Secured Party, together with any monies at the time held by the Secured Party hereunder, and (b) execute and

deliver to each relevant Pledgor a proper instrument or instruments acknowledging the satisfaction and termination of this Agreement.

17. Governing Law; Jurisdiction. All matters arising out of or relating to this Agreement shall be governed by and construed in accordance with the internal laws of the State of Nevada without giving effect to any choice or conflict of law provision or rule (whether of the State of Nevada or any other jurisdiction). Any legal suit, action, proceeding, or dispute arising out of or related to this Agreement, the other Transaction Documents, or the transactions contemplated hereby or thereby may be instituted in the federal courts of the United States of America or the courts of the State of Nevada in each case located in the City of Las Vegas and County of Clark, and each party irrevocably submits to the exclusive jurisdiction of such courts in any such suit, action, proceeding, or dispute.

18. Counterparts. This Agreement and any amendments, waivers, consents, or supplements hereto may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or in electronic (*i.e.*, “pdf” or “tif”) format shall be effective as delivery of a manually executed counterpart of this Agreement. This Agreement constitutes the entire contract among the parties with respect to the subject matter hereof and supersedes all previous agreements and understandings, oral or written, with respect thereto.

[SIGNATURE PAGE FOLLOWS]

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

VM7 CORPORATION, as Pledgor

By: _____

Name: Virland Johnson

Title: Chief Executive Officer

Address for Notices:

VIRLAND JOHNSON, an individual, as Pledgor

Address for Notices:

Address for Notices:

JANONE INC., as Secured Party

By: _____

Name: Tony Isaac

Title: Chief Executive Officer

Address for Notices:

325 E. Warm Springs Road, Suite 102

Las Vegas, Nevada 89119

SCHEDULE 1
PLEDGED SECURITIES

JanOne Stock Pledge Agreement Arca Transaction.6 10

SCHEDULE 2

DIRECTOR ELECTIONS AND APPOINTMENTS

- 1.The Board of Directors of VM7 will be Virland Johnson, Michelle Cooper, and Aaron Johnson.
- 2.The Board of Directors of ARCA California will be Virland Johnson, Michelle Cooper, and Tony Isaac (or another individual designated by the Secured Party).
- 3.The Board of Directors of ARCA Canada will be Virland Johnson, Dominic Musco, Rachel Holmes, Michelle Cooper.
- 4.The Board of Managers of Connexx will be Virland Johnson (the managing member), Michelle Cooper, and Tony Isaac (or another individual designated by the Secured Party).
- 5.Under no circumstances, can Tony Isaac (or another individual designated by the Secured Party) be removed from the Board of Directors or the Board of Managers, as relevant, or not appointed to each committed thereof without the prior written approval of the Secured Party (which may be withheld, delayed, denied, or conditioned in the sole and absolute discretion of the Secured Party) unless and until all of VM7's obligations under the SPA have been fully satisfied.
- 6.Each non-employee member of a Board of Directors or a Board of Managers, as appropriate, may receive fees not to exceed \$1,500 per month in the aggregate no matter on how many of such Boards such non-employee director/manager then serves.

SCHEDULE 3

CONDITIONS FOR PAYMENT OF DISTRIBUTIONS

- In conformity with US GAAP, VM7's Consolidated Equity must be at least \$5,000,000 and remain so immediately following the payment of each such distribution
- VM7's Consolidated Trailing twelve-month EBITDA must be at least \$5M (the raw data to be derived from US GAAP-compliant information on VM7's financial statements)
- VM7's Consolidated Working capital must be at least \$3,000,000 (the raw data to be derived from US GAAP-compliant information on VM7's financial statements) and remain so immediately following the payment of each such distribution
- All Loans of each of VM7 and each of the Subsidiaries are current and not in default and will remain current and not in default remain immediately following the payment of each such distribution
- VM7 is not in default of any of its obligations to the Secured Party under the SPA, this Agreement, or any other agreement entered by or on behalf of the Secured Party in respect of the transactions contemplated by the SPA or this Agreement
- All other financial obligations to Secured Party are current and not in default and will remain current and not in default remain immediately following the payment of each such distribution

SCHEDULE 4

VIRLAND JOHNSON COMPENSATION

For the Period April 15, 2023, to December 31,
2023

\$400,000 (annualized)

For Calendar Years Thereafter (per annum)

1% of the prior calendar year's reported gross revenues
(calculated in the same manner as the Contingent Price is
calculated).

EXHIBIT 1
FORM OF IRREVOCABLE TRANSFER

Unaudited Pro Forma Condensed Financial Statement of JanOne Inc. as of January 1, 2022 and its Fiscal Year then Ended and as of October 1, 2022, and the Thirty-Nine Weeks then Ended

Introduction

ARCA and Subsidiaries Disposition

On March 19, 2023, JanOne Inc. (“our,” “us,” “we,” or the “Company”) entered into a Stock Purchase Agreement (the “Purchase Agreement”) with VM7 Corporation, a Delaware corporation (the “Buyer”), under which the Buyer agreed to acquire all of the outstanding equity interests of (a) ARCA Recycling, Inc., a California corporation (“ARCA”), (b) Customer Connexx LLC, a Nevada limited liability company (“Connexx”), and (c) ARCA Canada Inc., a corporation organized under the laws of Ontario, Canada (“ARCA Canada”; and, together with ARCA and Connexx, the “Subsidiaries”). The principal of the Buyer is Virland A. Johnson, our Chief Financial Officer. The sale of all of the outstanding equity interests of the Subsidiaries to the Buyer under the Purchase Agreement (the “Disposition Transaction”) was consummated simultaneously with the execution of the Purchase Agreement. Our Board of Directors unanimously approved the Purchase Agreement and the Disposition Transaction.

The economic aspects of the Disposition Transaction are: (i) we reduced the liabilities on our consolidated balance sheets by approximately \$17.6 million (excluding those related to the California Business Fee and Tax Division, as discussed below); (ii) we will receive not less than \$24.0 million in aggregate monthly payments from the Buyer, which payments are subject to potential increase due to the Subsidiaries’ future performance; and (iii) during the next five years, we may request that the Buyer prepay aggregate monthly payments in the aggregate amount of \$1 million. We also received one thousand dollars for the equity of each of the Subsidiaries at the closing. Each monthly payment is to be the greater of (a) \$140,000 (or \$100,000 for each January and February during the 15-year payment period) or (b) a monthly percentage-based payment, which is an amount calculated as follows: (i) 5% of the Subsidiaries’ aggregate gross revenues up to \$2,000,000 for the relevant month, plus (ii) 4% of the Subsidiaries’ aggregate gross revenues between \$2,000,000 and \$3,000,000 for the relevant month, plus (iii) 3% of the Subsidiaries aggregate gross revenues over \$3,000,000 for the relevant month. The Buyer will receive credit toward the payment of the first monthly payment (March of 2023) for any payments, distributions, or cash dividends paid by any of the Subsidiaries to the Seller on or after March 19, 2023.

Proforma information

The accompanying unaudited pro forma condensed combined financial information was prepared in accordance with Article 11 of SEC Regulation S-X. The historical consolidated financial information in the unaudited pro forma condensed combined financial information has been adjusted to give effect to pro forma events that are (1) directly attributable to the disposition, (2) factually supportable and (3) expected to have a continuing impact on the combined results of the Company.

The unaudited pro forma condensed combined financial information does not give effect to any operating or revenue synergies that may result from the disposition or the costs to achieve any synergies.

The unaudited pro forma condensed combined financial information has been presented for informational purposes only and is not necessarily indicative of what the Company's or ARCA and Subsidiary’s financial position or results of operations would have been had the transactions been completed as of the dates indicated. In addition, the unaudited pro forma condensed combined financial information does not purport to project the future financial position or operating results of the Company or ARCA and Subsidiaries.

JANONE, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEETS
AS OF JANUARY 1, 2022
(dollars in thousands, except share amounts)

	JanOne, Inc. as Reported	JanOne, Inc.	Pro Forma Adjustments	Notes	ARCA Recycling, ARCA Canada, and Connex
Assets					
Cash and cash equivalents	\$ 705	\$ 631			\$ 74
Trade and other receivables, net	4,220	(93,979)	93,993	a	4,206
Inventories	1,209	105			1,104
Prepaid expenses and other current assets	1,423	464			959
Total current assets	7,557	(92,779)	93,993		6,343
Property and equipment, net	2,113	5			2,108
Right of use asset - operating leases	3,671	—			3,671
Intangible assets, net	268	4			264
Deposits and other assets	1,556	1,343			213
Total assets	\$ 15,165	\$ (91,427)	\$ 93,993		\$ 12,599
Liabilities and Stockholders' Equity					
Liabilities:					
Accounts payable	\$ 5,266	\$ 1,880			\$ 3,386
Accrued liabilities - other	5,232	1,450			3,782
Accrued liabilities - California sales taxes	6,022	—			6,022
Lease obligation short term - operating leases	1,304	—			1,304
Short term debt	288	288			—
Current portion of note payable	261	—			261
Related party note	1,000	—			1,000
Total current liabilities	19,373	3,618	—		15,755
Lease obligation long term - operating leases	2,470	—			2,470
Notes payable - long-term portion	1,318	—			1,318
Other non-current liabilities	680	680			—
Total liabilities	23,841	4,298	—		19,543
Commitments and contingencies					
Stockholders' equity (deficit)					
Preferred stock, series A-1 - par value \$0.001 per share 2,000,000 authorized, 238,729 and 259,729 shares issued and outstanding at January 1, 2022 and January 2, 2021, respectively	—	—			—
Common stock, par value \$0.001 per share, 200,000,000 shares authorized, 2,827,410 and 1,829,982 shares issued and outstanding at January 1, 2022 and at January 2, 2021, respectively	2	(5,605)			5,607
Additional paid in capital	45,743	21,247			24,496
Distributions	—	—	93,993	a	(93,993)
Accumulated deficit	(53,804)	(111,345)			57,541
Accumulated other comprehensive loss	(617)	(22)			(595)
Total stockholders' equity (deficit)	\$ (8,676)	\$ (95,725)	\$ 93,993		\$ (6,944)
Total liabilities and stockholders' equity (deficit)	\$ 15,165	\$ (91,427)	\$ 93,993		\$ 12,599

^a Elimination of intercompany accounts

JANONE, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
YEAR ENDED JANUARY 1, 2022

(dollars in thousands, except share and per share amounts)

	Jan One	ARCA Recycling, ARCA Canada, and Connex	Jan One, Inc. as Reported
Revenues	\$ —	\$ 40,022	\$ 40,022
Cost of revenues	—	31,154	31,154
Gross profit	—	8,868	8,868
Operating expenses:			
Sales, general and administrative expenses	7,644	8,213	15,857
Impairment charges	9,786	—	9,786
Total operating expenses	17,430	8,213	25,643
Operating income (loss)	(17,430)	655	(16,775)
Other income (expense):			
Gain on debt settlement	227	1,645	1,872
Interest income (expense), net	7	(780)	(773)
Loss on litigation settlement	(1,950)	—	(1,950)
Gain on settlement of vendor advance payments	—	952	952
Other income (expense)	2,684	(2,624)	60
Total other income (expense), net	968	(807)	161
Loss before provision for income taxes	(16,462)	(152)	(16,614)
Provision for income taxes	—	273	273
Net loss	\$ (16,462)	\$ (425)	\$ (16,887)
Loss per share:			
Basic	\$ (6.19)	\$ (0.16)	\$ (6.35)
Diluted	\$ (6.19)	\$ (0.16)	\$ (6.35)
Weighted average common shares outstanding:			
Basic	2,658,686	2,658,686	2,658,686
Diluted	2,658,686	2,658,686	2,658,686

JANONE, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEETS
AS OF OCTOBER 1, 2022
(dollars in thousands, except share amounts)

	JanOne, Inc. as Reported	Jan One, Inc.	Pro Forma Adjustments	Notes	ARCA Recycling, ARCA Canada, and Connexx
Assets					
Cash and cash equivalents	\$ 868	\$ 448			\$ 420
Trade and other receivables, net	6,834	(91,641)	92,009	a	6,466
Inventories	415	—			415
Prepaid expenses and other current assets	1,248	537			711
Total current assets	9,365	(90,656)	92,009		8,012
Property and equipment, net	2,656	1			2,655
Right of use asset - operating leases	5,733	—			5,733
Intangible assets, net	328	4			324
Note receivable, net	11,345	11,345			—
Marketable securities	300	300			—
Deposits and other assets	1,577	1,330			247
Total assets	\$ 31,304	\$ (77,676)	\$ 92,009		\$ 16,971
Liabilities and Stockholders' Equity					
Liabilities:					
Accounts payable	\$ 6,065	\$ 1,800			\$ 4,265
Accrued liabilities - other	5,575	926			4,649
Accrued liabilities - California sales taxes	6,202	—			6,202
Lease obligation short term - operating leases	1,711	—			1,711
Short term debt	3,657	—			3,657
Current portion of note payable	406	406			—
Current portion of related party note payable	228	—			228
Total current liabilities	23,844	3,132	—		20,712
Lease obligation long term - operating leases	4,179	—			4,179
Notes payable - long-term portion	1,425	—			1,425
Long-term portion of related party note payable	665	—			665
Other non-current liabilities	46	46			—
Total liabilities	30,159	3,178	—		26,981
Commitments and contingencies					
Stockholders' equity (deficit):					
Preferred stock, series A-1 - par value \$0.001 per share 2,000,000 authorized, 228,588 and 238,729 shares issued and outstanding at October 1, 2022 and January 1, 2022, respectively	—	—			—
Common stock, par value \$0.001 per share, 200,000,000 shares authorized, 3,150,230 and 2,827,410 shares issued and outstanding at October 1, 2022 and at January 1, 2022, respectively	3	(5,427)			5,430
Additional paid in capital	45,747	21,252			24,495
Distributions	—	—	92,009	a	(92,009)
Accumulated deficit	(43,988)	(96,657)			52,669
Accumulated other comprehensive loss	(617)	(22)			(595)
Total stockholders' equity (deficit)	\$ 1,145	\$ (80,854)	\$ 92,009		\$ (10,010)
Total liabilities and stockholders' equity (deficit)	\$ 31,304	\$ (77,676)	\$ 92,009		\$ 16,971

^a Elimination of intercompany accounts

JANONE, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
THIRTY-NINE WEEKS ENDED OCTOBER 1, 2022
(dollars in thousands, except share and per share amounts)

	Jan One	ARCA Recycling, ARCA Canada, and Connexx	Jan One, Inc. as Reported
Revenues	\$ —	\$ 28,449	\$ 28,449
Cost of revenues	—	23,913	23,913
Gross profit	—	4,536	4,536
Operating expenses:			
Sales, general and administrative expenses	1,958	6,753	8,711
Gain on sale of GeoTraq	(12,091)	—	(12,091)
Total operating expenses	(10,133)	6,753	(3,380)
Operating income (loss)	10,133	(2,217)	7,916
Other income (expense):			
Interest income (expense), net	445	(699)	(254)
Gain (loss) on litigation settlement, net	1,950	(115)	1,835
Gain on reversal of contingency loss	637	—	637
Unrealized loss on marketable securities	(646)	—	(646)
Other income (expense)	2,193	(1,834)	359
Total other income (expense), net	4,579	(2,648)	1,931
Income (loss) before provision for income taxes	14,712	(4,865)	9,847
Provision for income taxes	23	—	23
Net income (loss)	\$ 14,689	\$ (4,865)	\$ 9,824
Earnings (loss) per share:			
Basic	\$ 4.66	\$ (1.54)	\$ 3.12
Diluted	\$ 4.20	\$ (1.39)	\$ 2.81
Weighted average common shares outstanding:			
Basic	3,150,230	3,150,230	3,150,230
Diluted	3,496,003	3,496,003	3,496,003

