UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended December 31, 2022

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission File No. 000-19621

JANONE INC.

(Exact name of registrant as specified in its charter)

Nevada	**41-1454591**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
325 E. Warm Springs Road, Las Vegas, Nevada	**89119**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **702-997-5968**

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

Common Stock, $0.001 par value	**JAN**	**Nasdaq Capital Market**
Title of each class	Trading Symbol(s)	Name of each exchange on which registered

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. ☐ Yes ☒ No

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

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

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

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

If any 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 pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal controls over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the registrant's common stock held by non-affiliates, based on the closing sales price of such stock on July 2, 2022 was $5,191,021.

The number of shares outstanding of the registrant's common stock as of April 12, 2023 was 3,614,937.

Restatement Background

On April 17, 2023, the Company's management and the Audit Committee of the Company's Board of Directors (the "Audit Committee") reached a determination that the Company's previously issued unaudited consolidated financial statements and related disclosures for each of the quarterly periods ended July 2, 2022 and October 1, 2022, should no longer be relied upon because of a material misstatement contained in those two quarterly unaudited condensed consolidated financial statements. The Company's management and the Audit Committee discussed the matters with Frazier & Deeter, LLC, the Company's independent registered public accounting firm for the 2022 fiscal year, and with WSRP, LLC, the Company's independent registered public accounting firm during the second and third quarters in the 2022 fiscal year and prior fiscal periods since 2019, and determined to restate the Company's unaudited condensed consolidated financial statements for the second and third fiscal quarters ended July 2, 2022, and October 1, 2022.

In connection with the Company's preparation of its unaudited condensed consolidated financial statements and related disclosures for each of the two referenced periods, the Company's management and Audit Committee relied upon the report issued by a third-party valuation firm to determine the carrying value of the promissory note the Company had received from SPYR Technologies, Inc. (the "SPYR Note"), in connection with the Company's sale of the assets of its GeoTraq, Inc. subsidiary to SPYR Technologies, Inc. in the first quarter of the Company's 2022 fiscal year. The accounting treatment for the SPYR Note had financial statement implications to (i) two line items in the Company's Condensed Consolidated Balance Sheets (specifically, Note receivable, net and Accumulated deficit), (ii) two line items in the Company's Condensed Consolidated Statements of Operations And Comprehensive Income (Loss) (specifically, Gain on sale of GeoTraq, and Interest expense, net), resulting in a decrease in net income of approximately $1.8 million and a decrease in net loss of approximately $26,000 for the 13 weeks ended July 2, 2022 and October 1, 2022, respectively, and (iii) two line items in the Company's Condensed Consolidated Statements of Cash Flows (specifically, Gain on sale of GeoTraq and Accretion of note receivable discount), resulting in decrease in net income of approximately $1.8 million for the 26 weeks ended July 2, 2022, and $1.7 million for the 39 weeks ended October 1, 2022. Further, in connection with the preparation of the Company's Quarterly Reports on Form 10-Q for those two quarterly periods that included those unaudited condensed consolidated financial statements and related disclosures, the Company also received guidance from an additional third-party source in connection with the review of those unaudited condensed consolidated financial statements and related disclosures. However, in connection with the Company's 2022 fiscal year-end audit and the preparation of its consolidated financial statements and related disclosures for that fiscal year, the Company's management and the Audit Committee concluded that the carrying value of the SPYR Note, as set forth in the aforementioned Quarterly Reports, should be restated. The initial carrying value of $11.2 million should be restated to be $9.4 million and reflect carrying value of $9.5 million as of July 2, 2022 and $9.6 million as of October 1, 2022. Each of these two quarterly restatements has an impact on net income (loss), but not on operating cash flows for any period.

Restatement of Previously Issued Unaudited Condensed Consolidated Financial Statements

This Annual Report on Form 10-K for the year ended December 31, 2022 includes audited consolidated financial statements for the years ended December 31, 2022 and January 1, 2022, as well as relevant unaudited interim pro forma financial information for the quarterly periods ended July 22, 2022 and October 1, 2022. The Company has not restated any information within this Annual Report on Form 10-K, including the consolidated financial statements at December 31, 2022 and for the years ended December 31, 2022 and January 1, 2022, but did restate certain unaudited interim financial information for the quarterly periods ended July 2, 2022 and October 1, 2022.

See Note 28, Restatement, in Item 8, Financial Statements and Supplementary Data, for such restated information on the quarterly unaudited condensed consolidated financial statements for the second and third quarters of the Company's 2022 fiscal year.

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PART I

ITEM 1. BUSINESS

General

JanOne Inc. (formerly known as Appliance Recycling Centers of America, Inc.) and subsidiaries (collectively, "we," the "Company," or "JanOne") is focused on being a clinical-stage pharmaceutical company committed to finding treatments for conditions that cause severe pain and bringing drugs to market with non-addictive pain-relieving properties.

One of the Company's goals is to reduce the need for prescriptions for dangerous opioid drugs by treating underlying diseases that cause severe pain. The Company's first drug candidate is a treatment for Peripheral Artery Disease ("PAD"), a condition that can cause severe pain and affects over 8.5 million people in the United States. The Company intends to champion new initiatives—digital technologies, educational advocacy, and revolutionary painkilling drugs that address what we believe is a multibillion dollar a year market—to help combat the opioid crisis, which claims tens of thousands of lives each year.

On December 28, 2022, we entered into a Purchase Agreement (the "Purchase Agreement") with Soin Therapeutics, LLC. Under the Purchase Agreement, JanOne acquired Soin Therapeutics and its LDN product, now known as JAN123. JAN123 is a novel formulation of 2.0 mg of LDN that results in a biphasic release of the product. The release properties of JAN123 provide for an immediate release of less than half the product with a slow, sustained release of the remaining product. Importantly, the rapid release of LDN has been reported to lead to vivid and lucid unpleasant dreams, which should be eliminated with the formulation of JAN123. Initially, a single tablet of JAN123 will be administered orally, once a day before sleep, with eventual titration up to two tablets (4 mg) before sleep.

The name of the Company, JanOne Inc., was strategically chosen to express the start of a new day in the fight against the opioid epidemic. January one is the first day of a New Year—universally considered as a day of optimism, resolution, and hope. JanOne stands by its strategic commitment to fresh thinking and innovative means to assist in ending the worst drug crisis in our nation's history.

Through March 8, 2023, the Company operated its legacy businesses, ARCA Recycling, Inc. ("ARCA Recycling") and Customer Connexx, LLC ("Connexx"), in its Recycling segment. ARCA Recycling recycles major household appliances in North America by providing turnkey appliance recycling and replacement services for utilities and other sponsors of energy efficiency programs. Connexx is a company that provides call center services for recycling businesses. On March 9, 2023, we entered into a Stock Purchase Agreement with VM7 Corporation, a Delaware corporation under which the Buyer agreed to acquire all of the outstanding equity interests of (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 principal of the Buyer is Virland A. Johnson, our Chief Financial Officer.

The information contained in or accessible from our website is not incorporated into this Annual Report on Form 10-K (the "Form 10-K"), and it should not be considered part of this Form 10-K. We have included our website address in this Form 10-K solely as an inactive textual reference.

The Company was incorporated in Minnesota in 1983, although, through its predecessors, began operating its legacy recycling business in 1976. In 2018, the Company reincorporated in the State of Nevada. The Company's principal office is located at 325 E. Warm Springs Road, Suite 102, Las Vegas, Nevada 89119.

Biotechnology

Overview

We are a clinical-stage biopharmaceutical company focused on becoming the leader in identifying, acquiring, licensing, developing, partnering, and commercializing novel, non-opioid and non-addictive therapies to address the large unmet medical need for the treatment of pain and addiction. JAN101 (formerly known as TV1001SR), is a potential treatment for PAD, a vascular disease that affects more than 8.5 million people in the U.S. and more than 60 million people worldwide. We expect to commence Phase IIb/III clinical trials for the treatment of PAD in 2024.

JAN101

Generally

JAN101, formerly known as TV1001SR, JAN 101, is a patented oral, sustained release pharmaceutical composition of sodium nitrite that targets poor blood flow to the extremities, such as those with vascular complications of diabetes or PAD and treats pain. A conclusion from a round of human studies found JAN101 prevents the prevalent reports of headaches by patients treated with an immediate release formulation of sodium nitrite. In a previous study of patients with PAD, a 40 mg BID treatment with immediate release sodium nitrite led to a statistically significant reduction in reported pain, while an 80 mg BID treatment had a more pronounced effect on bioactivity and Flow Mediated Dilation, a measure of vascular function. However, a number of subjects in both treatment groups reported headaches and dizziness following treatment. Although this did not result in subjects discontinuing treatment, JAN101 was developed to overcome this side effect. JAN101 was tested in a bridging study of diabetic neuropathy subjects and, during that bridging study, the subjects did not report headaches or dizziness. Subjects in this bridging study also reported less pain following treatment and improvements in bioactivity (quantitative sensory testing, a measure of nerve function) were similar to the PAD study, where the 80 mg dosing group had the greatest improvement in Flow Mediated Dilation. The ability to alleviate pain with BID treatment of JAN101 offers promise for a new non-addictive, non-sedating treatment of chronic pain.

Clinical Studies in Humans JAN101 Attributes

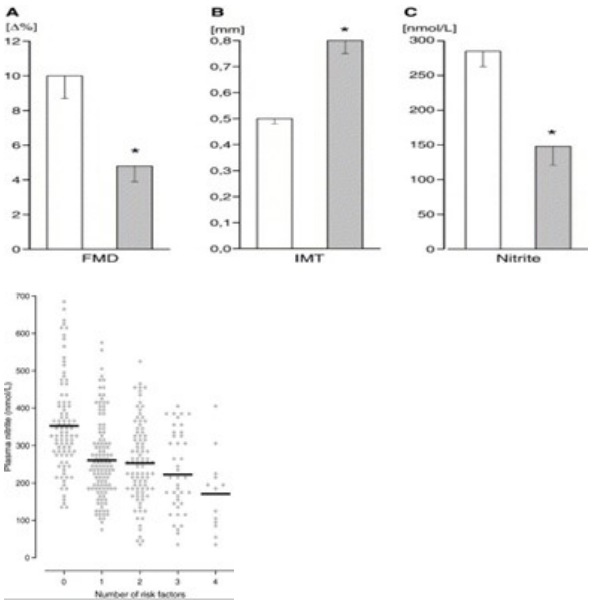
- Well established safety profile
- Excellent bioavailability
- Lack of induced tolerance
- Non-narcotic

JAN101 does not mask pain, but instead treats the cause of pain by improving tissue and vascular function.

Benefits of Sodium Nitrite on Vascular Health

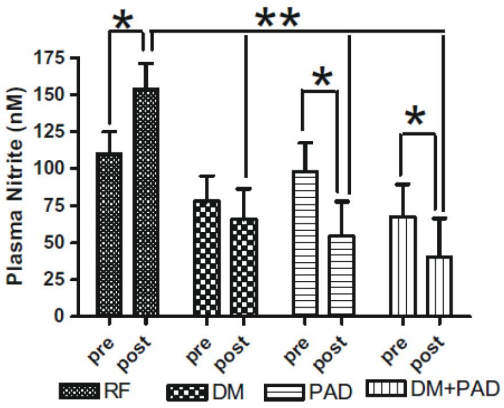
In initial research studies, sodium nitrite effectively restored ischemic tissue blood flow and was effective in a wide range of pathologies involving alterations of angiogenesis – development of new blood vessels – including diabetes, wound healing, and tissue necrosis. Beneficial effects include enhancing angiogenesis, endothelial cell proliferation, and arteriogenesis. There is also a strong association between reduced circulating nitrite levels and cardiovascular diseases in humans. We describe some of the associations and beneficial effects of sodium nitrite/nitrite below.

Plasma nitrite levels are negatively correlated to cardiovascular disease



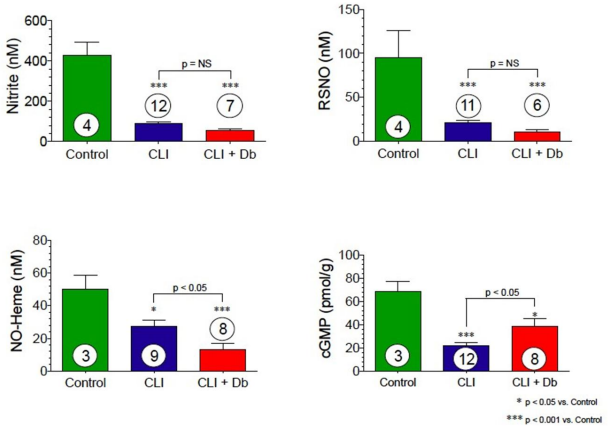
Plasma nitrite levels were inversely related to number of cardiovascular risk factors a subject had and decreased plasma nitrite was associated with decreased flow mediated vasodilation (FMD) and increased intimal medial thickness (IMT) (both are indicators of vascular pathology). Kleinbongard, et al. (2006) Free Radic Biol and Medicine 40:295-302.

Plasma nitrite levels are reduced in diabetic and PAD patients



Exercise is a well-known stimulator of endothelial nitric oxide synthase activity, an enzyme that enhances nitric oxide (NO) production, which leads to increased plasma nitrite. In the study by Allen, et al., these authors revealed that baseline plasma levels of nitrite were less in patients with diabetes mellitus (DM) or DM + PAD. Importantly, increases in plasma nitrite levels were not observed in either DM, PAD or DM + PAD patients after supervised exercise. These data reveal that baseline nitrite availability is compromised in DM patients and that supervised exercise is unable to increase plasma nitrite levels but actually results in a decrease in nitrite, highlighting a physiological efficiency of this molecule. Allen, et al., Nitric Oxide 2009 20:231-2377.

Skeletal Muscle Nitrite and Metabolite Levels are Reduced in Critical Limb Ischemia (CLI) Patients



Skeletal muscle nitrite, nitrosothiol (RSNO), nitric oxide-heme, and cGMP are all significantly reduced in CLI (the most severe form of PAD) patients. Diabetic patients with CLI show even further nitrite reductions.

In summary, nitrite levels in various cardiovascular and vascular diseases appear to be inversely related to the severity of the disease in humans:

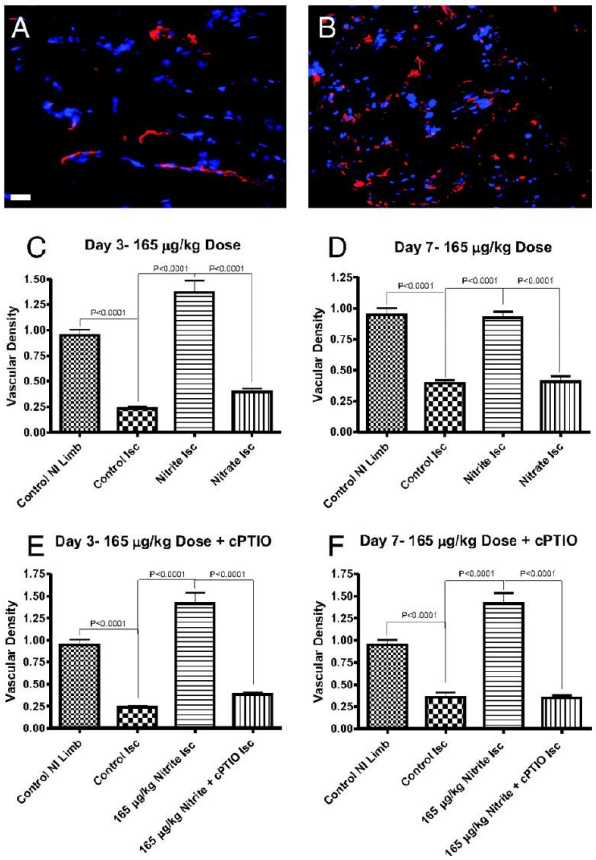
- Lower nitrite levels are associated with higher level of heart failure;
- Lower nitrite levels are observed in diabetic patients with PAD and are not compensated by exercise; and
- Nitrite levels are lower in the muscles of patients with critical limb ischemia and are further reduced in diabetic subjects with critical limb ischemia.

Given the association between low levels of circulating nitrite and human diseases, supplementation with sodium nitrite has been studied preclinically in animals. Below are summaries of some of the more important findings:

- Promotes angiogenesis
- Stimulates wound healing
- Prevents tissue necrosis

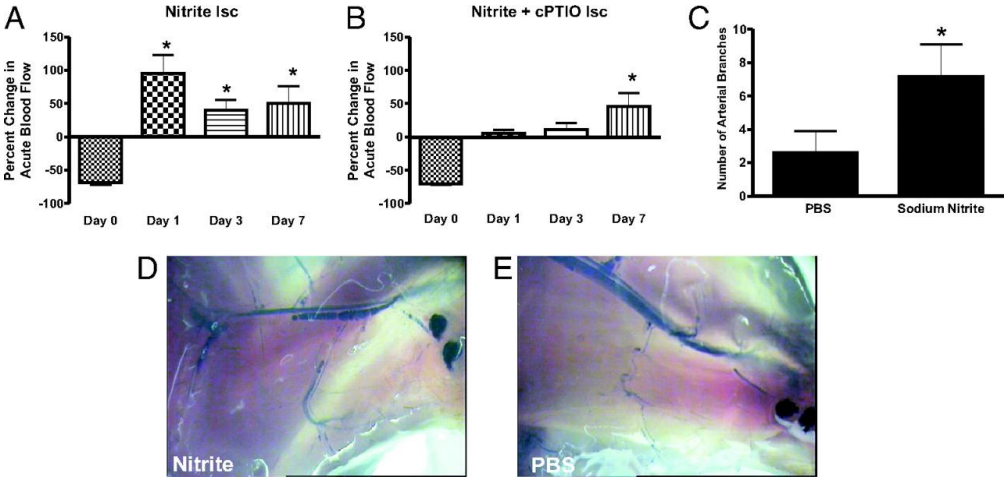
From Arya, et al.

Nitrite Therapy Selectively Increases Ischemic Tissue Vascular Density in a NO-dependent Manner



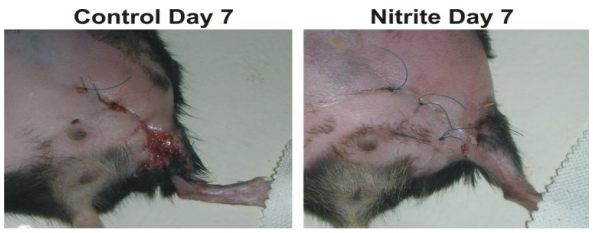
Chronic sodium nitrite therapy increases ischemic tissue vascular density in a NO-dependent manner. A and B show representative images of CD31 (red) and DAPI nuclear (blue) staining from sodium nitrite and sodium nitrate ischemic gastrocnemius muscle tissue at day 7. C and D report the vascular density of ischemic gastrocnemius muscle tissue at days 3 and 7 for 165 µg/kg sodium nitrite and nitrate treatments, respectively. E and F demonstrate the vascular density of ischemic gastrocnemius muscle tissue at days 3 and 7 from 165 µg/kg sodium nitrite plus carboxy PTIO. (Scale bar, 150 µm.) n = 10 mice per treatment group. Kumar D., et al., PNAS; 2008; 105:7540-7545.

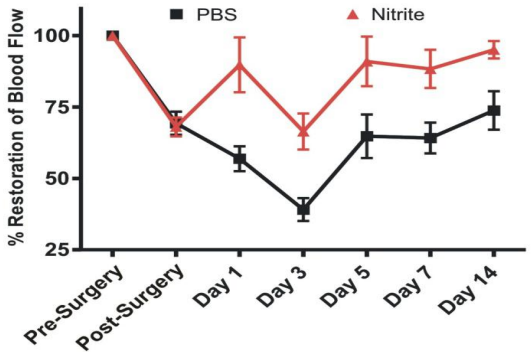
Nitrite Therapy Augments Arterial Perfusion of Ischemic Tissue



Chronic sodium nitrite therapy acutely increases ischemic tissue blood flow and stimulates arteriogenesis. A and B report 165 μg/kg sodium nitrite-induced acute changes in blood flow of chronically ischemic tissues at various time points with or without cPTIO, respectively. C reports the number of arterial branches between PBS and nitrite therapies. D and E illustrate vascular casting of the arterial vasculature in ischemic hind limbs of day 7 nitrite or PBS-treated mice, respectively. *, $P < 0.01$ vs. sodium nitrate. N = 10 mice per treatment group. Kumar D., et.al., PNAS;2008; 105:7540-7545.

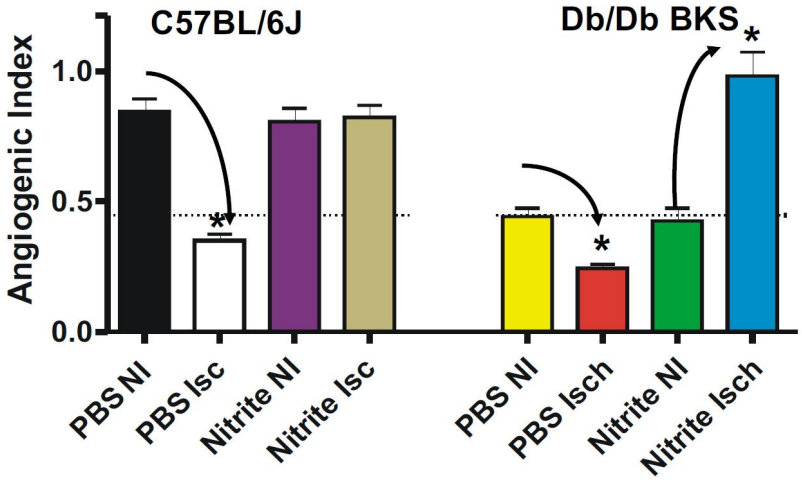
Nitrite Therapy Restores Diabetic Ischemic Hind-Limb Blood Flow and Promotes Wound Heal





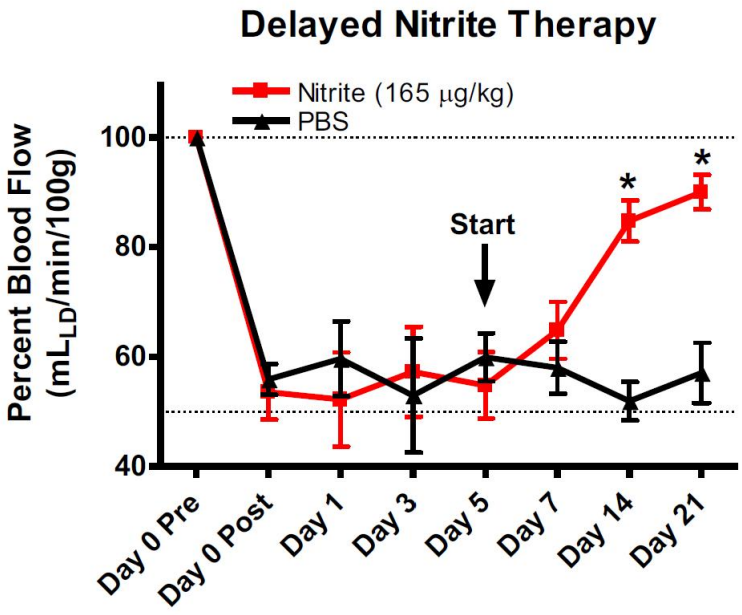
Unilateral femoral artery ligation was performed on 18-20 week old male Db/Db mice. Mice were randomized to PBS or sodium nitrite (165 µg/kg) therapy twice daily via I.P. injection. Laser doppler flowmetry was performed at the indicated time points. Increased wound dehiscence was noted in the PBS treated animals at day 7 but not in nitrite treated animals. (Bir, et al., Diabetes 2014, 63(1):270-81).

Nitrite Therapy Increases Diabetic Ischemia Induced Angiogenesis



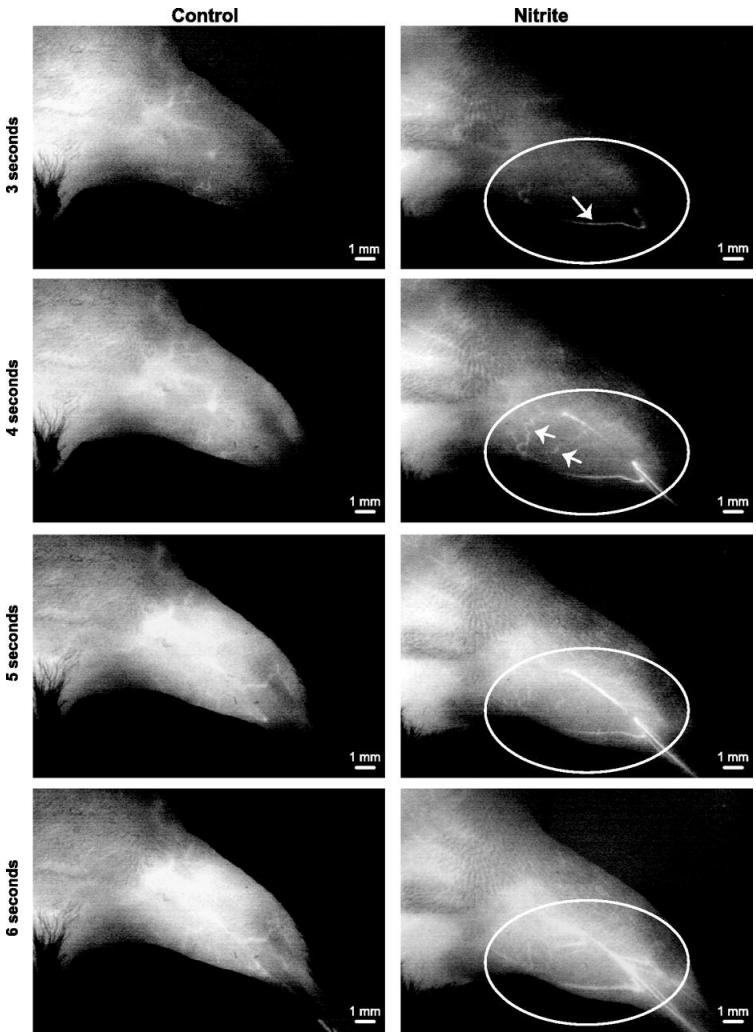
Nitrite therapy prevented ischemia mediated endothelial cell density loss in normal C57BL/6J ischemic limbs. Nitrite therapy significantly restored endothelial cell density in ischemic limbs of diabetic mice to normal C57BL/6J levels compared to PBS therapy of non-ischemic and ischemic conditions. These data suggest that nitrite therapy may be useful in attenuating microvascular rarefaction due to loss of nitric oxide that is observed during metabolic dysfunction (Frisbee JC AJP Integr Comp Physiol 2005 289(2):R307-16; Stepp et al Microcirculation 2007 14(4-5): 311-6).

Delayed Nitrite Therapy Restores Ischemic Hind-Limb Blood Flow



Studies were performed to determine whether nitrite mediated therapy would be effective in tissue that had been left ischemic for 5 days after femoral artery ligation. Femoral artery ligation was performed in C57BL/6J mice and the animals randomized to either PBS or sodium nitrite therapy 5 days after artery ligation. Treatments were given b.i.d. via I.P. injection. Ischemic limb blood flow was measured using laser doppler flowmetry. (Bir, et al., Diabetes 2014, 63(1):270-81).

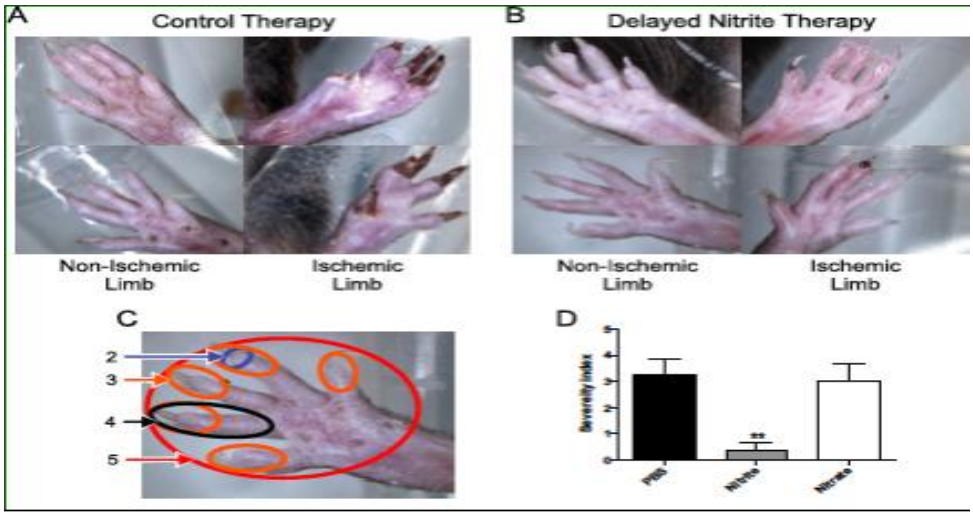
Delayed nitrite therapy increases SPY angiogram arteriogenesis



Delayed nitrite therapy increases SPY angiogram arteriogenesis. Representative temporal SPY angiogram image stills (3–6s) are shown at 11 days following ligation and 6 days after beginning therapy (either PBS or sodium nitrite). *Left*: PBS control angiogram. *Right*: sodium nitrite angiogram following injection of ICG. $n = 5$ animals per cohort. Circles identify limb anatomical regions of vascular blush, whereas arrows indicate perfused vessels that progressively occur over time.

Bir, et al., Am J Physiol Heart Circ Physiol 2012;303:H178-H188.

Nitrite Therapy Prevents Tissue Necrosis in Aged Db/Db Mice



Delayed sodium nitrite (165 ug/kg) or control PBS therapy was stated 5 days post-femoral artery ligation in nine-month old Db/Db mice. Nitrite therapy significantly prevented tissue necrosis (panel B) compared to control PBS therapy (panel A). Panel D reports tissue necrosis severity as a function of degree of limb and digit involvement. Nitrite therapy, but not PBS control or sodium nitrate, significantly prevented tissue necrosis. (Bir, et al., Diabetes 2014, 63(1):270-81).

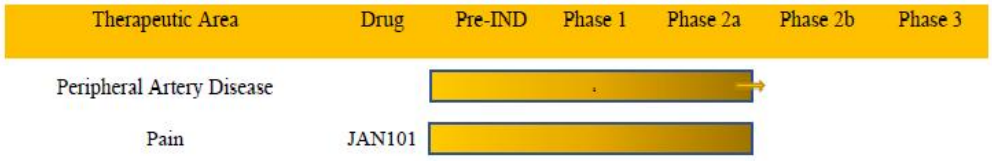
Nitrite and Hind Limb Ischemia Summary

Sodium nitrite has long been known to be a potent vasodilator (transiently increasing blood vessel diameter) that can lead to a drop in blood pressure when given acutely. The above studies indicate that chronic administration at low doses promotes angiogenesis, unlike one-time nitrite therapy, which does not stimulate angiogenesis. In addition, these studies and a large number of other studies not reviewed above show:

- •Nitrite therapy is very specific, acting only in damaged, ischemic tissue;
- •Delayed nitrite therapy effectively restores ischemic tissue blood flow;
- •Nitrite therapy is effective in a wide range of pathologies involving alterations of angiogenesis including critical limb ischemia, heart failure, and tissue necrosis;
- •Nitrite supplementation has had positive effects in various diabetes models, including diabetic nephropathy and diabetic wound healing;
- •Beneficial effects center on enhancing angiogenesis, endothelial cell proliferation, and arteriogenesis; and
- •Sustained release nitrite therapy, unlike immediate release therapy, does not lead to vasodilation or a drop in blood pressure.

JAN101

JAN 101 is designed to treat diseases associated with poor vascular function. The following table summarizes our current product candidate:



Pain

Pain is a protective reaction that alerts the body to the presence of actual or potential tissue damage so that necessary corrective responses can be mounted. The National Institutes of Health (the "NIH") defines chronic pain as pain that persists beyond the normal healing time of an injury or that persists longer than three months. It is estimated that chronic pain affects 100 million individuals in the United States and over 1.5 billion people worldwide; thus, more people suffer from chronic pain than diabetes, heart disease, and cancer combined (Cowen Therapeutic Categories Outlook, March 2019). Chronic pain exacts a tremendous cost in terms of direct treatment and rehabilitation expenditures, lost worker productivity, prevalent addiction to opioid-based drugs, and emotional and financial burden for patients and their families. According to an Institute of Medicine of the National Academies report, pain is a significant public health problem in the United States that costs society between $560 billion and $635 billion annually. Despite the magnitude of the pain problem, innovation in the development of therapeutic solutions has been largely absent. Since 2010, there have been 20 approvals by the FDA for the treatment of pain, of which 12 were opioid variants, one was an extended-release generic corticosteroid, five were variants of aspirin, and two were variants of other existing drugs. We are developing a novel product candidate designed to overcome the limitations of current treatment options for patients with PAD who suffer from chronic pain. According to a research study by Stanford University, more than 24% of patients with PAD are at risk of high opioid use. By treating pain at the source and presenting patients and physicians with better and safer treatment alternatives, we expect to minimize opioids at the prescription pad. Given the properties of JAN101, we have made the strategic decision to focus initially on pain associated with PAD by treating the underlying cause of PAD.

Peripheral artery disease

Peripheral artery disease ("PAD") is a general term for conditions in which arterial blood flow to the limbs is partially blocked. When there is less blood present in the extremities relative to demand, muscle pain and fatigue result, especially in the calf, which is also known as "intermittent claudication." In many patients, pain and fatigue are relieved through rest. Roughly half of patients with PAD are asymptomatic. The most common cause of PAD / intermittent claudication is atherosclerosis. Diabetes, chronic kidney disease, hypertension, and smoking are all risk factors that can increase the likelihood of PAD. In atherosclerosis, fat deposits (plaques) build up along arterial walls, resulting in a reduction in blood flow in the legs. This same process can cause strokes if the arteries leading up to the brain are affected.

Because of the high rate of asymptomatic patients, prevalence figures vary widely. Some estimate that up to 200 million people worldwide have PAD, ranging from asymptomatic disease to severe. Prevalence increases as a function of patient age, rising sharply after the age of 60. Thus, in countries with an aging population, it is expected that the prevalence of PAD will only increase. There is also a strong ethnic and racial component to PAD prevalence, which may be due to cultural differences in diet and exercise, along with genetic differences. Some suggest a prevalence of eight to 12 million in the United States alone, with roughly one-third experiencing pain when walking, which improves upon resting. The diagnosis of PAD usually begins with patient complaints of pain in the extremities. If the patient is already being treated or monitored for diabetes or other risk factors, then the physician will check for a weak or absent pulse in the extremity. Decreased blood pressure, poor wound healing, and whooshing sounds (via stethoscope) in the legs are also tell-tale signs of PAD / intermittent claudication. Angiograms, electrocardiograms, and ultrasounds can also be used to image and confirm the diagnosis.

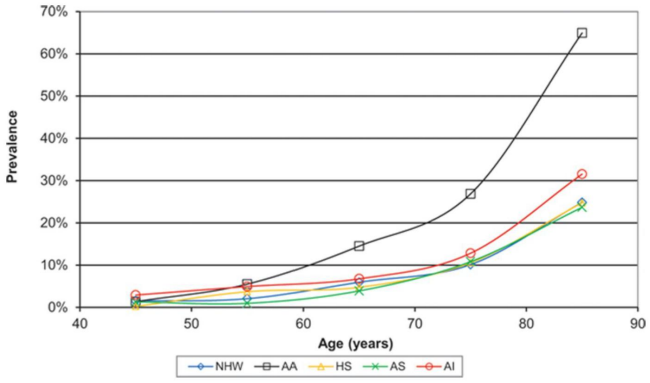


Figure 1: Ethnic-specific prevalence of PAD in men in the US, by age. NHW = Non-Hispanic Whites, AA = African American, HS = Hispanics, AS = Asian Americans, AI = American Indians. Source: (Criqui, 2015)

The non-drug treatment of PAD / intermittent claudication may be divided into four general categories:

- *Lifestyle* – Primarily changes in diet and smoking cessation.

- *Exercise* – Patients who walk, cycle, stretch, or swim can experience marked improvement. Formal programs involving treadmills and track walking (usually three to five times per week) are frequently provided to patients. However, if the pain is triggered by exercise (claudication) and is significant, it can discourage the patient from exercise.

- *Angioplasty* – A procedure by which the affected artery is stretched with a balloon-like device. This procedure has limited effectiveness and is reserved for severely blocked arteries.

- *Bypass Surgery* – Arteries that are beyond angioplasty can be bypassed entirely. This procedure is typically reserved for cases where the blockage is considered very long (~10 centimeters) and nearly complete.

The underlying condition is not addressed by surgery. Surgical approaches will not, in the long run, improve exercise capacity and walking distance. Only exercise itself, coupled with lifestyle changes and drug approaches, has this benefit.

Prescription drugs for the treatment of the underlying PAD may be divided into multiple categories, depending on the underlying condition and severity:

- *Cholesterol-Lowering Agents* – Statins and bile acid sequestrants.

- *Antiplatelet Medications* – Aspirin and related drugs, such as clopidogrel. Cilostazol also has antiplatelet properties.

- *Antihypertensives* – Patients with underlying high blood pressure can and will receive any number of medications to reduce blood pressure, such as ACE inhibitors and diuretics.

•*Diabetes Therapies* – While a substantial portion of PAD patients may have pre-diabetes or fulminant diabetes, it is unknown if aggressive treatment of diabetes has a positive effect on PAD.

•*Pain* – To our knowledge, no drugs are specifically indicated for PAD-associated pain. Pentoxifylline, for example, is indicated "…for the treatment of patients with intermittent claudication on the basis of chronic occlusive arterial disease of the limbs." (Sanofi-Aventis U.S. LLC, 2010). However, the evidence supporting the effectiveness of pentoxifylline is mixed. Short-term courses of NSAIDs, such as ibuprofen, may be used, provided the patient is not on another anticoagulant, like aspirin. Non-drug pain relievers, such as TENS and massage therapy, may also be used in these patients. Opioids may also be used, which creates a risk for addiction and potential misuse at the medicine cabinet by family members.

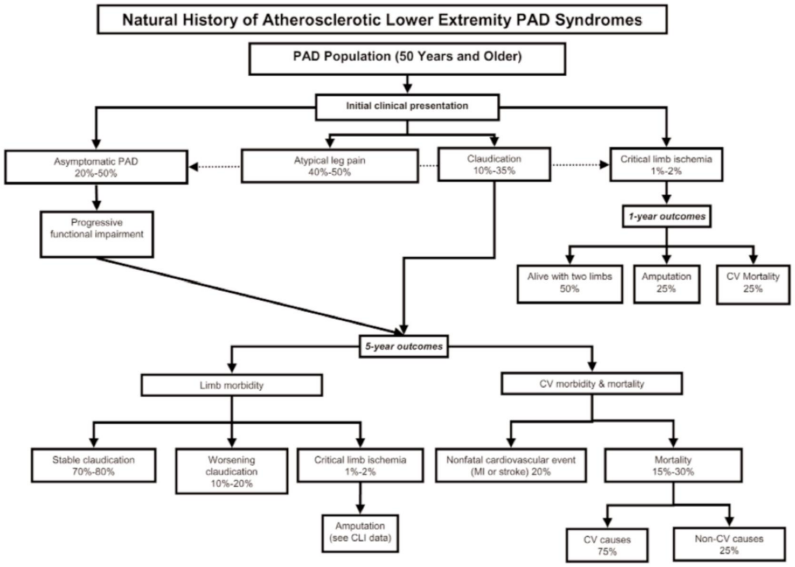


Figure 2: Natural history of PAD. Source: (Hirsch, 2006).

The lack of any truly effective treatment of PAD, along with encouraging early trial results using JAN101 on both improving vascular function and reducing pain in PAD patients, has created an opportunity potentially to treat this large unmet medical need. By improving vascular function, JAN101 has the potential to reduce associated pain and improve PAD patients' quality of life.

Our Strategy

Our focus is to develop and commercialize novel, non-opioid, and non-addictive therapies to address, safely and effectively, the significant unmet medical need of chronic pain or treat conditions that cause pain. The principal elements of our strategy to achieve this mission are the following:

•**License, acquire, develop, and create novel, non-opioid and non-addictive therapies by leveraging our understanding of pain biology to address the large and growing problem of pain.** While innovation in medical sciences has led to exciting new treatment options in many disease areas, pain has seen limited innovation in recent years. We have a deep understanding of the pathophysiology of pain and diseases that cause pain. We intend to leverage this understanding to bring innovation in the pain treatment paradigm through targeted acquisitions of companies or assets in development. Our advisors and doctors have years of collective experience in leadership positions at institutions and substantial scientific experience and understand the complexity of designing and executing clinical trials for and developing therapies.

•**Advance the development of JAN101, designed for the treatment of patients with PAD and pain associated with the disease.** There are limited therapeutic options available for patients with PAD and we believe that JAN101 has the potential to transform the standard of care to a twice-a-day pill to improve moderate to severe PAD substantially. We have engaged a contract research organization ("CRO"), CPC Clinical Research, to function as our trial manager and currently plan to begin enrolling subjects for the first Phase IIb trials for JAN101 in late 2022. We expect to report topline results promptly following receipt of the data from the CRO.

•**Leverage clinical activity of JAN101 possibly to expand into new indications.** The Company is in discussion with multiple researchers about expanding JAN101's use into other indications. JanOne will provide the researchers previously manufactured clinical supplies of JAN101 for use in their clinical trials.

•**Advance JAN101 through clinical development and pursue development of additional product candidates through acquisitions.** Our objective is to build a well-balanced, multi-asset portfolio targeting the large population of patients with chronic and acute pain. To achieve this, in addition to JAN101, we intend to pursue partnerships, licensing agreements, and potential acquisitions of other pharma companies. We continue our search for assets with indications where we believe they could have meaningful impact and address the large unmet medical need. In addition, we may choose to selectively in-license or acquire complementary product candidates by leveraging the insights, network, and experience of our team.

•**Maximize the commercial potential of all our product candidates.** We currently intend to retain all commercial rights to JAN101 in the United States and selectively partner outside of the United States. Because we believe that PAD is an attractive market for many major pharmaceutical companies, we may sub-license or partner certain indications if we believe it may enhance stockholder value. As we continue to build and develop our product portfolio, we may opportunistically pursue strategic partnerships that maximize the value of our pipeline while seeking to develop other indications.

•**Leverage our management team background and expertise.** We have assembled a team with extensive experience described above.

Chronic Pain

The NIH defines chronic pain as pain that persists either beyond the normal healing time of an injury or longer than three months. We believe that chronic pain represents a significant public health crisis. It is estimated that chronic pain affects 100 million individuals in the United States and over 1.5 billion people worldwide; thus, more people suffer from chronic pain than diabetes, heart disease, and cancer combined (Cowen Therapeutic Categories Outlook, March 2019). Chronic pain exacts a tremendous cost in terms of direct treatment and rehabilitation expenditures, lost worker productivity, prevalent addiction to opioid-based drugs, and emotional and financial burden for patients and their families. According to an Institute of Medicine of the National Academies report, pain is a significant public health problem in the United States that costs society between $560 billion and $635 billion annually. Chronic pain is the leading cause of long-term disability in the United States, and approximately 23 million adults in the United States experience severe pain over a three-month period. Globally, the prevalence of chronic pain is even larger, with over one billion people worldwide affected each year. Common types of chronic pain include those of neuropathic and inflammatory origin and may involve the skin, muscles, joints, bones, tendons, ligaments, and other soft tissues. Chronic pain is associated with a variety of clinical conditions including, but not limited to, arthritis, spinal conditions, cancer, fibromyalgia, diabetes, surgical recovery, visceral injury, and general trauma.

Pain is a necessary protective reaction that alerts the body to the presence of actual or potential tissue damage so that necessary corrective responses can be mounted. Pain is signaled by specialized cells in the peripheral nervous system called nociceptors, or pain-sensing fibers. These pain-sensing fibers normally transmit information about stimuli that approach or exceed harmful intensity from different locations in the body to the brain, which registers this information as a sensation of pain. In the case of tissue injury due to trauma or infection, pain accompanies the associated inflammation, persists for the duration of the inflammatory response, and aids healing by inhibiting use of the affected body part.

Pain also can modify the central nervous system such that the brain becomes sensitized and registers more pain with less provocation. This is called central sensitization. When central sensitization occurs, the nervous system goes through a process called wind-up and gets regulated in a persistent state of high reactivity. This persistent, or up-regulated, state of reactivity lowers the threshold for what triggers the sensation of pain and can result in the sensation of pain even after the initial injury might have healed.

When there is dysfunction in pain signaling, injury to the nervous system, or an unhealed injury, pain becomes no longer just a symptom, but a disease in itself.

Current Therapeutic Approaches to Treating Chronic Pain and Their Limitations

NSAIDs

Some of the most widely used therapies to treat chronic inflammatory pain are non-steroidal anti-inflammatory drugs ("NSAIDs"). NSAIDs can have significant side effects that include gastrointestinal bleeding, gastritis, high blood pressure, fluid retention, kidney problems, heart problems, and rashes. On April 7, 2005, the FDA announced a decision to require boxed warnings of potential cardiovascular risk for all NSAIDs.

Corticosteroids

Corticosteroids, or steroids, also possess anti-inflammatory properties and are commonly used in the practice of pain management, either systemically or locally, depending on the condition. Steroids work by decreasing inflammation and reducing the activity of the immune system. While steroids are commonly used, they may have numerous and serious side effects. These side effects may include allergic or hypersensitivity reactions, increased risk for infection, adrenal insufficiency, diabetes or decreased glucose tolerance, hypertension, loss of bone density, and loss of joint cartilage volume. In addition, steroids should not be administered when there is an infection present because steroids can inhibit the body's natural infection-fighting immune response. Also, if a joint is already damaged or is subject to chronic deterioration, intra-articular, or IA steroid injections are not likely to provide any long-term restorative benefit. For the above reasons, IA steroid injections are generally recommended to be administered no more often than every six weeks and not more than three to four times per year.

Opioids

Opioids are some of the most widely prescribed therapeutics for chronic and acute pain, and sales of these drugs have quadrupled between 1999 and 2010.According to a National Survey on Drug Use and Health report, in 2016 more than one-third of adult Americans were prescribed opioids and 230 million opioid prescriptions were written that year in the United States. Opioids act by binding to specific receptors located on neurons in both the central and peripheral nervous system throughout the body including in the brain, spinal cord, and other nervous tissue. Although they can be effective in providing pain relief, the increased medical use of opioids has been accompanied by an increase in the abuse and misuse of prescription opioids. In addition, for most patients, chronic opioid use is a poor option due to an intolerance to the many side effects, including nausea, vomiting, drowsiness, and constipation, and the propensity for opioids to become less effective with long-term use. According to the Centers for Disease Control and Prevention (the "CDC"), almost two million individuals abused or were dependent on prescription opioids in 2014. CDC figures show that the number of opioid-related overdose deaths has quadrupled between 1999 and 2010, and currently approximately 40% of opioid overdose deaths in the United States involve a prescription opioid. This increase in prescription opioid-related deaths in the United States prompted former President Trump to declare the opioid crisis a national Public Health Emergency in October 2017. Opioid abuse has become an epidemic in the United States, ranking as the nation's second most prevalent illegal drug problem. These major issues create the need to find new approaches to treating chronic pain.

Our Approach to Treating PAD and Chronic Pain

The unmet medical need for treating PAD and chronic pain reflects the historic failure to develop novel classes of analgesics with comparable or greater efficacy, an acceptable level of adverse effects and a lower abuse liability than those currently available. Some of the reasons for this include the heterogeneity of chronic pain and its related conditions, and the complexity and diversity of the underlying pathophysiological mechanisms for pain. However, recent advances in the understanding of the neurobiology of pain are beginning to offer opportunities to identify new drug targets and develop new therapeutic strategies.

We have taken an innovative and targeted approach to identifying treatments for chronic pain that leverages our understanding of the pathophysiology of pain. Pain is variable. For example, it can be inflammatory or neuropathic in nature, and it may be localized to a specific area of the body or it may be generalized throughout. We believe that the most effective way to treat chronic pain is through therapies that specifically target the origin of the pain signal. We strive to maximize JAN 101's potential based on its unique mechanism of action related to the origin of the pain signal.

A Randomized, Double-Blind Study of the Effects of a Sustained Release Formulation of Sodium Nitrite (SR-nitrite) on Patients with Diabetic Neuropathy

Background: Sodium nitrite has been reported to be effective in reducing chronic peripheral pain.

Objectives: To evaluate the safety and efficacy of 40 and 80 mg, BID, of an oral sustained release formulation of sodium nitrite (SR-nitrite) in patients suffering from diabetic neuropathy, and to determine whether SR-nitrite would reduce the frequency of headaches reported previously by subjects receiving the same doses of an immediate release formulation. Study Design: Phase II, single-center, randomized, double-blind, placebo controlled clinical trial. Setting: The Ohio Pain Clinic and Kettering Medical Center.

Methods: Twenty-four patients were randomized to 40 mg or 80 mg SR-nitrite or placebo twice daily for 12 weeks. The primary objective was to determine whether headaches would be reduced using SR-nitrite. The primary efficacy endpoint was the mean difference in the change of the Neuropathic Pain Symptom Inventory (NPSI) pain score from baseline to that reported after 12 weeks of treatment. Secondary endpoints included changes from baseline for the Brief Pain Inventory (BPI) Scale, the RAND 36 questionnaire, Short-Form McGill Questionnaire, daily patient reported score for neuropathic pain, changes in HbA1c, PulseOx, and quantitative sensory testing. Results: The number of subjects reporting adverse events and the number of adverse events did not change with dose. There were no reports of treatment-related headaches. Although no significant differences were identified in patient responses to the questionnaires, a trend was observed. In the NPSI assessment, patients in the 40 mg and 80 mg dosing groups reported a 12.7% and 22.0% reduction in pain, respectively, compared to an 8.4% reduction by patients in the placebo group. A trend was also observed with the BPI total severity score. However, the 40 mg dosing group reported the greatest reduction in pain using the McGill Pain index and via patient logs of daily pain scores, where the mean of pain scores reported by subjects in the 40 mg group dropped by day 41 and generally stayed lower than the mean of scores reported by subjects in either of the other two groups. Patients in the 80 mg SR-nitrite group had an improvement in both Nerve Sensory Conductance and Nerve Sensory Velocity. No changes were observed in HbA1c levels or PulseOx.

Limitations: Small sample size.

Conclusion: Sustained release sodium nitrite prevents the prevalent reports of headaches by patients treated with an immediate release formulation of sodium nitrite. In a previous study of patients with peripheral arterial disease (PAD), 40 mg BID treatment led to a statistically significant reduction in reported pain. Similar trends were observed at the end of the trial period for most of the pain questionnaires used in the study. The 80 mg BID treatment had the more pronounced effect on bioactivity (quantitative sensory testing), which was similar to the PAD study, where this dosing group had the greatest improvement in Flow Mediated Dilation . The ability to alleviate pain with BID treatment of SR-nitrite offers promise for a new non-addictive, non-sedating treatment of chronic pain and warrants further study.

Microcirculatory injury, which is common in diabetic patients, can lead to a number of problems. Prominent among these is diabetic peripheral neuropathy (DPN). About 10% of patients will have evidence of DPN at the time they are initially evaluated, and almost 50% of diabetic patients will ultimately develop DPN. Of diabetic patients with DPN, 40% to 50% suffer from chronic pain, as well as paresthesia, sensory loss, and weakness, and have at least an eight-fold increased risk of undergoing a distal lower extremity amputation compared to similar non-diabetics. Endothelial cells play an important part in the regulation of microcirculation, as they maintain vascular tone by secreting both vasodilators and vasoconstrictors. A central feature of diabetic microvascular disease (MVD) is endothelial dysfunction, which, in turn, plays an important role in the development and progression of DPN. The pathophysiological factors leading to endothelial dysfunction in diabetes include chronic hyperglycemia and protein glycosylation, insulin resistance, inflammation, and increased oxidative stress. Studies have now shown a close relationship between endothelial dysfunction and diminished nitric oxide (NO) bioavailability. Endogenously produced NO has a half-life measured in seconds, and is rapidly oxidized to nitrite (NO_2–) and nitrate (NO_3–)

end-products, the latter of which is biologically inert. In the presence of microcirculatory ischemia and endothelial cell dysfunction, however, endogenous NO production by eNOS is much more limited. In such circumstances, circulating NO_2 can be non-enzymatically reduced to increase NO availability. In addition to serving as a circulating NO reservoir, nitrite itself has also been shown to have direct and potent vasodilatory effects in vitro and in vivo. The findings that NO_2– mediates vasodilatation, both directly and through NO generation, has led to growing interest in the potential effectiveness of nitrite as a therapeutic agent in conditions associated with DPN and endothelial dysfunction. Such conditions include diabetic microvascular disease, DPN, and retinopathy, in which low levels of NO and NO_2–, as well as elevated levels of nitrate (NO_3–), suggest that the complete oxidation of NO occurs during diabetes with insufficient NO_2– reserves to restore NO bioavailability. Previous human studies with an oral formulation of $NaNO_2$ have shown that administration twice daily improves vascular function. In the peripheral arterial disease study, subjects who received the lower dose of $NaNO_2$ reported a significant reduction in pain. Although side effects were minimal, headaches and dizziness were reported by a large number of subjects, likely due to the rapid release of $NaNO_2$ leading to vasodilation. An oral, sustained-release formulation of $NaNO_2$ (SR-nitrite) was developed in an attempt to overcome these problems and was tested in a porcine model of metabolic syndrome with critical limb ischemia. SR-nitrite-treated animals showed increased myocardial NO bioavailability, diminished oxidative stress, and cytoprotection in ischemic tissue. Importantly, 24-hour telemetry recordings of blood pressure showed no evidence of vasodilation. In the above study, we hypothesized that the SR-nitrite would reduce or eliminate headaches reported in patients following administration of the immediate release formulation. Given the promising results on reducing pain in diabetic patients with PAD reported in the previous study, patients with diabetic neuropathy were utilized in this study to determine whether any trends in reducing pain could be observed. The study design was a randomized, placebo controlled, double-blind phase II study was carried out to investigate the safety and potential biological activity of multiple doses of an oral, sustained-release formulation of sodium nitrite (SR-nitrite; TheraVasc Inc., Cleveland, OH, USA), BID in doses of 40 mg and 80 mg over a 12-week treatment period, in human subjects with diabetes and neuropathic pain in the lower extremities and feet. The trial was approved by the Copernicus Group Institutional Review Board and listed on ClinicalTrials.gov: www.clinicaltrials.gov/ct2/show/NCT02412852. The study was funded by TheraVasc Inc. (“TheraVasc”).

JAN101—Regulatory Strategy

Sodium nitrite has been previously approved as one of the active components of cyanide poisoning antidote. This means the approval path for JAN101 is through a 505(b)(2) (“NDA”), which we intend to pursue.

JAN101—Commercial Strategy

We currently intend to use third-party providers and manufacturers to support the commercialization JAN101, if we are successful in obtaining FDA approval. We believe that we can promote JAN101 to the patients suffering from PAD in a cost effective manner. We anticipate our commercial operation will include outside sales management, outside sales support, distribution support, and an internal marketing group. Additional requisite capabilities will include focused management of key accounts, such as managed-care organizations, group purchasing organizations, and government accounts. We intend selectively to partner with third parties with vast experience in the space, as we have been partnering for every aspect of development.

Competition

The biotechnology and pharmaceutical industries are characterized by extensive research and development efforts, rapidly advancing technologies, intense competition, and a strong emphasis on proprietary products. We are currently focused on the development and commercialization of our asset pipeline of novel, non-opioid, and non-addictive therapies for PAD. The number of patients suffering from chronic PAD is large and growing. While we believe that JAN 101 and our Chief Scientific Officer's development experience and scientific knowledge provide us with competitive advantages, we face potential competition from many different sources, including pharmaceutical, biotechnology, and specialty pharmaceutical companies that market or develop therapeutics to treat chronic pain. Academic research institutions, governmental agencies, as well as public and private institutions are also potential sources of competitive products and technologies. Our competitors may have significantly greater financial resources, robust drug pipelines, established presence in the market, and expertise in research and development, manufacturing, pre-clinical and clinical testing, obtaining regulatory approvals and reimbursement, and marketing approved products than we do. These competitors also compete with us in recruiting and retaining qualified clinical, regulatory, scientific, sales, marketing, and management personnel, establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. The key competitive factors affecting the success of JAN 101 (as well as other subsequent product candidates), if and when approved, is likely to be its efficacy, durability, safety, price, and the availability of reimbursement from government and other third-party payors.

Significant competition exists in the PAD pain field. Although we believe our approach to developing novel treatments for pain is unique from most other existing or investigational therapies, such as NSAIDs, corticosteroids, and opioids, we will need to compete with all currently available and future therapies within the indications where our development is focused. With respect to JAN101, the main classes of marketed products that are available for the treatment of PAD pain include NSAIDs and opioids. Furthermore, numerous monoclonal antibodies targeting nerve growth factor, or NGF inhibitors, are in clinical development, including two product candidates in Phase III.

There are a number of companies developing or marketing therapies for the treatment and management of pain that may compete with JAN 101, including many major pharmaceutical and biotechnology companies.

Intellectual Property

Our success depends in large part upon our ability to obtain and maintain proprietary protection for our products and technologies, and to operate without infringing or otherwise violating the proprietary rights of others. We endeavor to protect our products using a combination of intellectual property protections and available government regulatory and marketing exclusivities afforded to new medicines. For example, we endeavor to protect our products by, among other methods, filing United States and, potentially in the future, foreign, patent applications related to our proprietary technology, inventions, and improvements that are important to the development and implementation of our business. We also use other forms of protection, such as confidential information, trade secrets, and know-how, and trademarks to protect our intellectual property, particularly where we do not believe patent protection is appropriate or obtainable.

The proprietary nature of, and protection for, JAN 101, processes, and know-how are important to our business. Our policy is to pursue, maintain, and defend intellectual property rights, and to protect the technology, inventions, and improvements that are commercially important to our business.

Trade Secrets and Other Proprietary Information

In addition to patents, we rely on trade secrets and know-how to develop and maintain our competitive position. For example, we have developed methods for more efficient manufacture of sustained released sodium nitrite tablets. We seek to protect our proprietary information, in part, by confidentiality agreements and invention assignment agreements with our employees, consultants, scientific advisors, contractors, and commercial partners.

License Agreement

On November 19, 2019, we entered into a Patent and Know How License Agreement (the "License Agreement") with UAB Research Foundation ("UABRF"), TheraVasc, and the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College, acting on behalf of LSU Health Shreveport, together with UABRF and TheraVasc, the "Licensors"). Under the License Agreement, the Licensors have agreed to grant to JanOne an exclusive, worldwide license, including the right to sublicense, to the Licensors' patent rights and know-how related to the Licensors' sustained release formulation of sodium nitrite. Under the License Agreement, we have agreed to pay a non-refundable upfront license fee and certain milestone payments upon the achievement of certain milestones of up to approximately $6.5 million and certain royalty payments and annual license maintenance fees. The License Agreement requires us to use commercially reasonable efforts to develop and commercialize JAN101.

Soin Therapeutics

JanOne acquired Soin Therapeutics, a company focused on the development of a novel formulation of low-dose naltrexone ("LDN") for the treatment of chronic regional pain syndrome ("CRPS") in 2022. CRPS is a rare pain disorder, characterized by a complex set of symptoms, affecting approximately 200,000 patients annually in the US. There are currently no approved treatments for patients with CRPS. Prior to the acquisition, Soin Therapeutics received Orphan Drug Designation for the product, which provides a variety of incentives for developing the product in this indication.

JAN123

Generally

JAN123 is a novel formulation of 2.0 mg of LDN that results in a biphasic release of the product. The release properties of JAN123 provide for an immediate release of less than half the product with a slow, sustained release of the remaining product. Importantly, the rapid release of LDN has been reported to lead to vivid and lucid unpleasant dreams, which should be eliminated with the formulation of JAN123. Initially, a single tablet of JAN123 will be administered orally, once a day before sleep, with eventual titration up to two tablets (4 mg) before sleep.

Naltrexone

Naltrexone was first synthesized in 1965 and approved by the FDA for the oral treatment of opioid dependence in 1984, with the brand name Trexan. Later it was approved for the oral treatment of alcohol dependence in 1995, when the brand name was changed by DuPont to ReVia. A depot formulation for intramuscular injection was approved by the FDA under the brand name Vivitrol for alcohol dependence in 2006 and opioid dependence in 2010. Typical oral doses are 50 to 100 mg daily, with a once-monthly intramuscular formulation also available. At these doses, Naltrexone has been shown to function as a nonselective opioid antagonist with a high affinity for μ opioid receptors, which decreases addiction cravings (Schumacher, Basbaum et al. 2017, Opioid Agonists & Antagonists. Basic & Clinical Pharmacology, 14e. B. G. Katzung. New York, NY, McGraw-Hill Education). However, there is a risk that patients who are non-compliant with oral naltrexone may experience opioid intoxication simply by skipping doses of naltrexone. Oral bioavailability is also variable from patient to patient, largely due to first-pass metabolism. Thus, naltrexone is pharmacologically effective, but may be ineffective in a real world setting without counseling and strong patient support (Minozzi, 2011, Oral naltrexone maintenance treatment for opioid dependence. *Chchrane Database Syst Rev*(4), CD001333). There are also multiple generic Naltrexone tablets available on the market for oral administration.

Low Dose Naltrexone (LDN)

Compared to the standard dose, LDN is defined as a daily dose of Naltrexone of 1 to 5 mg, which is 10- to 100-fold lower than the dose used to manage substance use disorders (LDN Research Trust , Toljan and Vrooman 2018, Low-Dose Naltrexone (LDN)-Review of Therapeutic Utilization. Med Sci (Basel) **6**(4)). Off-label uses of Naltrexone at lower doses have been explored based on a different mechanism of action for the treatment of inflammatory, rheumatologic, and neurologic conditions. These include multiple sclerosis, fibromyalgia, Crohn disease, chronic fatigue syndrome (CFS), and more recently, CRPS. At the low doses used for these conditions, Naltrexone is thought to act as an immune modulator. Some speculate that this effect is related to reduced neuroinflammation in the case of disorders like CFS (Cant, Dalgleish et al. 2017, Naltrexone Inhibits IL-6 and TNFalpha Production in Human Immune Cell Subsets following Stimulation with Ligands for Intracellular Toll-Like Receptors. Front Immunol **8**: 809).

Evidence suggests that, at low doses, Naltrexone antagonizes TLR4 on activated glial cells without the previously mentioned function as a mu-opioid receptor antagonist (Chopra and Cooper 2013, Treatment of Complex Regional Pain Syndrome (CRPS) using low dose naltrexone LDN). J Neuroimmune Pharmacol **8**(3): 470-476.). TLR4 has been shown to be a key mediator of microglial activation, which has been identified as a causal mechanism of neuropathic pain in CRPS. Microglial activation is associated with the release of pro-inflammatory cytokines, reactive oxygen species, and prostaglandins, which amplify the inflammatory response (Carniglia, Ramírez et al. 2017, Neuropeptides and Microglial Activation in Inflammation, Pain, and Neurodegenerative Diseases. Mediators of Inflammation **2017**: 5048616). Thus, LDN presents a promising therapeutic avenue for the treatment of CRPS, a condition in which TLR4 upregulation is a primary pathway, through attenuation of glial activation and direct targeting of TLR4 activity (Del Valle, Schwartzman et al. 2009, Spinal cord histopathological alterations in a patient with longstanding complex regional pain syndrome. Brain Behav Immun **23**(1): 85-91.). By downregulating the inflammatory cytokine release, LDN should be beneficial for CRPS patients.

CRPS patients suffer from severe debilitating pain, and even light touch or benign stimulation elicits extreme amounts of pain. Microglial cells and glial cells oftentimes are involved in this pain-signaling pathway. By reducing glial cell activation, Low-dose Naltrexone can treat this pain syndrome. Another potential mechanism of action of LDN treatment on pain is a paradoxical upregulation of opioid signaling. It is noted that when taken at bedtime, the short-acting low-dose Naltrexone binds to receptors, which leads to a brief blockade of opioid receptors between 2 and 4 a.m. This blockade is believed to upregulate vital life elements of the body and cause an increase in endorphin and enkephalin production. This increase in endorphins and enkephalins will likely cause a decrease in pain that the patient experiences overall. Therefore, LDN leads to transient opioid receptor blockade, which triggers a positive feedback mechanism that increases the production of endogenous opioids (endogenous endorphins and enkephalins) and opioid signaling (Ludwig, Zagon et al. 2017, Serum [Met(5)]-enkephalin levels are reduced in multiple sclerosis and restored by low-dose naltrexone. Exp Biol Med (Maywood) **242**(15): 1524-1533; Toljan and Vrooman 2018, Low-Dose Naltrexone (LDN)-Review of Therapeutic Utilization. Med Sci (Basel) **6**(4)). Together, these mechanisms may work to alleviate pain associated with CRPS.

Interestingly, low-dose Naltrexone also has effects on the peripheral nervous system. In the peripheral nervous system, it was found that low-dose Naltrexone can modulate T and B lymphocyte production. And it was noticed that low-dose Naltrexone could reduce interleukin 6, interleukin 12, and tumor necrosis factor alpha in the periphery regarding peripheral nervous systems. CRPS patients often have an increase in inflammatory cytokines and may often note an increase in interleukin 6, 12, and tumor necrosis factor alpha. By reducing these inflammatory cytokines back to a normal state, it is predicted that low-dose Naltrexone could treat the actual disease state of CRPS.

In summary, low-dose Naltrexone has a very specific mechanism of action that will distinctly treat CRPS through inhibition of inflammatory cytokines, glial cell activation, neuroinflammation, and increase of endogenous enkephalins and endorphins. In other words, low-dose Naltrexone is not just treating the symptoms with this medication but also treating the underlying disease state and process specific to CRPS.

Chronic Regional Pain Syndrome (CRPS)

CRPS, also termed reflex sympathetic dystrophy (RSD), is a chronic, orphan neurologic condition that typically affects the extremities after trauma or nerve injury, and can cause severe pain. As the most common and prominent symptom of CRPS, the pain is often deep inside the limbs with a burning, stinging, or tearing sensation. Sensory changes are also common and may include increased sensitivity to painful stimuli, feeling pain from stimuli that are usually non-painful, and in some instances, sensory loss (e.g., numbness). In addition to pain, patients commonly experience an affected extremity that is warm, red, and swollen, at least initially. As CRPS progresses, it becomes refractory to sympathetic nerve blocks, conventional analgesics, anticonvulsants, and antidepressants.

CRPS is a rare neurologic disease. It is a painful progressive condition and is listed in the rare disease database of the National Organization for Rare Disorders (NORD). CRPS is subdivided into two categories: type I and type II CRPS. In CRPS type I, there are no nerve injuries or lesions identified. CRPS type I is also known as "reflex sympathetic dystrophy," and it comprises about 90 percent of all cases of CRPS. CRPS type II (causalgia), on the other hand, is diagnosed when there is evidence of nerve damage. As described in the NORD, it was found that CRPS type I developed in 5.46 persons out of every 100,000 per year and the incidence rate of CRPS type 2 was 0.82 persons out of every 100,000 per year, giving rise to a combined incidence rate for both CRPS types I and II of 6.28 per 100000

person-years (Sandroni, Benrud-Larson et al. 2003, Complex regional pain syndrome type I: incidence and prevalence in Olmsted county, a population-based study. Pain **103**(1-2): 199-207; Goh, Chidambaram et al. 2017, Complex regional pain syndrome: a recent update. Burns Trauma **5**: 2.).

The underlying cause of CRPS is not well understood. In most cases, it occurs after an illness or injury that did not directly damage the nerves in the affected area (Type I). In some cases, it occurs after a specific nerve injury (Type II). The exact trigger of CRPS after an injury is not known, but it may be due to abnormal interactions between the central and peripheral nervous systems and/or inappropriate inflammatory responses. There are multiple factors that may contribute to CRPS development, including immobilization, alterations to the nervous system of the body, and inflammation. Genetic factors and psychological factors, such as anxiety, depression, and anger, may also contribute to the symptoms of CRPS. However, there is no evidence that CRPS is a disease that can be caused by genetic factors alone, and the role of psychological factors in CRPS development remains unproven.

CRPS is treated by approaching it from different areas: physical therapy (PT), occupational therapy (OT), medications for pain management, neuromodulation through implantable devices, and/or nerve blocks targeting the sympathetic chain. Neridronate and zoledronate D,L-lysine monohydrate (ZLM) has been designated as an orphan drugs for the treatment of CRPS in 2013 and 2015, respectively. However, neither of them has been approved. Thus, there is no current FDA-approved drug for CRPS.

Clinical Studies of LDN on CRPS

LDN has been widely used for chronic pain and inflammatory condition and has been shown to alleviate symptoms of pain in patients with chronic pain. A number of case studies have also reported positive effects for LDN in the treatment of CRPS. Chopra et al. reported 2 patient case studies with CRPS who experienced significantly less pain with 4.5 mg daily LDN treatment (Chopra and Cooper 2013, Treatment of Complex Regional Pain Syndrome (CRPS) using low dose naltrexone (LDN). J Neuroimmune Pharmacol **8**(3): 470-476). The remission of pain and dystonic spasms in Case 1, as well a remission of all CRPS symptoms (including fixed dystonia) in Case 2, provide evidence that a multi-modal interventional approach, which includes low-dose Naltrexone (a known glial attenuator), should be considered as a treatment option for the treatment of CRPS patients, particularly those patients with dystonic movement disorders. In another CRPS case study, Sturn and Collin found alleviation of pain symptoms as early as 2 days after beginning LDN therapy, with significantly less pain at 4 weeks (Sturn and Collin 2016, Low-Dose Naltrexone: A New Therapy Option for Complex Regional Pain Syndrome Type I Patients. Int J Pharm Compd **20**(3): 197-201). Weinstock et al reported alleviation of pain symptoms within one month of LDN treatment, with complete remission of CRPS leg symptoms by 16 months (Weinstock, Myers et al. 2016, Identification and Treatment of New Inflammatory Triggers for Complex Regional Pain Syndrome: Small Intestinal Bacterial Overgrowth and Obstructive Sleep Apnea. A A Case Rep **6**(9): 272-276). In a recent case study, an CRPS patient was able to discontinue gabapentin and amitriptyline via the use of LDN, while simultaneously achieving superior pain relied (Soin, 2021, Management of pediatric complex regional pain syndrome with low-dose naltrexone. *Pain Medicine Case Reports, 5*(3), 109-113). LDN has been reported to have benefits related to other symptoms of chronic pain syndromes as well, including dystonic spasms, CRPS flares, energy, sleep disturbances, and mood.

Systematic literature review of LDN use showed that he most commonly reported AEs with LDN use were dizziness, vomiting, nausea, and vivid dreams (Soin et al. 2021, Low-Dose Naltrexone Use for Patients with Chronic Regional Pain Syndrome: A Systematic Literature Review. Pain Physician **24**(4): E393-E406.). Other reported AEs included headaches, abdominal pain, gastrointestinal issues, peripheral edema, restlessness, falls, somnolence, irritability, hematological abnormalities, urinary infection, difficulty concentrating, anxiety, sleepiness, hot flashes/sweating, tachycardia, depression, muscle and joint pain, fatigue, tinnitus, heartburn, dry mouth, and joint pain. Another systematic review also evaluated occurrence of adverse events (AEs) and serious adverse events (SAEs) with LDN use and found that only mild AEs reported among the included studies (89 studies), including nausea, vomiting, and dizziness (Bolton, Hodkinson et al. 2019, Serious adverse events reported in placebo randomized controlled trials of oral naltrexone: a systematic review and meta-analysis. BMC Med **17**(1): 10). Although 119 patients reported at least one SAE in the naltrexone study arm, meta-analysis found no difference between occurrence of SAEs in naltrexone and placebo groups. Furthermore, secondary analysis found only 6 AEs that were statistically significant: decreased appetite, dizziness, nausea, sleepiness, sweating, and vomiting.

Efficacy of low-dose naltrexone treatment on CRPS

Author (year)	Symptoms	Symptoms alleviated	Time to alleviation of symptoms	Dose	AEs and SAEs
Chopra et al (2013)	swelling, allodynia, color change, temperature change, some weakness, blisters, skin ulceration, dystonic spasms, dysesthesia	Dystonic spasms, CRPS flares, energy, pain tolerance, sleep disturbances, pain, mood	< 2 months	4.5 mg/day	None
Sturn et al (2016)	Pain	Pain	2 days	1.5 mg	None
Weinstock et al (2016)	Severe leg pain, episodic pain in arms and nose, asymmetric and shiny skin with fluctuating temperature changes, color change, edema, IBS, atypical chest pain and fatigue, edema, blue discoloration, tenderness, joint hypermobility with EDS diagnosis	Leg and bowel symptoms; all CRPS pain, bowel symptoms, and fatigue	< 1 month	4.5 mg/day	None

Orphan Drug Designation

An orphan disease is a rare disease affecting less than 200,000 people in the US. It is often a serious or fatal condition for which there are no effective therapies. In 1983, the Orphan Drug Act was passed to incentivize companies to develop drugs for patients with rare diseases. Orphan drug designation provide incentives to companies, including:

- Tax credits for qualifies clinical trials
- Exemption from user fees
- Potential for seven years of market exclusivity after approval

In addition, given the small number of patients with a disease and the severity of the disease, approvals are often granted with fewer and smaller trials, saving costs and time. JAN123 was granted Orphan Status for the treatment of CRPS.

Clinical Development Plan

LDN can be rapidly developed in the US via the 505(b)(2) regulatory pathway. This pathway is used for candidates which contain drugs that are already approved but come in a dosage form or delivery system which is different than the original, approved product. In this case, JAN123 fits these criteria perfectly. LDN has the added benefit of being developed at a much lower dose (< 5 milligrams) compared to approved naltrexone products, which are 50 milligrams per tablet. Therefore, it is likely that product development will consist of the following general steps:

- Manufacturing and approval of clinical batches of LDN tablets prior to clinical studies;
- Phase I pharmacokinetic study(ies) to confirm the release profile of LDN;
- A single Phase III study to demonstrate efficacy in CRPS.

A protocol synopsis of the development plan is presented below:

Title of study	Phase I: The Pharmacokinetincs of LDN in the fed and fasted state of a Single Oral Dose of LDN, 4 mg Phase III: Double-Blind Placebo-Controlled Trial of Low Dose Naltrexone to Treat Complex Regional Pain Syndrome (CRPS)

Clinical Phase	Phase I: The Pharmacokinetincs of LDN in the fed and fasted state Phase III: Registration/Efficacy Study to hopefully facilitate an NDA application for the use of low dose naltrexone to treat CRPS
Objectives:	Phase I: To determine pharmacokinetics of single oral low dose naltrexone in healthy participants in fasting and fed state Phase3: The primary objective is to assess the efficacy of low-dose naltrexone in treating complex regional pain syndrome symptoms (CRPS). We plan to conduct a double-blind, randomized, placebo-controlled trial to treat CRPS using low-dose naltrexone. For Efficacy: 1- Assess daily NRS (numerical pain scale 0 – 10) scores through the 3-month study 2- Study the possible changes or improvement in the Brief Pain Inventory (BPI) and Oswestry Disability Index (ODI) over the three-month study For Safety: We will also monitor safety labs on enrollment and termination of the study. However, we would like to point out that this drug has been available and FDA approved at much higher doses (50 – 150mg or higher) orally with a long standing proven safety track record. The drug has been available with multiple different embodiments, route of administration and at much higher doses for quite a long time and the safety of the drug has already been extensively established and published.
Investigational product	JAN123
Study Design	Phase 1: Single-center, dual arm, cross-over, open-label study Phase 3: Study Description We plan to conduct a randomized, double blind placebo controlled trial to treat Complex Regional Pain Syndrome. The study duration will be three months long. Patients in the treatment group will receive a single tablet for the first month of a 2mg dose of Naltrexone. Then after 1 month, the patient will take 2 tablets for a total of 4mg for months 2 and 3. Study conclusion will be after 3 months. Patients in the placebo group will take a single tablet for 1 month followed by 2 tablets for month 2 and 3. A total number of 200 patients with a 1:1 randomization will used. Since CRPS is an orphan disease we will likely have to use a total of 25 clinical sites or more to be able to adequately recruit the study. Safety labs will be completed prior to first dose and upon study completion. For clinical efficacy, we will be assessing daily NRS (1-10) pain scores, a brief pain inventory (BPI) at enrollment and at months 1, 2, and 3 (study completion) and Oswestry Disability Index (ODI) at enrollment and at months 1, 2, and 3 (study completion). Statistically significant improvement in pain scores or any scales in the BPI or ODI are desired outcomes.
Treatment Regimen and Route of Administration	Study Drugs are as follows: Phase I: Single Oral dose of JAN123, 4 mg given on separate days with and without food separated by a washout period of no less than 7 days Phase III: Patients will then be doses with either the low dose naltrexone or placebo for three months. Initially for the first month patients will take 1 tablet at bedtime (typically in the evenings) for the first month and then increase to 2 tablets for month 2 and 3. Specifically the Naltrexone will be 2mg tablets, such that for the first month with the 1 tablet per day the patient will be on 2mg doses and subsequently increase to 2 tablets in the evening for a total of 4mg.
Duration of treatment:	Phase I: One day for each dose. Two doses of 2 mg each, in total, separated by a washout period of no less than 7 days. Phase III: This will be a 3 month trial or approximately 90 days. Upon enrollment, patients will be on either low dose naltrexone or placebo for 90 days.

	Participant duration is expected to be 90 days, and at the conclusion of the study (approximately day 90) patients will come in for a final site visit to complete remaining surveys and within 7 days of completion the patients will obtain final safety labs which are anticipated to be a complete blood count and a comprehensive metabolic panel. Since Naltrexone is non opioid based and does not have withdrawal issues, patients can immediately discontinue the therapy without concerns. As referenced earlier, the safety of Naltrexone orally is already well established and our tested doses are low.
Number of Centers	Phase 1: Single Center Clinical Trial Phase 3: Multicenter Clinical Trial Likely 25 total sites. Keeping in mind this is an Orphan Disease state and recruitment may be quite difficult- we feel the need to have 25 clinical sites to enroll 200 patients Clinical sites will be likely Pain Management Centers, both academic and private practice facilities that have access to patients who suffer from CRPS and also include local PIs who have the skill set and ability to properly diagnose CRPS. Local or regional clinical trial coordinators will be assigned to each site as well. Enrolling participants are those who meet the diagnosis criteria of CRPS. Typically CRPS is diagnosed using the Budapest Criteria. Age range of 18 - 65 for enrollment, negative pregnancy test, and stable therapy for 3 months.
Subjects:	Phase I: Adult male and female healthy subjects, 18-65 years of age, satisfying all inclusion and exclusion criteria. Phase III: Patients diagnosed with CRPS (Complex Regional Pain Syndrome), Adult male and female patients, 18-65 years of age
Number of Subjects	Phase I: 10 patients Phase III: 200 patients
Endpoints	Phase1: Primary Outcome Measure: PK profile for low dose naltrexone (Time Frame: Day 1: predose and at multiple time points after low dose naltrexone administration) •C_{max} (Maximum observed plasma concentration) •T_{max} (Time to reach maximum plasma concentration) •AUC_{0-t} (Area under the plasma concentration-time curve from 0 hour to the time of the last quantifiable concentration) •AUC_{0-inf} (Area under the plasma concentration-time curve from 0 hour extrapolated to infinity) •CL/F (Oral clearance) Phase 3: Primary Outcome Measure: Improvement in NRS pain scores over a 3 month time period. Secondary Outcome Measure: Improvement in Brief Pain Inventory and Oswestry Disability Index (ODI) or other verified pain scales. End of Study will occur upon completion of the 90 day trial of the low dose naltrexone or placebo. It is expected that patients will complete all required surveys and testing requirements of the study. Early termination is also a possible way to end the study due to issues such as side effects, adverse events or patient desire to withdraw from the study, among other reasons.
Safety Assessments	Standard clinical evaluation and objective measures will be employed to monitor and assess safety during the conduct of the trial. Furthermore, the results of safety assessments will be used during the trial to monitor and protect the safety of enrolled subjects.

Strict subject and study stopping criteria will be implemented to protect the subject's well-being.

Intellectual Property

The composition of Naltrexone is off-patent and generic versions of the drug are available at 50 mg doses. LDN has been routinely compounded in compounding pharmacies and used clinically off-label. However, the 4.5 mg compounded tablets are associated with sleep disturbances, manifested in vivid and lucid unpleasant dreams. For these reasons, JAN 123 was developed as a biphasic release, orally available tablet to reduce the likelihood of unpleasant dreams. A provisional patent was filed in December 2020 and converted to a PCT application in November 2021 (Pub. No. US 2022/0202807 A1). The claims in this application cover the use of the biphasic LDN formulation for treatment of patients with chronic pain. In addition, claims are made to the titration of the LDN for treating chronic pain. While there is no guarantee that these or future pending claims will issue, the Orphan Drug Designation does provide 7 years of market exclusivity after drug approval.

Trade Secrets and Other Proprietary Information

In addition to patents, we rely on trade secrets and know-how to develop and maintain our competitive position. For example, we have developed methods for more efficient manufacture of the biphasic LDN. We seek to protect our proprietary information, in part, by confidentiality agreements and invention assignment agreements with our employees, consultants, scientific advisors, contractors, and commercial partners.

Purchase Agreement

On December 28, 2022, we entered into a Purchase Agreement (the "Purchase Agreement") with Soin Therapeutics, LLC. Under the Purchase Agreement, JanOne acquired Soin Therapeutics and its LDN product, now known as JAN123. This all stock transaction has a value of $13M, with up to an additional $17M depending on revenues generated by the product, for a total value of up to $30M. The transaction includes restrictions on the maximum number of shares of preferred stock and common stock that can be issued to or transferred by Soin Therapeutics at any given time.

Our Team

Tony Giordano, Ph.D., our Chief Scientific Officer, joined the Company in December 2019 from the Cleveland Clinic, the No.2 rated hospital in the country, where he served as Senior Director of Special Projects in the Business Development group. Dr. Giordano has extensive experience in commercialization and drug development, having served as Vice President or President of seven different biotechnology companies he co-founded, including companies developing platform technologies, a cancer vaccine, and Alzheimer's Disease and cardiovascular therapies. He has managed numerous clinical trials and the launch of a medical food product. Dr. Giordano has also served as an Associate Professor and Assistant Dean of Research and Business Development at LSU Health Sciences Center in Shreveport, Louisiana ("LSU Health Shreveport"), at which he led the licensing efforts at the campus and at Abbott Labs, where, in addition to serving as a Senior Research Scientist, he was involved in technology assessment activities. Dr. Giordano has a Ph.D. focused in Molecular Genetics from The Ohio State University and completed Fellowships at the NIH NCI-Designated Cancer Centers and the NIH National Institute of Aging.

Dr. Amol Soin, our Chief Medical Officer, joined the Company in January 2020. Dr. Soin is considered one of the nation's top pain experts and is the Founder and Chairman of the Ohio Pain Clinic. Dr. Soin brings significant expertise for treating neuropathic and chronic pain and extensive research experience for non-opioid, nonaddictive pain solutions to the JanOne management team. In his role as Chief Medical Officer, Dr. Soin will guide JanOne's drug development activities, manage clinical research, set patient safety standards, and ensure regulatory compliance. In addition, Dr. Soin will play an integral role in establishing partnerships and drug candidate selection as we expand our pipeline. Dr. Soin received his undergraduate degree from University of Akron, his MBA from University of Tennessee, his MD from Northeastern Ohio Universities College of Medicine, and his master's in science from Brown University and he has also studied at Dartmouth College. He is board certified in anesthesiology and pain medicine and a fellow of interventional pain management at the World Institute of Pain, and served as a pain management fellow at the Cleveland Clinic, the oldest and largest academic pain management department in the United States. The founder and chairman of the Ohio Pain Clinic, Dr. Soin has also held several prestigious positions, including President of the Ohio Society of Interventional Pain Physicians, President of the American Society of Interventional Pain Physicians Foundation, President of the Society of Interventional Pain Management Surgery Centers, and President – elect of TriState Pain Society. He was appointed by Governor Kasich to the Ohio Medical Board in 2012 to two 5-year terms and has served as the Ohio Medical Board's president, where he was instrumental in passing statewide rules and guidelines to help the opioid crisis.

In November 2019, we formed a Scientific Board of Advisors (the "SBA") and the following doctors and scientists currently are members of our SBA:

Chris Kevil, Ph.D., Chair of the Scientific Advisory Board – Dr. Kevil, an internationally known expert in vascular pathophysiology, PAD, and nitric oxide biology, discovered the role of sodium nitrite in promoting angiogenesis that led to the development of TV1001, now known as JAN101. Dr. Kevil earned his Ph.D. degree from LSU Health Shreveport in Molecular and Cellular Physiology, followed by a fellowship at the University of Alabama at Birmingham (UAB) with an emphasis on redox pathophysiology. Returning to LSU Health Shreveport in the Department of Pathology, he established cutting edge research programs regarding redox biology regulation of peripheral vascular diseases. This led to ground-breaking insights on how glutathione, nitrite/nitric oxide, and hydrogen sulfide regulate vascular health during ischemia.

Edgar Ross, MD, Dr. Ross is the current Director of the Pain Management Center at Brigham and Women's Hospital and a professor of anesthesia at Harvard Medical School. Dr. Ross is recognized as Castle Connolly's America's top doctors for the fifth year in a row. In addition to serving as chairman of Pfizer's partnership on pain, Dr. Ross also has served as a member of the Blue Cross and Blue Shield Opioid Prescribing Policy Committee.

John Cooke, MD, Ph.D. – Dr. Cooke is the Chair of the Department of Cardiovascular Sciences at the Houston Methodist Research Institute, Director of the Center for Cardiovascular Regeneration, and Medical Director of the RNA Therapeutics Program in the Houston Methodist DeBakey Heart & Vascular Center in Houston, Texas. He trained in cardiovascular medicine and obtained a Ph.D. in physiology at the Mayo Clinic. He was recruited to Harvard Medical School as an assistant professor of medicine. In 1990, he was recruited to Stanford University to spearhead its program in vascular biology and medicine, and was appointed professor in the Division of Cardiovascular Medicine at Stanford University School of Medicine, and associate director of the Stanford Cardiovascular Institute until his recruitment to Houston Methodist in 2013. Dr. Cooke has published over 500 research papers, position papers, reviews, book chapters, and patents in the arena of vascular medicine and biology with over 30,000 citations. He has served on national and international committees that deal with cardiovascular diseases, including the American Heart Association, American College of Cardiology, Society for Vascular Medicine, and the National Heart, Lung and Blood Institute. He has served as president of the Society for Vascular Medicine, as a director of the American Board of Vascular Medicine, and as an associate editor of Vascular Medicine.

Joshua Beckman, MD – Dr. Beckman founded and is director of the Section of Vascular Medicine in the Division of Cardiovascular and is Professor of Medicine at Vanderbilt University Medical Center. The overriding theme linking all of his career activities is vascular function in health and disease. Dr. Beckman's primary research focuses on the mechanisms by which diabetes mellitus impairs vascular function. Secondary investigations involve studying the effect on endothelial function of non-diabetes-related insulin resistance, androgen deprivation, and vascular function in venous bypass grafts. Dr. Beckman has been involved in numerous clinical studies and has published over 300 research papers with over 30,000 citations. In addition to a number of other journals, Dr. Beckman serves in editorial roles at *Vascular Medicine* and *Circulation,* two of the premier journals in the cardiovascular space.

Nicolas Goeders, Ph.D. – Dr. Goeders is a Professor and Head of the Department of Pharmacology, Toxicology and Neuroscience at LSU Health Shreveport. He has conducted addiction research for the past 30 years and is regarded as one of the world's leaders on the role for stress in substance abuse disorder. His work has helped to determine the mechanisms responsible for how stress contributes to relapse to drug use. He has published over 100 manuscripts, has written 15 book chapters, and was issued five patents, one of which is a drug currently in clinical development. Dr. Goeders also serves as the Executive Director of the Louisiana Addiction Research Center.

Commercial Operations

We currently do not have any marketing and sales organization. We have retained global rights to JAN 101, and, if it or one of our potential subsequent product candidates is approved by the FDA to market in the United States, we expect that our sales force will be supported by sales management, internal sales support, an outside marketing group, and distribution support. We intend to invest in our commercial capabilities prudently by focusing our marketing efforts on the physician subspecialties that treat patients with PAD. These physicians include, but are not limited to, pain management specialists, rheumatologist, surgeons, and sports medicine physicians. We will also evaluate licensing and partnering with third parties to help us reach other sales channels and geographic markets inside and outside of the United States.

Government Regulation

The FDA and comparable regulatory authorities in state and local jurisdictions and in other countries impose substantial and burdensome requirements upon companies involved in the clinical development, manufacture, marketing, and distribution of drugs, such as those we are developing. These agencies, and other federal, state, and local entities regulate, among other things, the research and development, testing, manufacture, quality control, safety, effectiveness, labeling, storage, record keeping, approval, advertising and promotion, distribution, post-approval monitoring and reporting, sampling, and export and import of product candidates.

U.S. Government Regulation of Drug Products

In the United States, the FDA regulates drugs under the Federal Food, Drug, and Cosmetic Act (the "FDCA") and its implementing regulations. The process of obtaining regulatory approvals and the subsequent compliance with applicable federal, state, local, and foreign statutes and regulations requires the expenditure of substantial time and financial resources. Failure to comply with the applicable United States requirements at any time during the product development process, the approval process, or thereafter, may subject an applicant to a variety of administrative or judicial sanctions, such as the FDA's refusal to approve pending applications, withdrawal of an approval, imposition of a clinical hold, issuance of warning letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement, or civil or criminal penalties.

The process required by the FDA before a drug may be marketed in the United States generally involves the following:

- completion of pre-clinical laboratory tests, animal studies, and formulation studies in compliance with the FDA's good laboratory practice ("GLP"), regulations;
- submission to the FDA of an Investigational New Drug Application ("IND"), which must become effective before human clinical trials may begin;
- approval by an institutional research board ("IRB") at each clinical site before each trial may be initiated;
- performance of adequate and well-controlled human clinical trials in accordance with good clinical practice ("GCP") requirements to establish the safety and efficacy of the proposed drug product for each indication;
- submission to the FDA of a new drug application (NDA);
- satisfactory completion of an FDA advisory committee review, if applicable;

•satisfactory completion of an FDA inspection of the manufacturing facility or facilities at which the product is produced to assess compliance with current good manufacturing practices ("cGMP") requirements and to assure that the facilities, methods, and controls are adequate to preserve the drug's identity, strength, quality, and purity;

•satisfactory completion of FDA audits of clinical trial sites to assure compliance with GCPs and the integrity of the clinical data;

•payment of user fees and securing FDA and approval of the NDA; and

•compliance with any post-approval requirements, including the potential requirement to implement a risk evaluation and mitigation strategy ("REMS"), and the potential requirement to conduct post-approval studies.

Pre-clinical Studies

Pre-clinical studies include laboratory evaluation of product chemistry, toxicity, and formulation, as well as animal studies to assess potential safety and efficacy. An IND sponsor must submit the results of the pre-clinical tests, together with manufacturing information, analytical data, and any available clinical data or literature, among other things, to the FDA as part of an IND. Some pre-clinical testing may continue even after the IND is submitted. An IND automatically becomes effective 30 days after receipt by the FDA, unless before that time the FDA raises concerns or questions related to one or more proposed clinical trials and places the clinical trial on a clinical hold. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin. As a result, submission of an IND may not result in the FDA allowing clinical trials to commence. Clinical holds also may be imposed by the FDA at any time before or during clinical trials, due to safety concerns about on-going or proposed clinical trials, or non-compliance with specific FDA requirements, and the trials may not begin or continue until the FDA notifies the sponsor that the hold has been lifted. Through the 505(b)2 regulatory path, the FDA allows a sponsor to rely on well documented, published studies to support the clinical development of the product. The FDA has indicated that it will accept published data in support of the Company's development program for JAN101 but prior to filing an NDA would require the Company to complete developmental and reproductive toxicology studies.

Clinical Trials

Clinical trials involve the administration of the investigational new drug to human subjects under the supervision of qualified investigators in accordance with GCP requirements, which include the requirement that all research subjects provide their informed consent in writing for their participation in any clinical trial. Clinical trials are conducted under protocols detailing, among other things, the objectives of the trial, the parameters to be used in monitoring safety, and the effectiveness criteria to be evaluated. A protocol for each clinical trial and any subsequent protocol amendments must be submitted to the FDA as part of the IND. In addition, an IRB at each institution participating in the clinical trial must review and approve the plan for any clinical trial before it commences at that institution. Information about certain clinical trials must be submitted within specific timeframes to the NIH for public dissemination on their www.clinicaltrials.gov website. The information contained in, or accessible through, this website does not constitute a part of this Annual Report. We have included this website address solely as an inactive, textual reference.

Human clinical trials are typically conducted in three sequential phases, which may overlap or be combined:

•Phase I: The drug is initially introduced into healthy human subjects or patients with the target disease or condition and tested for safety, dosage tolerance, absorption, metabolism, distribution, and excretion and, if possible, to gain an early indication of its effectiveness.

•Phase II: The drug is administered to a limited patient population to identify possible adverse effects and safety risks, to evaluate the efficacy of the product for specific targeted diseases preliminarily, and to determine dosage tolerance and optimal dosage.

•Phase III: The drug is administered to an expanded patient population, generally at geographically dispersed clinical trial sites, in well-controlled clinical trials to generate sufficient data statistically to evaluate the efficacy and safety of the product for approval, to establish the overall risk-benefit profile of the product, and to provide adequate information for the labeling of the product.

Post-approval trials, sometimes referred to as Phase IV clinical trials, may be conducted after initial marketing approval. These trials are used to gain additional experience from the treatment of patients in the intended therapeutic indication. In certain instances, the FDA may mandate the performance of Phase IV clinical trials as a condition of approval of an NDA.

The FDA or the sponsor may suspend a clinical trial at any time on various grounds, including a finding that the research subjects or patients are being exposed to an unacceptable health risk. Similarly, an IRB can suspend or terminate approval of a clinical trial at its institution if the clinical trial is not being conducted in accordance with the IRB's requirements or if the drug has been associated with unexpected serious harm to patients. In addition, some clinical trials are overseen by an independent group of qualified experts organized by the sponsor, known as a data safety monitoring board or committee. Depending on its charter, this group may determine whether a trial may move forward at designated check points based on access to certain data from the trial.

During the development of a new drug, sponsors are given opportunities to meet with the FDA at certain points. These points may be prior to submission of an IND, at the end of Phase II, and before an NDA is submitted. Meetings at other times may be requested. These meetings can provide an opportunity for the sponsor to share information about the data gathered to date, for the FDA to provide advice, and for the sponsor and the FDA to reach agreement on the next phase of development. Sponsors typically use the meetings at the end of the Phase II clinical trial to discuss Phase II clinical results and present plans for the pivotal Phase III clinical trials that they believe will support approval of the new drug. JanOne submitted briefing materials in 2021 describing the previous research and development activities and planned clinical trials. The Company is now working to implement suggestions by the FDA to be ready to submit a protocol amendment in late 2022.

Concurrently with clinical trials, companies usually complete additional animal studies and must also develop additional information about the chemistry and physical characteristics of the drug and finalize a process for manufacturing the product in commercial quantities in accordance with cGMP requirements. The manufacturing process must be capable of consistently producing quality batches of product candidates and, among other things, the manufacturer must develop methods for testing the identity, strength, quality, and purity of the final drug. In addition, appropriate packaging must be selected and tested and stability studies must be conducted to demonstrate that the product candidate does not undergo unacceptable deterioration over its shelf life.

While the IND is active and before approval, progress reports summarizing the results of the clinical trials and non-clinical studies performed since the last progress report must be submitted at least annually to the FDA, and written IND safety reports must be submitted to the FDA and investigators for serious and unexpected suspected adverse events, findings from other studies suggesting a significant risk to humans exposed to the same or similar drugs, findings from animal or in vitro testing suggesting a significant risk to humans, and any clinically important increased incidence of a serious suspected adverse reaction compared to that listed in the protocol or investigator brochure.

United States Review and Approval Process

The results of product development, pre-clinical, and other non-clinical studies and clinical trials, along with descriptions of the manufacturing process, analytical tests conducted on the chemistry of the drug, proposed labeling, and other relevant information are submitted to the FDA as part of an NDA requesting approval to market the product. The submission of an NDA is subject to the payment of substantial user fees; a waiver of such fees may be obtained under certain limited circumstances. The FDA reviews an NDA to determine, among other things, whether a product is safe and effective for its intended use and whether its manufacturing is cGMP-compliant to assure and preserve the product's identity, strength, quality and purity. Under the Prescription Drug User Fee Act (the "PDUFA"), guidelines that are currently in effect, the FDA has a goal of 10 months from the date of "filing" of a standard NDA for a new molecular entity to review and act on the submission. This review typically takes 12 months from the date the NDA is submitted to FDA because the FDA has approximately two months to make a "filing" decision after the application is submitted. The FDA conducts a preliminary review of all NDAs within the first 60 days after submission, before accepting them for filing, to determine whether they are sufficiently complete to permit substantive review. The FDA may request additional information rather than accept an NDA for filing. In this event, the NDA must be resubmitted with the additional information. The resubmitted application also is subject to review before the FDA accepts it for filing.

The FDA may refer an application for a novel drug to an advisory committee. An advisory committee is a panel of independent experts, including clinicians and other scientific experts, that reviews, evaluates, and provides a recommendation as to whether the application should be approved and under what conditions. The FDA is not bound by the recommendations of an advisory committee; but, it considers such recommendations carefully when making decisions.

Before approving an NDA, the FDA will inspect the facility or facilities where the product is manufactured. The FDA will not approve an application unless it determines that the manufacturing processes and facilities are in compliance with cGMP requirements and adequate to assure consistent production of the product within required specifications. Additionally, before approving an NDA, the FDA may inspect one or more clinical trial sites to assure compliance with GCP requirements.

After the FDA evaluates an NDA, it will issue an approval letter or a Complete Response Letter. An approval letter authorizes commercial marketing of the drug with prescribing information for specific indications. A Complete Response Letter indicates that the review cycle of the application is complete and the application will not be approved in its present form. A Complete Response Letter usually describes the specific deficiencies in the NDA identified by the FDA and may require additional clinical data, such as an additional Phase III trial or other significant and time-consuming requirements related to clinical trials, non-clinical studies, or manufacturing. If a Complete Response Letter is issued, the sponsor must resubmit the NDA that addresses all of the deficiencies identified in the letter, or withdraw the application. Even if such additional data and information are submitted, the FDA may decide that the NDA does not satisfy the criteria for approval.

If a product receives regulatory approval, the approval may be significantly limited to specific diseases and dosages or the indications for use may otherwise be limited, which could restrict the commercial value of the product. In addition, the FDA may require a sponsor to conduct Phase IV clinical testing, which involves clinical trials designed to assess a drug's safety and effectiveness further after NDA approval, and may require testing and surveillance programs to monitor the safety of approved products that already have been commercialized. The FDA may also place other conditions on approval, including the requirement for REMS, to assure the safe use of the drug. If the FDA concludes a REMS is needed, the sponsor of the NDA must submit a proposed REMS. The FDA will not approve the NDA without an approved REMS, if required. A REMS could include medication guides, physician communication plans, or elements to assure safe use, such as restricted distribution methods, patient registries, and other risk minimization tools. Any of these limitations on approval or marketing could restrict the commercial promotion, distribution, prescription, or dispensing of products. Marketing approval may be withdrawn for non-compliance with regulatory requirements or if problems occur following initial marketing.

The Food and Drug Administration Safety and Innovation Act (the "FDASIA") made permanent the Pediatric Research Equity Act (the "PREA"), which requires a sponsor to conduct pediatric clinical trials for most drugs, for a new active ingredient, new indication, new dosage form, new dosing regimen, or new route of administration. Under PREA, original NDAs and supplements must contain a pediatric assessment unless the sponsor has received a deferral or waiver. The required assessment must evaluate the safety and effectiveness of the product for the claimed indications in all relevant pediatric subpopulations and support dosing and administration for each pediatric subpopulation for which the product is safe and effective. The sponsor or the FDA may request a deferral of pediatric clinical trials for some or all of the pediatric subpopulations. A deferral may be granted for several reasons, including a finding that the drug is ready for approval for use in adults before pediatric clinical trials are complete or that additional safety or effectiveness data needs to be collected before the pediatric clinical trials begin. The FDA must send a non-compliance letter to any sponsor that fails to submit the required assessment, keep a deferral current or fails to submit a request for approval of a pediatric formulation.

Special FDA Expedited Review and Approval Programs

The FDA has various programs, including Fast Track Designation, accelerated approval, priority review, and breakthrough therapy designation, which are intended to expedite or simplify the process for the development and FDA review of drugs that are intended for the treatment of serious or life-threatening diseases or conditions and demonstrate the potential to address unmet medical needs. The purpose of these programs is to provide important new drugs to patients earlier than under standard FDA review procedures.

To be eligible for a Fast Track Designation, the FDA must determine, based on the request of a sponsor, that a product is intended to treat a serious or life-threatening disease or condition and demonstrates the potential to address an unmet medical need. The FDA will determine that a product will fill an unmet medical need if it will provide a therapy where none exists or provide a therapy that may be potentially superior to existing therapy based on efficacy or safety factors. The FDA may review sections of the NDA for a fast track product on a rolling basis before the complete application is submitted, if the sponsor provides a schedule for the submission of the sections of the NDA, the FDA agrees to accept sections of the NDA and determines that the schedule is acceptable, and the sponsor pays any required user fees upon submission of the first section of the NDA.

The FDA may give a priority review designation to drugs that offer major advances in treatment, or provide a treatment where no adequate therapy exists. A priority review means that the goal for the FDA to review an application is six months, rather than the standard review of 10 months under current PDUFA guidelines. Under the new PDUFA agreement, these six- and 10-month review periods are measured from the "filing" date, rather than the receipt date for NDAs for new molecular entities, which typically adds approximately two months to the timeline for review and decision from the date of submission. Most products that are eligible for Fast Track Designation are also likely to be considered appropriate to receive a priority review.

In addition, products studied for their safety and effectiveness in treating serious or life-threatening illnesses and that provide meaningful therapeutic benefit over existing treatments may be eligible for accelerated approval and may be approved on the basis of adequate and well-controlled clinical trials that establish that the drug product has an effect (i) on a surrogate endpoint that is reasonably likely to predict clinical benefit or (ii) on a clinical endpoint that can be measured earlier than irreversible morbidity or mortality that is reasonably likely to predict an effect on irreversible morbidity or mortality or other clinical benefit, including taking into account the severity, rarity, or prevalence of the condition and the availability or lack of alternative treatments. As a condition of approval, the FDA may require a sponsor of a drug receiving accelerated approval to perform post-marketing studies to verify and describe the predicted effect on irreversible morbidity or mortality or other clinical endpoint, and the drug may be subject to accelerated withdrawal procedures.

Moreover, under the provisions of the FDASIA, a sponsor can request designation of a product candidate as a "breakthrough therapy." A breakthrough therapy is defined as a drug that is intended, alone or in combination with one or more other drugs, to treat a serious or life-threatening disease or condition, and preliminary clinical evidence indicates that the drug may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. Drugs designated as breakthrough therapies are also eligible for accelerated approval. The FDA must take certain actions, such as holding timely meetings and providing advice, intended to expedite the development and review of an application for approval of a breakthrough therapy.

Even if a product qualifies for one or more of these programs, the FDA may later decide that the product no longer meets the conditions for qualification or decide that the time period for FDA review or approval will not be shortened. We may explore some of these opportunities for our initial (or subsequent) product candidates, as appropriate.

Post-Approval Requirements

Drugs manufactured or distributed pursuant to FDA approvals are subject to pervasive and continuing regulation by the FDA, including, among other things, requirements relating to recordkeeping, periodic reporting, product sampling and distribution, advertising and promotion and reporting of adverse experiences with the product. After approval, most changes to the approved product, such as adding new indications or other labeling claims are subject to prior FDA review and approval. There also are continuing, annual user program fee requirements for any marketed products.

The FDA may impose a number of post-approval requirements as a condition of approval of an NDA. For example, the FDA may require post-marketing testing, including Phase IV clinical trials, and surveillance to assess further and monitor the product's safety and effectiveness after commercialization.

In addition, drug manufacturers and other entities involved in the manufacture and distribution of approved drugs are required to register their establishments with the FDA and state agencies, and are subject to periodic unannounced inspections by the FDA and these state agencies for compliance with cGMP requirements. Changes to the manufacturing process are strictly regulated and often require prior FDA approval before being implemented. FDA regulations also require investigation and correction of any deviations from cGMP requirements and impose reporting and documentation requirements upon the sponsor and any third-party manufacturers that the sponsor may decide to use. Accordingly, manufacturers must continue to expend time, money, and effort in the area of production and quality control to maintain cGMP compliance.

Once an approval of a drug or medical device is granted, the FDA may withdraw the approval if compliance with regulatory requirements and standards is not maintained or if problems occur after the product reaches the market. Later discovery of previously unknown problems with a product, including adverse events of unanticipated severity or frequency, or with manufacturing processes, or failure to comply with regulatory requirements, may result in mandatory revisions to the approved labeling to add new safety information; imposition of post-market studies or clinical trials to assess new safety risks; or imposition of distribution or other restrictions under a REMS program. Other potential consequences include, among other things:

- restrictions on the marketing or manufacturing of the product, complete withdrawal of the product from the market or product recalls;
- fines, warning letters or holds on post-approval clinical trials;
- refusal of the FDA to approve pending NDAs or supplements to approved NDAs, or suspension or revocation of product approvals;
- product seizure or detention, or refusal to permit the import or export of products; or
- injunctions or the imposition of civil or criminal penalties.

The FDA strictly regulates marketing, labeling, advertising and promotion of products that are placed on the market. Drugs or devices may be promoted only for the approved indications and in accordance with the provisions of the approved label. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have promoted off-label uses improperly may be subject to significant liability.

The Hatch-Waxman Amendments

The Drug Price Competition and Patent Term Restoration Act of 1984, known as the Hatch-Waxman Act, added two pathways for FDA drug approval. First, the Hatch-Waxman amendments to the FDCA authorized the FDA to approve an alternative type of NDA under Section 505(b)(2) of the FDCA. Section 505(b)(2) permits the filing of an NDA where at least some of the information required for approval comes from trials not conducted by or for the applicant and for which the applicant has not obtained a right of reference from the data owner. The applicant may rely upon the FDA's findings of safety and efficacy for an approved product that acts as the "listed drug." The FDA may also require 505(b)(2) applicants to perform additional studies or measurements to support the change from the listed drug. The FDA may then approve a new product candidate for all, or some, of the label indications for which the branded reference drug has been approved, as well as for any new indication sought by the 505(b)(2) applicant.

Second, the Hatch-Waxman amendments to the FDCA also established a statutory procedure for submission and FDA review and approval of abbreviated new drug applications ("ANDAs") for generic versions of branded drugs previously approved by the FDA (such previously approved drugs are referred to as "listed drugs"). An ANDA is a comprehensive submission that contains, among other things, data and information pertaining to the active pharmaceutical ingredient, drug product formulation, specifications, and stability of the generic drug, as well as analytical methods, manufacturing process validation data and quality control procedures. Premarket applications for generic drugs are termed abbreviated because they generally do not include pre-clinical and clinical data to demonstrate safety and effectiveness. However, a generic manufacturer is typically required to conduct bioequivalence studies of its test product against the listed drug. The bioequivalence studies for orally administered, systemically available drug products assess the rate and extent to which active pharmaceutical ingredient (the "API") is absorbed into the bloodstream from the drug product and becomes available at the site of action. Bioequivalence is established when there is an absence of a significant difference in the rate and extent for absorption of the generic product and the listed drug. For some drugs, other means of demonstrating bioequivalence may be required by the FDA, especially where rate and/or extent of absorption are difficult or impossible to measure. The FDA will approve the generic product as suitable for an ANDA application if it finds that the generic product does not raise new questions of safety and effectiveness as compared to the innovator product. A product is not eligible for ANDA approval if the FDA determines that it is not bioequivalent to the referenced innovator drug, if it is intended for a different use, or if it is not subject to an approved Suitability Petition.

In seeking approval for a drug through an NDA, including a 505(b)(2) NDA, applicants are required to list with the FDA certain patents whose claims cover the applicant's product. Upon approval of an NDA, each of the patents listed in the application for the drug is then published in the Orange Book. Any applicant who files an ANDA seeking approval of a generic equivalent version of a drug listed in the Orange Book or a 505(b)(2) NDA that references a drug listed in the Orange Book must certify to the FDA that (1) no patent information on the drug product that is the subject of the application has been submitted to the FDA; (2) such patent has expired; (3) the date on which such patent expires; or (4) such patent is invalid or will not be infringed upon by the manufacture, use, or sale of the drug product for which the application is submitted. This last certification is known as a paragraph IV certification. A notice of the paragraph IV certification must be provided to each owner of the patent that is the subject of the certification and to the holder of the approved NDA to which the ANDA or 505(b)(2) application refers. The applicant may also elect to submit a "section viii" statement certifying that its proposed label does not contain (or carves out) any language regarding the patented method-of-use rather than certify to a listed method-of-use patent.

If the referenced NDA holder and patent owners assert a patent challenge directed to one of the Orange Book-listed patents within 45 days of the receipt of the paragraph IV certification notice, the FDA is prohibited from approving the application until the earlier of 30 months from the receipt of the paragraph IV certification expiration of the patent, settlement of the lawsuit, or a decision in the infringement case that is favorable to the applicant. The ANDA or 505(b)(2) application also will not be approved until any applicable non-patent exclusivity listed in the Orange Book for the branded reference drug has expired.

Marketing Exclusivity

Market exclusivity provisions under the FDCA can delay the submission or the approval of certain marketing applications. The FDCA provides a five-year period of non-patent marketing exclusivity within the United States to the first applicant to obtain approval of an NDA for a new chemical entity. A drug is a new chemical entity if the FDA has not previously approved any other new drug containing the same active moiety, which is the molecule or ion responsible for the action of the drug substance. During the exclusivity period, the FDA may not approve or even accept for review an abbreviated new drug application, or ANDA, or a NDA submitted under Section 505(b)(2), or 505(b)(2) NDA, submitted by another company for another drug based on the same active moiety, regardless of whether the drug is intended for the same indication as the original innovative drug or for another indication, where the applicant does not own or have a legal right of reference to all the data required for approval. However, an application may be submitted after four years if it contains a certification of patent invalidity or non-infringement to one of the patents listed with the FDA by the innovator NDA holder. The FDCA alternatively provides three years of marketing exclusivity for an NDA, or supplement to an existing NDA if new clinical investigations, other than bioavailability studies, that were conducted or sponsored by the applicant are deemed by the FDA to be essential to the approval of the application, for example new indications, dosages or strengths of an existing drug. This three-year exclusivity covers only the modification for which the drug received approval on the basis of the new clinical investigations and does not prohibit the FDA from approving ANDAs or 505(b)(2) NDAs for drugs containing the active agent for the original indication or condition of use. Five-year and three-year exclusivity will not delay the submission or approval of a full NDA. However, an applicant submitting a full NDA would be required to conduct or obtain a right of reference to all of the pre-clinical studies and adequate and well-controlled clinical trials necessary to demonstrate safety and effectiveness. Pediatric exclusivity is another type of marketing exclusivity available in the United States. Pediatric exclusivity provides for an additional six months of marketing exclusivity attached to another period of exclusivity if a sponsor conducts clinical trials in children in response to a written request from the FDA. The issuance of a written request does not require the sponsor to undertake the described clinical trials. In addition, orphan drug exclusivity, as described above, may offer a seven-year period of marketing exclusivity, except in certain circumstances.

United States Coverage and Reimbursement

Significant uncertainty exists as to the coverage and reimbursement status of any therapeutic product candidate for which we may seek regulatory approval. Sales in the United States will depend in part on the availability of adequate financial coverage and reimbursement from third-party payors, which include government health programs such as Medicare, Medicaid, TRICARE, and the Veterans Administration, as well as managed care organizations and private health insurers. Prices at which we or our customers seek reimbursement for our initial or subsequent therapeutic product candidates can be subject to challenge, reduction, or denial by payors.

The process for determining whether a payor will provide coverage for a product is typically separate from the process for setting the reimbursement rate that the payor will pay for the product. A payor's decision to provide coverage for a product does not imply that an adequate reimbursement rate will be available. Third-party payors are increasingly challenging the price and examining the medical necessity and cost-effectiveness of medical products and services, in addition to their safety and efficacy. In order to obtain coverage and reimbursement for any product that might be approved for marketing, we may need to conduct expensive pharmacoeconomic studies in order to demonstrate the medical necessity and cost-effectiveness of any products, which would be in addition to the costs expended to obtain regulatory approvals. Third-party payors may not consider our initial or subsequent product candidates to be medically necessary or cost-effective compared to other available therapies, or the rebate percentages required to secure favorable coverage may not yield an adequate margin over cost or may not enable us to maintain price levels sufficient to realize an appropriate return on our investment in drug development.

Healthcare Reform

In the United States and some foreign jurisdictions, there have been, and continue to be, several legislative and regulatory changes and proposed changes regarding the healthcare system that could prevent or delay marketing approval of drug product candidates, restrict or regulate post-approval activities, and affect the profitable sale of drug product candidates.

Among policy makers and payors in the United States and elsewhere, there is significant interest in promoting changes in healthcare systems with the stated goals of containing healthcare costs, improving quality, and/or expanding access. In the United States, the pharmaceutical industry has been a particular focus of these efforts and has been significantly affected by major legislative initiatives. In March 2010, the Affordable Care Act, formally known as the Patient Protection and Affordable Care Act (the "ACA"), was enacted by Congress and signed into law by the President. It substantially changed the methods by which healthcare is financed by both the government and private insurers, and significantly impacted the United States pharmaceutical industry. The ACA, among other things: (i) increased the minimum Medicaid rebates owed by manufacturers under the Medicaid Drug Rebate Program and extended the rebate program to individuals enrolled in Medicaid-managed care organizations; (ii) established an annual, nondeductible fee on any entity that manufactures or imports certain specified branded prescription drugs and biologic agents apportioned among these entities according to their market share in some government healthcare programs; (iii) expanded the availability of lower pricing under the 340B drug pricing program by adding new entities to the program; (iv) increased the statutory minimum rebates a manufacturer must pay under the Medicaid Drug Rebate Program; (v) expanded the eligibility criteria for Medicaid programs; (vi) created a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research; and (vii) established a Center for Medicare & Medicaid Innovation to test innovative payment and service delivery models to lower Medicare and Medicaid spending, potentially including prescription drugs.

Some of the provisions of the ACA have yet to be implemented, and there have been judicial and Congressional challenges to certain aspects of the ACA. While Congress has not passed comprehensive repeal legislation, bills affecting the implementation of certain taxes under the ACA have been signed into law. The Tax Cuts and Jobs Act of 2017 includes a provision repealing, effective January 1, 2019, the tax-based shared responsibility payment imposed by the ACA on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the "individual mandate." Additionally, on January 22, 2018, former President Trump signed a continuing resolution on appropriations for fiscal year 2018 that delayed the implementation of certain ACA-mandated fees, including the so-called "Cadillac" tax on certain high-cost employer-sponsored insurance plans, the annual fee imposed on certain health insurance providers based on market share, and the medical device excise tax on non-exempt medical devices.

Other legislative changes have been proposed and adopted since the ACA was enacted, including aggregate reductions of Medicare payments to providers of two percent per fiscal year and reduced payments to several types of Medicare providers. Moreover, there has recently been heightened governmental scrutiny over the manner in which manufacturers set prices for their marketed products, which has resulted in several Congressional inquiries and proposed and enacted federal and state legislation designed to, among other things, bring more transparency to product pricing, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for drug products. At the state level, legislatures have increasingly passed legislation and implemented regulations designed to control pharmaceutical product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing.

United States Healthcare Fraud and Abuse Laws and Compliance Requirements

Federal and state healthcare laws and regulations restrict business practices in the pharmaceutical industry. The United States laws that may affect our ability to operate include:

- the federal Anti-Kickback Statute, which prohibits, among other things, persons from soliciting, receiving, offering or paying remuneration, directly or indirectly, to induce, or in return for, the purchase or recommendation of an item or service reimbursable under a federal healthcare program, such as the Medicare and Medicaid programs;

- the federal civil and criminal false claims laws and civil monetary penalty laws, which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid or other third-party payors that are false or fraudulent;

- HIPAA, which created new federal criminal statutes that prohibit executing a scheme to defraud any healthcare benefit program and making false statements relating to healthcare matters;

•HIPAA, as amended by the federal Health Information Technology for Economic and Clinical Health Act and its implementing regulations, also imposes certain requirements relating to the privacy, security and transmission of individually identifiable health information;

•the federal Physician Payments Sunshine Act, which among other things, requires certain manufacturers of drugs, devices, and biologics that are reimbursable by a federal healthcare program to report annually to the United States Department of Health and Human Services information related to payments and other transfers of value to physicians and teaching hospitals, and ownership and investment interests held by physicians and their immediate family members; and

•similar federal laws and state law equivalents of each of the above federal laws.

Regulation Outside of the United States

To the extent that our initial or subsequent product candidates, if and when approved, are sold in a foreign country, we may be subject to similar foreign laws and regulations, which may include, for instance, applicable post-marketing requirements, including safety surveillance, anti-fraud and abuse laws and implementation of corporate compliance programs and reporting of payments or other transfers of value to healthcare professionals.

In order to market our future products in the European Economic Area (the "EEA") and many other foreign jurisdictions, we must obtain separate regulatory approvals. More concretely, in the EEA, medicinal products can only be commercialized after obtaining a Marketing Authorization (an "MA"). There are two types of marketing authorizations:

•the Community MA, which is issued by the European Commission through the Centralized Procedure, based on the opinion of the Committee for Medicinal Products for Human Use of the European Medicines Agency (the "EMA") and which is valid throughout the entire territory of the EEA. The Centralized Procedure is mandatory for certain types of products, such as biotechnology medicinal products, orphan medicinal products, advanced therapy products, and medicinal products containing a new active substance indicated for the treatment certain diseases, such as AIDS, cancer, neurodegenerative disorders, diabetes, and auto-immune and viral diseases. The Centralized Procedure is optional for products that contain a new active substance not yet authorized in the EEA, or for products that constitute a significant therapeutic, scientific, or technical innovation or that are in the interest of public health in the EU; and

•National MAs, which are issued by the competent authorities of the Member States of the EEA and only cover their respective territory, are available for products not falling within the mandatory scope of the Centralized Procedure. Where a product has already been authorized for marketing in a Member State of the EEA, a National MA can be recognized in another Member State through the Mutual Recognition Procedure. If the product has not received a National MA in any Member State at the time of application, it can be approved simultaneously in various Member States through the Decentralized Procedure.

Under the above described procedures, before granting the MA, the EMA or the competent authorities of the Member States of the EEA make an assessment of the risk-benefit balance of the product on the basis of scientific criteria concerning its quality, safety and efficacy.

Data and Marketing Exclusivity

In the EEA, new products authorized for marketing, or reference products, qualify for eight years of data exclusivity and an additional two years of market exclusivity upon marketing authorization. The data exclusivity period prevents generic or biosimilar applicants from relying on the pre-clinical and clinical trial data contained in the dossier of the reference product when applying for a generic or biosimilar marketing authorization in the EU during a period of eight years from the date on which the reference product was first authorized in the EU. The market exclusivity period prevents a successful generic or biosimilar applicant from commercializing its product in the EU until 10 years have elapsed from the initial authorization of the reference product in the EU. The 10-year market exclusivity period can be extended to a maximum of 11 years if, during the first eight years of those 10 years, the marketing authorization holder obtains an authorization for one or more new therapeutic indications that, during the scientific evaluation prior to their authorization, are held to bring a significant clinical benefit in comparison with existing therapies. In Japan, medicinal products approved for administration to a patient via a new route of administration qualify for six years of market exclusivity.

Clinical Trials

Clinical trials of medicinal products in the European Union must be conducted in accordance with European Union and national regulations and the International Conference on Harmonization (the "ICH") guidelines on GCPs. Additional GCP guidelines from the European Commission, focusing in particular on traceability, apply to clinical trials of advanced therapy medicinal products. If the sponsor of the clinical trial is not established within the European Union, it must appoint an entity within the European Union to act as its legal representative. The sponsor must purchase a clinical trial insurance policy and, in most EU countries, the sponsor is liable to provide "no fault" compensation to any study subject injured in the clinical trial.

Prior to commencing a clinical trial, the sponsor must obtain a clinical trial authorization from the competent authority, and a positive opinion from an IEC. The application for a clinical trial authorization must include, among other things, a copy of the trial protocol and an investigational medicinal product dossier that contains information about the manufacture and quality of the medicinal product under investigation. Currently, clinical trial authorization applications must be submitted to the competent authority in each EU Member State in which the trial will be conducted. Under the new Clinical Trials Regulation (Regulation (EU) No 536/2014), which took effect on January 31, 2022, there will be a centralized application procedure where one national authority takes the lead in reviewing the application and the other national authorities have only a limited involvement. Any substantial changes to the trial protocol or other information submitted with the clinical trial applications must be notified to or approved by the relevant competent authorities and ethics committees. Medicines used in clinical trials must be manufactured in accordance with cGMP. Other national and European Union-wide regulatory requirements also apply.

Recycling

We started our business in 1976 as a used appliance retailer that reconditioned old appliances to sell in our stores. Under contracts with national and regional retailers of new appliances, we collected the replaced appliance from the retailer's customer's residence when one of their stores delivered a new appliance. Any old appliances that we could not sell in our stores were sold to scrap metal processors. In the late 1980s, stricter environmental regulations began to affect the disposal of unwanted appliances and we were no longer able to take appliances that contained hazardous components to scrap metal processors. At that time, we began to develop systems and equipment to remove the harmful materials so that metal processors would accept the appliance shells for processing. We then offered our services for disposing of appliances in an environmentally sound manner to appliance manufacturers and retailers, waste hauling companies, rental property managers, local governments, and the public. In 1989, we began contracting with electric utility companies to provide turnkey appliance recycling services to support their energy conservation efforts. Since that time, we have provided our services to approximately 400 utilities and other providers of energy efficiency programs throughout North America.

Through March 8, 2023, when we disposed of our recycling business, we had contracts to recycle, or to replace and recycle, major household appliances for approximately 100 utilities and other providers of energy efficiency services across North America. We operate 17 recycling centers in the United States and Canada to process and recycle old appliances according to all federal, state, provincial, and local rules and regulations. We used United States Environmental Protection Agency (the "EPA") Responsible Appliance Disposal ("RAD") Program-compliant methods to remove and manage hazardous components and materials properly, including CFC refrigerants, mercury, polyurethane foam insulation, and recyclable materials, such as ferrous and nonferrous metals, plastics, and glass. During our operations of the recycling business, all of our facilities complied with licensing and permitting requirements, and employees who process appliances receive extensive safety and hazardous materials training.

Our wholly-owned subsidiaries in our Recycling segment included, ARCA Canada, a Canadian corporation formed in September 2006 ("ARCA Canada"), ARCA Recycling, a California corporation formed in November 1991, and Connexx, a Nevada limited liability company formed in October 2016 that provides call center services for recycling business.

Disposition of our Recycling Business

On March 19, 2023, 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, (b) Connexx, and (c) ARCA Canada (collectively, 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.

Technology

During the year ended January 1, 2022, the Company took a full write-down of the unamortized portion of the GeoTraq intangible asset of approximately $9.8 million, and on May 24, 2022, the Company entered into an Asset Purchase Agreement with SPYR Technologies Inc., pursuant to which the Company sold to SPYR substantially all the assets and none of the liabilities of its wholly-owned subsidiary GeoTraq Inc. The aggregate purchase price for the GeoTraq Assets was $13.5 million, payable in cash and shares of SPYR's capital stock. As of the closing of the transaction on May 24, 2022, SPYR issued to the Company 30,000,000 shares of its common stock at $0.03 per share, and delivered a five-year Promissory Note in the principal amount of $12.6 million. The Promissory Note bears simple interest at the rate of 8% per annum, provides quarterly interest payments due the first day of each calendar quarter, and may be prepaid at any time without penalty. Quarterly interest payments may be made in cash or in shares of SPYR's restricted common stock or preferred stock. The Promissory Note matures on May 23, 2027.

Employees

As of December 31, 2022, the Company had 207 employees, of which 199 were full-time employees.

ITEM 1A. RISK FACTORS

You should carefully consider the risks described below with respect to an investment in our shares. If any of the following risks actually occur, our business, financial condition, operating results or cash provided by operations could be materially harmed. As a result, the trading price of our common stock could decline, and you might lose all or part of your investment. When evaluating an investment in our common stock, you should also refer to the other information in this Form 10-K, including our consolidated financial statements and related notes.

Risks Relating to Our Business Generally

If we fail to implement our biopharmaceutical business strategy or if our biopharmaceutical business strategy is ineffective, our financial performance could be materially and adversely affected.

Our future financial performance and success are dependent in large part upon the effectiveness of our new biopharmaceutical business strategy and our ability to implement our biopharmaceutical business strategy successfully. Implementation of our strategy will require effective management of our operational, financial, and human resources and will place significant demands on those resources. There are risks involved in pursuing our strategy, including those under the caption "Risks Relating to Our Biotechnology Segment". In addition to the risks set forth elsewhere in this Form 10-K, effectiveness of and the successful implementation of our business strategy could also be affected by a number of factors beyond our control, such as increased competition, legal developments, government regulation, general economic conditions, increased operating costs or expenses, and changes in industry trends. We may decide to alter or discontinue certain aspects of our business strategy at any time. If we are not able to implement our business strategy successfully, our long-term growth and profitability may be adversely affected. Even if we are able to implement some or all of the initiatives of our business strategy successfully, our operating results may not improve and could decline substantially.

We have identified and disclosed in this Form 10-K material weaknesses in our internal control over financial reporting. If we are not able to remediate these material weaknesses and maintain an effective system of internal controls, we may not be able to accurately or timely report our financial results, which could cause our stock price to fall or result in our stock being delisted.

We need to devote significant resources and time to comply with the requirements of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley") with respect to internal control over financial reporting. In addition, Section 404 under Sarbanes-Oxley requires that we assess the design and operating effectiveness of our controls over financial reporting, which are necessary for us to provide reliable and accurate financial reports.

As reported in Part II – Item 9A, Controls and Procedures, there were material weaknesses in our internal controls over financial reporting at January 1, 2022. Specifically, management noted the following material weaknesses in internal control when conducting their evaluation of internal control as of January 1, 2022: (1) insufficient information technology general controls and segregation of duties. It was noted that people who were negotiating a contract were also involved in approving invoices without proper oversight. Additional controls and procedures are necessary and are being implemented to have checks and balances on significant transactions and governance with those charged with governance authority; (2) inadequate control design or lack of sufficient controls over significant accounting processes; the cutoff and reconciliation procedures were not effective with certain accrued and deferred expenses; (3) insufficient assessment of the impact of potentially significant transactions; and (4) insufficient processes and procedures related to proper recordkeeping of agreements and contracts. In addition, contract-to-invoice reconciliation was not effective with certain transportation service providers. As part of its remediation plan, processes and procedures have been implemented to help ensure accruals and invoices are reviewed for accuracy and properly recorded in the appropriate period.

We expect our systems and controls to become increasingly complex to the extent that we integrate acquisitions and as our business grows. To effectively manage our Company today and this anticipated complexity, we need to remediate these material weaknesses and continue to improve our operational, financial, and management controls and our reporting systems and procedures. Any failure to remediate these material weaknesses and implement required new or improved controls, or difficulties encountered in the implementation or operation of these controls, could harm our operating results or cause us to fail to meet our financial reporting obligations, which could adversely affect our business and jeopardize our listing on the Nasdaq Capital Market, either of which would harm our stock price.

Risks Relating to Our Biotechnology Segment

Our biotechnology business has a limited operating history

Our biotechnology business was started in September 2019 and has a limited operating history. We have not commenced revenue-producing operations. To date, our biotechnology-related operations have consisted of preliminary research and development, and characterization and testing of SR TV1001 (now known as JAN101) and our December 2022 acquisition of Soin Therapeutics and its LDN product (now known as JAN123). Our limited operating history makes it difficult for potential investors to evaluate our technology or the prospective operations of our biotechnology business. You should consider the prospects of our biotechnology business in light of the costs, uncertainties, delays, and difficulties frequently encountered by companies in the early stages of development, especially clinical-stage biopharmaceutical businesses such as ours. Potential investors should carefully consider the risks and uncertainties that a biotechnology business with a limited operating history faces. In particular, potential investors should consider that we may be unable to (i) successfully implement or execute the business plan of our biotechnology business or currently validate that our biotechnology business plan is sound; (ii) successfully complete clinical trials and obtain regulatory approval for the marketing of JAN 101; (iii) successfully demonstrate a favorable differentiation between JAN 101 and the current products on the market; (iv) successfully manufacture our clinical drug product and establish a commercial drug supply; (v) secure market exclusivity and/or adequate intellectual property protection for JAN 101; and (vi) raise sufficient funds in the capital markets to effectuate our biotechnology business plan, including product and clinical development, regulatory approval, and commercialization for JAN 101.

Our business model is partially dependent on certain patent rights licensed to us from the Licensors (as defined below), and the loss of those license rights would, in all likelihood, cause our business, as presently contemplated, to fail.

In November 2019, UABRF, TheraVasc, and the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College, acting on behalf of LSU Health Shreveport, together with UABRF and TheraVasc, the "Licensors"), granted us an exclusive worldwide, royalty-bearing license to the patent rights for SR TV1001 (now known as JAN101) in the negotiated fields of use. The patent license agreement requires us to pay royalties and milestone payments and conform to a variety of covenants and agreements, and in the event of our breach of the agreement, the Licensors may elect to terminate the agreement. As of the date of this Form 10-K, we believe we are in compliance with the patent license agreement and consider our relationship with the Licensors to be excellent.

We will be completely dependent on third parties to manufacture JAN 101, and its commercialization could be halted, delayed, or made less profitable if those third parties fail to obtain manufacturing approval from the FDA or comparable foreign regulatory authorities, fail to provide us with sufficient quantities of JAN 101, or fail to do so at acceptable quality levels or prices.

We do not currently have, nor do we plan to acquire, the capability or infrastructure to manufacture our drug candidate for use in our clinical trials or for commercial sales, if any. As a result, we will be obligated to rely on contract manufacturers when we conduct clinical trials and if and when our initial or subsequent product candidates are approved for commercialization. In January 2020, we entered into a Master Agreement for Development, Manufacturing and Supply with CoreRx Inc. ("CoreRx"), pursuant to which CoreRx has agreed to provide to us certain product testing, development, and clinical manufacturing services for JAN 101. We have not entered into agreements with any contract manufacturers for commercial supply and may not be able to engage contract manufacturers for commercial supply of our initial or subsequent product candidates on favorable terms to us, or at all, should the need arise.

In a previous clinical trial, the manufacture of JAN101 by a different manufacturing company resulted in a product that demonstrated initial instability that led to the product being out-of-specification. While the FDA allowed the trial to continue, there is no guarantee that, if the product manufactured by CoreRx is similarly unstable, the FDA will allow us to continue to develop that product. Even if the product manufactured by CoreRx is stable, the FDA may require additional studies to confirm the stability of the product, increasing development cost and times.

The facilities used by CoreRx to manufacture JAN 101 must be approved by the FDA or comparable foreign regulatory authorities. Such approvals are subject to inspections that will be conducted after we submit an NDA to the FDA or their equivalents to other relevant regulatory authorities. We will not control the manufacturing process of JAN 101 or subsequent product candidates and will be completely dependent on our contract manufacturing partners for compliance with cGMPs, for manufacture of both active drug substances and finished drug products. These cGMP regulations cover all aspects of the manufacturing, testing, quality control, storage, distribution, and record keeping relating to our initial or subsequent product candidates. If our contract manufacturers do not successfully manufacture material that conforms to our specifications and the strict regulatory requirements of the FDA or others, we will not be able to secure or maintain regulatory approval for products made at their manufacturing facilities. If the FDA or a comparable foreign regulatory authority does not approve these facilities for the manufacture of our initial or subsequent product candidates or if it withdraws any such approval in the future, we may need to find alternative manufacturing facilities, which would significantly impact our ability to develop, manufacture, obtain regulatory approval for, or market our initial or subsequent product candidates, if approved. Likewise, we could be negatively impacted if any of our contract manufacturers elect to discontinue their business relationship with us.

Our contract manufacturer will be subject to ongoing periodic unannounced inspections by the FDA and corresponding state and foreign agencies for compliance with cGMPs and similar regulatory requirements. We will not have control over our contract manufacturer's compliance with these regulations and standards. Failure by our contract manufacturer to comply with applicable regulations could result in sanctions being imposed on us, including fines, injunctions, civil penalties, failure to grant approval to market JAN 101, delays, suspensions or withdrawals of approvals, inability to supply product, operating restrictions, and criminal prosecutions, any of which could significantly and adversely affect our biotechnology business. In addition, we will not have control over the ability of our contract manufacturer to maintain adequate quality control, quality assurance, and qualified personnel. Failure by our contract manufacturer to comply with or maintain any of these standards could adversely affect our ability to develop, manufacture, obtain regulatory approval for or market JAN 101, if approved.

Our manufacturer must obtain the API from a third party. A number of groups manufacture our API; however, some of these are manufactured as a food product, and others, while manufactured under GMP, do not have the required Drug Master File on file with the FDA. CoreRx identified an API from Merck KGaA for use in the current production of clinical grade JAN101. At the time of the manufacture of the API, the product met the specifications outlined in both the drug substance monographs for Europe and the US. However, subsequent to the manufacture of the API, the US monograph was changed in the US Pharmacopeia ("USP") and, while most of the tests conform, Merck KGaA was unable to complete two of the new testing requirements. Although the two tests are not considered safety issues and do not impact the quality of the product, there is no guarantee the FDA will approve the product for clinical trials if the two tests are not completed, which could delay our ability to start the Phase IIb clinical trial, as planned. Identifying an analytical laboratory to perform the two tasks may be difficult and could require development and validation of the tests, adding both time and costs to us. In addition, there is no guarantee that, once developed, the product will meet the specifications as outlined in the USP. Even if the FDA allows the current product to be used in the Phase IIb clinical trial, there is no guarantee that the FDA will allow further clinical work with the product or commercialization of the product until it is shown to conform to USP standards. We may be required to work with the API manufacturer to file the appropriate documents and there is no guarantee that the FDA will approve the filing. This could necessitate additional funding to hire an API manufacturer and produce the product under GMP with all necessary filings.

If, for any reason, these third parties are unable or unwilling to perform, we may not be able to locate alternative manufacturers or formulators or enter into favorable agreements with them and we cannot be certain that any such third parties will have the manufacturing capacity to meet future requirements. If these manufacturers or any alternate manufacturer of finished drug product experiences any significant difficulties in its respective manufacturing processes for APIs or finished products or should cease doing business with us for any reason, we could experience significant interruptions in the supply of our initial or subsequent product candidates or may not be able to create a supply of any of our ls at all. Were we to encounter manufacturing difficulties, our ability to produce a sufficient supply of any of our product candidates might be negatively affected. Our inability to coordinate the efforts of our third-party manufacturing partners, or the lack of capacity available at our third-party manufacturing partners, could impair our ability to supply any of our product candidates at required levels. Because of the significant regulatory requirements that we would need to satisfy in order to qualify a new bulk drug substance or finished product manufacturer, if we face these or other difficulties with our then-current manufacturing partners, we could experience significant interruptions in the supply of any of our product candidates if we decided to transfer the manufacture of any of our product candidates to one or more alternative manufacturers in an effort to deal with such difficulties.

CoreRx currently serves as our sole manufacturer of JAN101. As CoreRx also manufactures other products, there can be no guarantee that CoreRx will have the capacity to manufacture additional clinical product for us in a timely manner, when required, which could lead to significant delays in initiating other clinical studies. CoreRx will unlikely have the capacity to manufacture the amount of product needed, if and when JAN101 is approved for marketing. This would necessitate identifying additional manufacturer(s) who may or may not be able to replicate the manufacturing process developed at CoreRx. In addition, the increase in quantities required for commercialization of the product, if commercialization occurs, could require modifying the manufacturing process to produce larger quantities of tablets more efficiently. Such modifications of the manufacturing process, if even possible, could result in significant delays in the delivery of the product.

We will be validating the manufacturing process, with appropriate process parameters and critical process, at CoreRx in 2023. Based on current batch sizes, these validated processes will support the manufacture of approximately 6.5 million tablets a month. This would allow us to enter the marketplace, but would support sales of only 1-2% of the addressable market. There is no guarantee that CoreRx will increase its manufacturing capacity when needed by us; thus, we will likely need to identify another approved manufacturer with increased capacity. In addition, we will need to revalidate the manufacturing process to demonstrate to the FDA the ability to reproducibly manufacture larger batch sizes, which will increase time and costs. If these activities are not carried out in a timely manner, a shortage of product could result following commercial launch, which could significantly affect sales and overall valuation of the Company.

Any manufacturing problem or the loss of our contract manufacturer could be disruptive to our operations and result in development delays and lost sales. Additionally, we will rely on third parties to supply the raw materials needed to manufacture our initial or subsequent product candidates. Any such reliance on suppliers may involve several risks, including a potential inability to obtain critical materials and reduced control over production costs, delivery schedules, reliability, and quality. Any unanticipated disruption to the operation of one of our contract manufacturers caused by problems with suppliers could delay shipment of any of our product candidates, increase our cost of goods sold and result in lost sales.

If product liability lawsuits are brought against us, we may incur substantial liabilities and may be required to limit commercialization of our initial or subsequent product candidates.

We will face a potential risk of product liability as a result of the clinical testing of our initial or subsequent product candidates. For example, we may be sued if any product we develop, including JAN 101, or any materials that we use in it, allegedly causes injury or is found to be otherwise unsuitable during product testing and manufacturing. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product, negligence, strict liability, and a breach of warranties. In the United States, claims could also be asserted against us under state consumer protection acts. If we cannot successfully defend ourselves against product liability claims, we may incur substantial liabilities or be required to limit commercialization of our initial or subsequent product candidates. Even successful defense of these claims would require us to employ significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in, among other things (i) decreased demand for JAN 101 or any future products that we may develop; (ii) failure to obtain regulatory approval for our product candidates; (iii) withdrawal of participants in our clinical trials; (iv) substantial monetary awards to trial participants or patients; (v) product recalls or withdrawals or labeling, marketing, or promotional restrictions; and (vi) the inability to commercialize our initial or subsequent product candidates. As of the date of this Form 10-K, we do not carry product liability insurance.

The success of our biotechnology business is entirely dependent on our ability to obtain the marketing approval for our product candidates by the FDA and the regulatory authorities in foreign jurisdictions in which we intend to market them, of which there can be no assurance.

We are not permitted to market JAN 101 or JAN 123 as prescription pharmaceutical products in the United States until we receive approval of an NDA from the FDA, or in any foreign countries until we receive the requisite approval from such countries. In the United States, the FDA generally requires the completion of clinical trials of each drug to establish its safety and efficacy and extensive pharmaceutical development to ensure its quality before an NDA is approved. Of the large number of drugs in development, only a small percentage result in the submission of an NDA to the FDA and even fewer are eventually approved for commercialization. As of the date of this Form 10-K, we have not submitted an NDA to the FDA or comparable applications to other regulatory authorities for any subsequent product candidates.

Because of the clinical trial history of JAN101, we believe that JAN 101 will qualify for FDA approval through the FDA's 505(b)(2) regulatory pathway and in corresponding regulatory paths in other foreign jurisdictions. Notwithstanding the use of the FDA's 505(b)(2) regulatory pathway, we will be required to conduct Phase IIb and Phase III studies prior to filing for marketing approval of JAN 101.

Our success depends on our receipt of the regulatory approvals described above, and the issuance of such regulatory approvals is uncertain and subject to a number of risks, including the following: (i) the results of toxicology studies may not support the filing of an NDA for JAN 101; (ii) the FDA may require additional pharmacokinetic studies with JAN101, including studies with food, prior to allowing the Company to conduct Phase IIb and Phase III clinical trials; (iii) the FDA or comparable foreign regulatory authorities or Institutional Review Boards ("IRBs") may disagree with the design or implementation of our clinical trials; (iv) we may not be able to provide acceptable evidence of JAN 101's safety and efficacy; (v) the results of our clinical trials may not be satisfactory or may not meet the level of statistical or clinical significance required by the FDA, the EMA, or other regulatory agencies for us to receive marketing approval for JAN 101; (vi) the dosing of JAN 101 in a particular clinical trial may not be at an optimal level; (vii) patients in our clinical trials may suffer adverse effects for reasons that may or may not be related to JAN 101; (viii) the data collected from clinical trials may not be sufficient to support the submission of an NDA or other submission or to obtain regulatory approval in the United States or elsewhere; (ix) the FDA or comparable foreign regulatory authorities may fail to approve the manufacturing processes or facilities of third-party manufacturers with which we contract for clinical and commercial supplies; and (x) the approval policies or regulations of the FDA or comparable foreign regulatory authorities may significantly change in a manner rendering our clinical data insufficient for approval of JAN 101.

The process of obtaining regulatory approvals is expensive, often takes many years, if approval is obtained at all, and can vary substantially based upon, among other things, the type, complexity, and novelty of the product candidates involved, the jurisdiction in which regulatory approval is sought, and the substantial discretion of the regulatory authorities. Changes in regulatory approval policies during the development period, changes in or the enactment of additional statutes or regulations, or changes in regulatory review for a submitted product application may cause delays in the approval or rejection of an application. Regulatory approval obtained in one jurisdiction does not necessarily mean that a product candidate will receive regulatory approval in any or all other jurisdictions in which we may seek approval; but, the failure to obtain approval in one jurisdiction may negatively impact our ability to seek approval in a different jurisdiction. Failure to obtain regulatory approval for JAN 101 for the foregoing, or any other reasons, will prevent us from commercializing JAN 101, and our ability to generate revenue will be materially impaired.

Clinical testing is expensive, is difficult to design and implement, can take many years to complete and is uncertain as to outcome.

Our business model depends in part on the successful development, regulatory approval, and commercialization of JAN 101, which may never occur. JAN 101 is in the early stages of development and, as of the date of this Form 10-K, we have not progressed JAN 101 beyond early clinical studies designed only to show safety. Three INDs have previously been submitted by previous licensees/assignees of JAN101 and were accepted by the FDA. These INDs were transferred to JanOne in 2020. Even though the INDs were transferred to us, the FDA may still require additional work prior to re-initiation of clinical trials. If we do not obtain such approvals to re-initiate trials as presently planned, the time in which we expect to commence clinical programs for any product candidate will be extended and such extension will increase our expenses, delay our potential receipt of any revenues, and increase our need for additional capital. Moreover, there is no guarantee that we will receive approval to commence human clinical trials or, if we do receive approval, that our clinical trials will be successful or that we will continue clinical development in support of an approval from the FDA or comparable foreign regulatory authorities for any indication. We note that most product candidates never reach the clinical development stage and even those that do commence clinical development have only a small chance of successfully completing clinical development and gaining regulatory approval. Success in early phases of pre-clinical and clinical trials does not ensure that later clinical trials will be successful, and interim results of a clinical trial do not necessarily predict final results. A failure of one or more of our clinical trials can occur at any stage of testing. We may experience numerous unforeseen events during, or as a result of, the clinical trial process that could delay or prevent our ability to receive regulatory approval or commercialize our initial or any subsequent product candidates. Therefore, our business currently depends entirely on the successful development, regulatory approval, and commercialization of our product candidates, which may never occur.

Even if we receive regulatory approval for JAN 101, we may not be able to commercialize it successfully and the revenue that we generate from its sales, if any, may be limited.

If approved for marketing, the commercial success of JAN 101 will depend upon the product's acceptance by the medical community, including physicians, patients, and health care payors. The degree of market acceptance for JAN 101 will depend on a number of factors, including (i) demonstration of clinical safety and efficacy; (ii) relative

convenience, dosing burden, and ease of administration; (iii) the prevalence and severity of any adverse effects; (iv) the willingness of physicians to prescribe JAN 101 and the target patient population to try new therapies; (v) efficacy of JAN 101 compared to competing products; (vi) the introduction of any new products that may in the future become available, targeting indications for which JAN 101 may be approved; (vii) new procedures or therapies that may reduce the incidences of any of the indications in which JAN 101 may show utility; (viii) pricing and cost-effectiveness; (ix) the inclusion or omission of JAN 101 in applicable guidelines; (x) the effectiveness of our own or any future collaborators' sales and marketing strategies; (xi) limitations or warnings contained in approved labeling from regulatory authorities; (xii) our ability to obtain and maintain sufficient third-party coverage or reimbursement from government health care programs, including Medicare and Medicaid, private health insurers, and other third-party payors or to receive the necessary pricing approvals from government bodies regulating the pricing and usage of therapeutics; and (xiii) the willingness of patients to pay out-of-pocket in the absence of third-party coverage or reimbursement or government pricing approvals.

If JAN 101 is approved but does not achieve an adequate level of acceptance by physicians, health care payors, and patients, our biotechnology business may not generate sufficient revenue to cover costs. Our efforts to educate the medical community and third-party payors on the benefits of JAN 101 may require significant resources and may never be successful.

In addition, even if we obtain regulatory approvals, the timing or scope of any approvals may prohibit or reduce our ability to commercialize JAN 101 successfully. For example, if the approval process takes too long, we may miss market opportunities and give other companies the ability to develop competing products or establish market dominance. Any regulatory approval we ultimately obtain may be limited or subject to restrictions or post-approval commitments that renders our product candidate not commercially viable. For example, regulatory authorities may approve our product candidate for fewer or more limited indications than we request, may not approve the price we intend to charge for our product candidate, may grant approval contingent on the performance of costly post-marketing clinical trials, or may approve any of our product candidates with a label that does not include the labeling claims necessary or desirable for the successful commercialization of that indication. Further, the FDA or comparable foreign regulatory authorities may place conditions on approvals or require risk management plans or a REMS to assure the safe use of the drug. Moreover, product approvals may be withdrawn for non-compliance with regulatory standards or if problems occur following the initial marketing of the product. Any of the foregoing scenarios could materially harm the commercial success of our product candidate.

Even if we obtain marketing approval for our product candidate, we will be subject to ongoing obligations and continued regulatory review, which may result in significant additional expense. Additionally, our product candidate could be subject to labeling and other restrictions and withdrawal from the market and we may be subject to penalties if we fail to comply with regulatory requirements or if we experience unanticipated problems with our product candidate.

Even if we obtain regulatory approval for our product candidate for an indication, the FDA or foreign equivalent may still impose significant restrictions on its indicated uses or marketing or the conditions of approval, or impose ongoing requirements for potentially costly and time-consuming post-approval studies, including Phase IV clinical trials, and post-market surveillance to monitor safety and efficacy. Our product candidate will also be subject to ongoing regulatory requirements governing the manufacturing, labeling, packaging, storage, distribution, safety surveillance, advertising, promotion, recordkeeping and reporting of adverse events, and other post-market information. These requirements include registration with the FDA, as well as continued compliance with current good clinical practices regulations for any clinical trials that we conduct post-approval. In addition, manufacturers of drug products and their facilities are subject to continual review and periodic inspections by the FDA and other regulatory authorities for compliance with current cGMPs, requirements relating to quality control, quality assurance and corresponding maintenance of records and documents.

The FDA has the authority to require a REMS as part of an NDA or after approval, which may impose further requirements or restrictions on the distribution or use of an approved drug, such as limiting prescribing to certain physicians or medical centers that have undergone specialized training, limiting treatment to patients who meet certain safe-use criteria or requiring patient testing, monitoring and/or enrollment in a registry.

With respect to sales and marketing activities related to our product candidate, advertising and promotional materials must comply with FDA rules in addition to other applicable federal, state and local laws in the United States and similar legal requirements in other countries. In the United States, the distribution of product samples to physicians must comply with the requirements of the United States Prescription Drug Marketing Act. Application holders must obtain FDA approval for product and manufacturing changes, depending on the nature of the change. We may also be subject, directly or indirectly through our customers and partners, to various fraud and abuse laws, including, without limitation, the United States Anti-Kickback Statute, United States False Claims Act, and similar state laws, which impact, among other things, our proposed sales, marketing, and scientific/educational grant programs. If we participate in the United States Medicaid Drug Rebate Program, the Federal Supply Schedule of the United States Department of Veterans Affairs, or other government drug programs, we will be subject to complex laws and regulations regarding reporting and payment obligations. All of these activities are also potentially subject to United States federal and state consumer protection and unfair competition laws. Similar requirements exist in many of these areas in other countries.

In addition, if JAN 101 is approved for a particular indication, our product labeling, advertising, and promotion would be subject to regulatory requirements and continuing regulatory review. The FDA strictly regulates the promotional claims that may be made about prescription products. In particular, a product may not be promoted for uses that are not approved by the FDA as reflected in the product's approved labeling. If we receive marketing approval for JAN 101, physicians may nevertheless legally prescribe our product to their patients in a manner that is inconsistent with the approved label. If we are found to have promoted such off-label uses, we may become subject to significant liability and government fines. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant sanctions. The federal government has levied large civil and criminal fines against companies for alleged improper promotion and has enjoined several companies from engaging in off-label promotion. The FDA has also requested that companies enter into consent decrees of permanent injunctions under which specified promotional conduct is changed or curtailed.

If we or a regulatory agency discover previously unknown problems with one of our product candidates, such as adverse events of unanticipated severity or frequency, problems with the facility where the product is manufactured, or we or our manufacturers fail to comply with applicable regulatory requirements, we may be subject to the following administrative or judicial sanctions: (i) restrictions on the marketing or manufacturing of the product, withdrawal of the product from the market, or voluntary or mandatory product recalls; (ii) issuance of warning letters or untitled letters; (iii) clinical holds; (iv) injunctions or the imposition of civil or criminal penalties or monetary fines; (v) suspension or withdrawal of regulatory approval; (vi) suspension of any ongoing clinical trials; (vii) refusal to approve pending applications or supplements to approved applications filed by us, or suspension or revocation of product license approvals; (viii) suspension or imposition of restrictions on operations, including costly new manufacturing requirements; or (ix) product seizure or detention or refusal to permit the import or export of product. The occurrence of any event or penalty described above may inhibit our ability to commercialize our product candidates and generate revenue. Adverse regulatory action, whether pre- or post-approval, can also potentially lead to product liability claims and increase our product liability exposure.

Obtaining and maintaining regulatory approval of JAN 101 in one jurisdiction does not mean that we will be successful in obtaining regulatory approval of JAN 101 in other jurisdictions.

Obtaining and maintaining regulatory approval of our initial or subsequent product candidates in one jurisdiction does not guarantee that we will be able to obtain or maintain regulatory approval in any other jurisdiction; but, a failure or delay in obtaining regulatory approval in one jurisdiction may have a negative effect on the regulatory approval process in others. For example, even if the FDA grants marketing approval of a product candidate, comparable regulatory authorities in foreign jurisdictions must also approve the manufacturing, marketing, and promotion of that product candidate in those countries. Approval procedures vary among jurisdictions and can involve requirements and administrative review periods different from those in the United States, including additional preclinical studies or clinical trials, as clinical studies conducted in one jurisdiction may not be accepted by regulatory authorities in other jurisdictions. In many jurisdictions outside the United States, a product candidate must be approved for reimbursement before it can be approved for sale in that jurisdiction. In some cases, the price that we intend to charge for our products is also subject to approval.

Current and future legislation may increase the difficulty and cost for us to obtain marketing approval of and commercialize our initial or subsequent product candidates and affect the prices we may obtain.

In the United States and some foreign jurisdictions, there have been a number of legislative and regulatory changes and proposed changes regarding the healthcare system that could prevent or delay marketing approval for JAN 101, restrict, or regulate post-approval activities and affect our ability to profitably sell JAN 101. Legislative and regulatory proposals have been made to expand post-approval requirements and restrict sales and promotional activities for pharmaceutical products. We do not know whether additional legislative changes will be enacted, or whether the FDA regulations, guidance, or interpretations will be changed, or what the impact of such changes on the marketing approvals of JAN 101, if any, may be. In addition, increased scrutiny by Congress of the FDA's approval process may significantly delay or prevent marketing approval, as well as subject us to more stringent product labeling and post-marketing testing and other requirements.

Any termination or suspension of, or delays in the commencement or completion of, any necessary studies of any of our product candidate for any indications could result in increased costs to us, delay or limit our ability to generate revenue and adversely affect our commercial prospects.

The commencement and completion of clinical studies can be delayed for a number of reasons, including delays related to: (i) the FDA or a comparable foreign regulatory authority failing to grant permission to proceed and placing the clinical study on hold; (ii) subjects for clinical testing failing to enroll or remain enrolled in our trials at the rate we expect; (iii) a facility manufacturing our initial or subsequent product candidates being ordered by the FDA or other government or regulatory authorities to shut down, temporarily or permanently, due to violations of cGMP requirements or other applicable requirements, or cross-contaminations of the product candidates in the manufacturing process; (iv) any changes to our manufacturing process that may be necessary or desired; (v) subjects choosing an alternative treatment for the indications for which we are developing our initial or subsequent product candidates, or participating in competing clinical studies; (vi) subjects experiencing severe or unexpected drug-related adverse effects; (vii) reports from clinical testing on similar technologies and products raising safety and/or efficacy concerns; (viii) third-party clinical investigators losing their licenses or permits necessary to perform our clinical trials, not performing our clinical trials on our anticipated schedule, or employing methods consistent with the clinical trial protocol, cGMP requirements, or other third parties not performing data collection and analysis in a timely or accurate manner; (ix) inspections of clinical study sites by the FDA, comparable foreign regulatory authorities, or IRBs finding regulatory violations that require us to undertake corrective action, result in suspension or termination of one or more sites or the imposition of a clinical hold on the entire study, or that prohibit us from using some or all of the data in support of our marketing applications; (x) third-party contractors becoming debarred or suspended or otherwise penalized by the FDA or other government or regulatory authorities for violations of regulatory requirements, in which case we may need to find a substitute contractor, and we may not be able to use some or any of the data produced by such contractors in support of our marketing applications; (xi) one or more IRBs refusing to approve, suspending, or terminating the study at an investigational site, precluding enrollment of additional subjects, or withdrawing its approval of the trial; (xii) reaching agreement on acceptable terms with prospective contract research organizations, or CROs, and clinical trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites; (xiii) deviations of the clinical sites from trial protocols or dropping out of a trial; (xiv) adding new clinical trial sites; (xv) the inability of the CRO to execute any clinical trials for any reason; and (xvi) government or regulatory delays or "clinical holds" requiring suspension or termination of a trial.

Product development costs for our initial and any subsequent product candidates will increase if we have delays in testing or approval or if we need to perform more or larger clinical studies than planned. Additionally, changes in regulatory requirements and policies may occur and we may need to amend study protocols to reflect these changes. Amendments may require us to resubmit our study protocols to the FDA, comparable foreign regulatory authorities, and IRBs for reexamination, which may impact the costs, timing, or successful completion of that study. If we experience delays in completion of, or if we, the FDA or other regulatory authorities, the IRB, or other reviewing entities, or any of our clinical study sites suspend or terminate any of our clinical studies of any of our product candidates, their commercial prospects may be materially harmed and our ability to generate product revenues will be delayed. Any delays in completing our clinical trials will increase our costs, slow our development and approval process, and jeopardize our ability to commence product sales and generate revenues. Any of these occurrences may harm our business, financial condition, and prospects significantly. In addition, many of the factors that cause, or lead to, termination or suspension of, or a delay in the commencement or completion of, clinical studies may also ultimately lead to the denial of regulatory approval of one of more of our product candidates. In addition, if one or more clinical studies are delayed, our competitors may be able to bring competing products to market before we do, and the commercial viability of our affected product candidates could be significantly reduced.

Third-party coverage and reimbursement and health care cost containment initiatives and treatment guidelines may constrain our future revenues.

Our ability to market JAN 101 successfully will depend in part on the level of reimbursement that government health administration authorities, private health coverage insurers, and other organizations provide for the cost of JAN 101 and related treatments. Countries in which JAN 101 is sold through reimbursement schemes under national health insurance programs frequently require that manufacturers and sellers of pharmaceutical products obtain governmental approval of initial prices and any subsequent price increases. In certain countries, including the United States, government-funded and private medical care plans can exert significant indirect pressure on prices. We may not be able to sell JAN 101 profitably if adequate prices are not approved or coverage and reimbursement is unavailable or limited in scope. Increasingly, third-party payors attempt to contain health care costs in ways that are likely to impact the development of our product including: (i) failing to approve or challenging the prices charged for health care products; (ii) introducing reimportation schemes from lower priced jurisdictions; (iii) limiting both coverage and the amount of reimbursement for new therapeutic products; (iv) denying or limiting coverage for products that are approved by the regulatory agencies but are considered to be experimental or investigational by third-party payors; and (v) refusing to provide coverage when an approved product is used in a way that has not received regulatory marketing approval.

It is difficult and costly to protect our intellectual property rights, and we cannot ensure the protection of these rights.

Our success depends on successfully blocking others from developing and commercializing similar products. As a repurposed drug, our API has previously been approved for other indications, none of which currently represent a threat to our product, and therefore cannot be protected. We will rely on our method of use and oral formulation patents to protect our product, which may also put our product at risk from companies developing oral formulations using the same API for other indications. Even though our patents provide protection for specific uses, we will not be able to prevent other companies from developing the same API for other uses. If a similar dose, formulation and route of administration is developed for another indication by a different company, we cannot guarantee that the product they market for the other indication will not be prescribed off-label by doctors or filled by pharmacists for use in indications our patents cover and that if less expensive, would not negatively affect our sales, if our product is ultimately approved by the FDA

The degree of future protection afforded by the patent rights licensed to us is uncertain, because legal means afford only limited protection and may not adequately protect our rights, permit us to gain or keep our competitive advantage, or provide us with any competitive advantage at all. We cannot be certain that any patent application owned by a third party will not have priority over patent applications in which we hold license rights or that we will not be involved in interference, opposition or invalidity proceedings before United States or foreign patent offices.

Additionally, if the Licensors were to initiate legal proceedings against a third party to enforce a patent covering JAN 101, the defendant could counterclaim that such patent is invalid and/or unenforceable. In patent litigation in the United States, defendant counterclaims alleging invalidity and/or unenforceability are commonplace. Grounds for a validity challenge include alleged failures to meet any of several statutory requirements, including lack of novelty, obviousness, or non-enablement. Grounds for unenforceability assertions include allegations that someone connected with prosecution of the patent withheld relevant information from the United States Patent and Trademark Office (the "PTO") or made a misleading statement during prosecution. Third parties may also raise similar claims before administrative bodies in the United States or abroad, even outside the context of litigation. Such mechanisms include regarding-examination, post-grant review, and equivalent proceedings in foreign jurisdictions, e.g., opposition proceedings. Such proceedings could result in revocation or amendment of the Licensors' patents in such a way that they no longer cover JAN 101 or competitive products. The outcome following legal assertions of invalidity and unenforceability is unpredictable. With respect to validity, for example, we cannot be certain that there is no invalidating prior art, of which the Licensors and the patent examiner were unaware during prosecution. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the patent protection on any of our product candidates. Such a loss of patent protection would have a material adverse impact on our business.

In the future, we may rely on know-how and trade secrets to protect technology, especially in cases in which we believe patent protection is not appropriate or obtainable. However, know-how and trade secrets are difficult to protect. While we intend to require employees, academic collaborators, consultants, and other contractors to enter into confidentiality agreements, we may not be able adequately to protect our trade secrets or other proprietary or licensed information. Typically, research collaborators and scientific advisors have rights to publish data and information in which we may have rights. Enforcing a claim that a third party illegally obtained and is using any of our trade secrets is expensive and time consuming, and the outcome is unpredictable. In addition, courts are sometimes less willing to protect trade secrets than patents. Moreover, our competitors may independently develop equivalent or better knowledge, methods, and know-how.

If we fail to obtain or maintain patent protection or trade secret protection for our product candidates or our technologies, third parties could use our proprietary information, which could impair our ability to compete in the market and adversely affect our ability to generate revenues and attain profitability.

It is difficult and costly to block others from developing similar products for other indications, and we cannot ensure that these products will not be less expensive and thus be prescribed off-label by physicians for use in our indications.

Our success depends on successfully blocking others from developing and commercializing similar products. As a repurposed drug, our API has previously been approved for other indications, none of which currently represents a threat to JAN 101, and therefore cannot be protected. We will rely on our method of use and oral formulation patents to protect JAN 101, which may also put JAN 101 at risk from companies developing oral formulations using the same API for other indications. Even though our patents provide protection for specific uses, we will not be able to prevent other companies from developing the same API for other uses. If a similar dose, formulation, and route of administration is developed for another indication by a different company, we cannot guarantee that the product they market for the other indication will not be prescribed off-label by doctors or filled by pharmacists for use in indications our patents cover and that if less expensive, would not negatively affect our sales, if JAN 101 is ultimately approved by the FDA.

JAN 101 may infringe the intellectual property rights of others, which could increase our costs and delay or prevent our development and commercialization efforts.

Our success depends in part on avoiding infringement of the proprietary technologies of others. The pharmaceutical industry has been characterized by frequent litigation regarding patent and other intellectual property rights. Identification of third-party patent rights that may be relevant to our proprietary technology is difficult because patent searching is imperfect due to differences in terminology among patents, incomplete databases, and the difficulty in assessing the meaning of patent claims. Additionally, because patent applications are maintained in secrecy until the application is published, we may be unaware of third-party patents that may be infringed by commercialization of JAN 101 or any subsequent product candidate. There may be certain issued patents and patent applications claiming subject matter that we may be required to license in order to research, develop, or commercialize any of our product candidates, and we do not know if such patents and patent applications would be available to license on commercially reasonable terms, or at all. Any claims of patent infringement asserted by third parties would be time-consuming and may: (i) result in costly litigation; (ii) divert the time and attention of our technical personnel and management; (iii) prevent us from commercializing a product candidate until the asserted patent expires or is held finally invalid or not infringed in a court of law; (iv) require us to cease or modify our use of the technology and/or develop non-infringing technology; or (v) require us to enter into royalty or licensing agreements.

Third parties may hold proprietary rights that could prevent JAN 101 from being marketed. Any patent-related legal action against us claiming damages and seeking to enjoin commercial activities relating to any of our product candidates or our processes could subject us to potential liability for damages and require us to obtain a license to continue to manufacture or market JAN 101 or any subsequent product candidates. We cannot predict whether we would prevail in any such actions or that any license required under any of these patents would be made available on commercially acceptable terms, if at all. In addition, we cannot be sure that we could redesign JAN 101 or any subsequent product candidates or processes to avoid infringement, if necessary. Accordingly, an adverse determination in a judicial or administrative proceeding, or the failure to obtain necessary licenses, could prevent us from developing and commercializing JAN 101 or a subsequent product candidate, which could harm our business, financial condition, and results of operations.

We expect that there are other companies, including major pharmaceutical companies, working in the areas competitive to JAN 101 that either have resulted, or may result, in the filing of patent applications that may be deemed related to our activities. If we were to challenge the validity of these or any issued United States patent in court, we would need to overcome a statutory presumption of validity that attaches to every issued United States patent. This means that, in order to prevail, we would have to present clear and convincing evidence as to the invalidity of the patent's claims. If we were to challenge the validity of these or any issued United States patent in an administrative trial before the Patent Trial and Appeal Board in the PTO, we would have to prove that the claims are unpatentable by a preponderance of the evidence. There is no assurance that a jury and/or court would find in our favor on questions of infringement, validity, or enforceability. Even if we are successful, litigation could result in substantial costs and be a distraction to management.

GENERAL RISK FACTORS

Isaac Capital Group, LLC ("ICG") owns a large percentage of our voting stock, which may allow it to control substantially all matters requiring stockholder approval.

Currently, ICG owns approximately 18.7% of our outstanding shares of common stock. ICG's sole member is Jon Isaac, the President and Chief Executive Officer of Live Ventures. Jon Isaac is the son of our Chief Executive Officer Tony Isaac. Because of such ownership and the relationship, ICG may be able significantly, and possibly adversely, to affect our corporate decisions, including the election of the board of directors.

The market price of our common stock has been, and may continue to be volatile and fluctuate significantly, which could result in substantial losses for investors and subject us to securities class action litigation.

The trading price for our common stock has been, and we expect it to continue to be, volatile. The price at which our common stock trades depends upon a number of factors, including our historical and anticipated operating results, our financial situation, announcements of technological innovations or new products by us, our ability or inability to raise the additional capital we may need and the terms on which we raise it, and general market and economic conditions. Some of these factors are beyond our control. Broad market fluctuations may lower the market price of our common stock and affect the volume of trading in our stock, regardless of our financial condition, results of operations, business or prospect. Among the factors that may cause the market price of our common stock to fluctuate are the risks described in this "Risk Factors" section. In addition, the stock markets, in general, The Nasdaq Capital Market and the market for biopharmaceutical companies in particular, may experience a loss of investor confidence. Such loss of investor confidence may result in extreme price and volume fluctuations in our common stock that are unrelated or disproportionate to the operating performance of our business, financial condition or results of operations. These broad market and industry factors may materially harm the market price of our common stock and expose us to securities class action litigation. Such litigation, even if unsuccessful, could be costly to defend and divert management's attention and resources, which could further materially harm our financial condition and results of operations.

We may not be able to maintain compliance with the continued listing requirements of The Nasdaq Global Market.

Our common stock is listed on the Nasdaq Global Market. In order to maintain that listing, we must satisfy minimum financial and other requirements including, without limitation, a requirement that our closing bid price be at least $1.00 per share. If we fail to continue to meet all applicable continued listing requirements for The Nasdaq Global Market in the future and Nasdaq determines to delist our common stock, the delisting could adversely affect the market liquidity of our common stock, our ability to obtain financing to repay debt, and fund our operations.

ITEM 2. PROPERTIES

Our executive offices are located in Las Vegas, Nevada in a leased facility consisting of 11,000 square feet of office space.

Recycling Centers

We lease the recycling center facilities described below.

Approximate Ft²	*Location*
18,500	Santa Fe Springs, California
9,200	Newark, California
12,900	Sacramento, California
14,800	Tulare, California
7,500	Commerce City, Colorado
12,600	North Haven, Connecticut
14,700	Norcross, Georgia
19,800	Franklin, Massachusetts
3,000	Baltimore, Maryland
6,500	Edina, Minnesota
27,000	Hainesport, New Jersey
5,900	Albuquerque, New Mexico
5,100	Dartmouth, Nova Scotia
7,900	Syracuse, New York
23,200	Pittsburgh, Pennsylvania
9,600	Philadelphia, Pennsylvania
8,100	Mechanicsburg, Pennsylvania
14,500	Kent, Washington

ITEM 3. LEGAL PROCEEDINGS

The information in response to this item is included in Note 17, Commitments and Contingencies, to the Consolidated Financial Statements included in Part II, Item 8, of this Form 10-K.

ITEM 4. MINE SAFETY DISCLOSURES

None.

PART II

ITEM 5. MARKET FOR OUR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information and Dividends

Our common stock trades under the symbol "JAN" on The Nasdaq Capital Market. As of April 12, 2023, there were 37 stockholders of record, which excludes stockholders whose shares were held in nominee or street name by brokers. We have no record of the number of holders of our common stock who hold their shares in "street name" with various brokers.

We have not paid dividends on our common stock and do not presently plan to pay dividends on our common stock for the foreseeable future.

Information concerning securities authorized for issuance under equity compensation plans is included in Part III, Item 12 of this report.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For a description of our significant accounting policies and an understanding of the significant factors that influenced our performance during the fiscal year ended December 31, 2022, this "Management's Discussion and Analysis of Financial Condition and Results of Operations" (hereafter referred to as "MD&A") should be read in conjunction with the consolidated financial statements, including the related notes, appearing in Part II, Item 8 of this 10-K for the fiscal year ended December 31, 2022.

Note about Forward-Looking Statements

This Form 10-K includes statements that constitute "forward-looking statements." These forward-looking statements are often characterized by the terms "may," "believes," "projects," "intends," "plans," "expects," or "anticipates," and do not reflect historical facts. Specific forward-looking statements contained in this portion of the Form 10-K include, but are not limited to: (i) statements relating to JAN 101, JAN101, including statements relating to the commencement of Phase IIb clinical trials for the treatment of PAD in 2021 and the results of those trials, (ii) statements that are based on current projections and expectations about the markets in which we operate, (iii) statements relating to the prospective sale of our Recycling business, (iv) statements about current projections and expectations of general economic conditions, (v) statements about specific industry projections and expectations of economic activity, (vi) statements relating to our future operations and prospects, (vii) statements about future results and future performance, (viii) statements that the cash on hand and additional cash generated from operations, together with potential sources of cash through issuance of debt or equity, will provide the Company with sufficient liquidity for the next 12 months, and (ix) statements that the outcome of pending legal proceedings will not have a material adverse effect on business, financial position and results of operations, cash flow, or liquidity.

Forward-looking statements involve risks, uncertainties, and other factors, which may cause our actual results, performance, or achievements to be materially different from those expressed or implied by such forward-looking statements. Factors and risks that could affect our results, future performance, and capital requirements and cause them to differ materially from those contained in the forward-looking statements include those identified in this Form 10-K under Item 1A "Risk Factors", as well as other factors that we are currently unable to identify or quantify, but that may exist in the future.

In addition, the foregoing factors may generally affect our business, results of operations and financial position. Forward-looking statements speak only as of the date the statements were made. We do not undertake and specifically decline any obligation to update any forward-looking statements. Any information contained on our website www.janone.com or any other websites referenced in this Form 10-K are not part of this Form 10-K.

Our Company

We are focused on finding treatments for conditions that cause severe pain and bringing to market drugs with non-addictive pain-relieving properties. In addition, through our subsidiaries ARCA Recycling, Connexx, and ARCA Canada, we are engaged in the business of recycling major household appliances in North America by providing turnkey appliance recycling and replacement services for utilities and other sponsors of energy efficiency programs. Also, through our GeoTraq Inc. subsidiary, we have been engaged in the development and design of wireless transceiver modules with technology that provides LBS directly from global Mobile IoT networks. However, Our GeoTraq subsidiary has not generated any revenue to date, including in the fiscal year ended January 1, 2022. Consequently, during the year ended January 1, 2022, the Company took a full write-down of the unamortized portion of the GeoTraq intangible asset of approximately $9.8 million, and, on May 24, 2022, we sold substantially all of the GeoTraq assets (see Note 26 to the Consolidated Financial Statements below).

We operate three reportable segments:

- •Biotechnology: Our biotechnology segment is focused on finding treatments for conditions that cause severe pain and bringing to market drugs with non-addictive pain-relieving properties.
- •Recycling: Our recycling segment is a turnkey appliance recycling program. We receive fees charged for recycling, replacement and additional services for utility energy efficiency programs and have established 20 Regional Processing Centers ("RPCs") for this segment throughout the United States and Canada

•Technology: We have suspended all operations for GeoTraq, and, on May 24, 2022, sold substantially all of the GeoTraq assets. The results for this segment for the years ended December 31, 2022 and January 1, 2022 are reported as discontinued operations below.

Reporting Period. We report on a 52-or 53-week fiscal year. Our 2022 fiscal year ended on December 31, 2022 ("fiscal 2022"). Our 2022 fiscal year ended on January 1, 2022 ("fiscal 2021").

Application of Critical Accounting Policies

Our discussion of the financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in conformity with accounting principles generally accepted in the United States. The preparation of our consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosure of any contingent assets and liabilities at the date of the financial statements. Management regularly reviews its estimates and assumptions, which are based on historical factors and other factors believed to be relevant under the circumstances. Actual results may differ from these estimates under different assumptions, estimates or conditions.

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties and potentially result in materially different results under different assumptions and conditions. ARCA Recycling's critical accounting policies include intangible impairment under ASC 350, revenue recognition under ASC 606, and going concern under ASC 205.

Results of Operations

The following table sets forth certain statement of operations items from continuing and discontinued operations and as a percentage of revenue, for the periods indicated (in $000's):

	Fiscal Year Ended December 31, 2022		Fiscal Year Ended January 1, 2022	
Statement of Operations Data:				
Revenues	$ 39,611	100.0 %	$ 40,022	100.0 %
Cost of revenues	31,992	80.8 %	31,154	77.8 %
Gross profit	7,619	19.2 %	8,868	22.2 %
Selling, general and administrative expenses	11,790	29.8 %	12,089	30.2 %
Operating loss	(4,171)	(10.5)%	(3,221)	(8.0)%
Gain on debt settlement	—	0.0 %	1,799	4.5 %
Interest expense, net	(489)	(1.2)%	(773)	(1.9)%
Gain (loss) on litigation settlement	942	2.4 %	(1,950)	(4.9)%
Gain on settlement of vendor advance payments	—	0.0 %	952	2.4 %
Unrealized loss on marketable securities	(631)	(1.6)%	—	—
Gain on reversal of contingency loss	637	1.6 %	—	—
Other income, net	630	1.6 %	152	0.4 %
Net loss before provision for income taxes	(3,082)	(7.8)%	(3,041)	(7.6)%
Income tax provision	(6,671)	(16.8)%	273	0.7 %
Net loss from continuing operations	3,589	9.1 %	(3,314)	(8.3)%
Income (loss) from discontinued operations	9,562	24.1 %	(13,573)	(33.9)%
Income tax provision for discontinued operations	2,159	5.5 %	—	—
Net income (loss) from discontinued operations	7,403	18.7 %	(13,573)	(33.9)%
Net income (loss)	$ 10,992	27.7 %	$ (16,887)	(42.2)%

The following tables set forth revenues for key product and service categories, percentages of total revenue and gross profits earned by key product and service categories and gross profit percent as compared to revenues for each key product category indicated (in $000's):

	Fiscal Year Ended December 31, 2022		Fiscal Year Ended January 1, 2022	
	Net Revenue	Percent of Total	Net Revenue	Percent of Total
Revenue				
Recycling and Byproducts	$ 23,264	58.7 %	$ 21,603	54.0 %
Replacement Appliances	16,347	41.3 %	18,419	46.0 %
Total Revenue	$ 39,611	100.0 %	$ 40,022	100.0 %

	Fiscal Year Ended December 31, 2022		Fiscal Year Ended January 1, 2022	
	Gross Profit	Gross Profit %	Gross Profit	Gross Profit %
Gross Profit				
Recycling and Byproducts	$ 1,548	6.7 %	$ 2,897	13.4 %
Replacement Appliances	6,071	37.1 %	5,971	32.4 %
Total Gross Profit	$ 7,619	19.2 %	$ 8,868	22.2 %

Revenue

Revenue decreased by approximately $400,000, or 1.0%, for the fiscal year ended December 31, 2022 as compared to the fiscal year ended January 1, 2022. Recycling and Byproduct revenue increased by approximately $1.7 million primarily due to stronger demand, partially offset by lower byproduct commodity pricing. Replacement Appliances revenue decreased by approximately $2.1 million or 11.2%, primarily due to decreased sales volume. We generated no revenue from discontinued operations for the years ended December 31, 2022 and January 1, 2022.

Cost of Revenue

Cost of revenue increased by approximately $840,000, or 2.7% for the fiscal year ended December 31, 2022 as compared to the fiscal year ended January 1, 2022. Recycling and Byproducts cost of revenue increased by approximately $3.0 million, or 16.1%, which generally aligns with increases in revenue. Replacement Appliances cost of revenue decreased by approximately $2.2 million primarily due to decreases in revenue. Both Replacement Appliances and Recycling and Byproducts cost of revenue were impacted by higher transportation, facilities and labor costs. As no revenue was generated for the years ended December 31, 2022 and January 1, 2022, we did not incur any costs of revenue for these periods.

Selling, General and Administrative Expense

Selling, general and administrative expenses from decreased by approximately $300,000, or 2.5%, for the fiscal year ended December 31, 2022 as compared to the fiscal year ended January 1, 2022, primarily due to lower amortization costs, legal and professional fees and share based compensation, partially offset by an increase in labor costs. Selling, general and administrative expenses from discontinued operations was a gain of approximately $9.4 million for the year ended December 31, 2022, primarily due to the gain on sale of GeoTraq, and expense of approximately $13.6 million for the year ended January 1, 2022, primarily due to recording full impairment of the GeoTraq intangible.

Interest Expense, net

Interest expense, net, decreased by approximately $284,000 or 36.7%, for the fiscal year ended December 31, 2022 as compared to the fiscal year ended January 1, 2022 primarily due to interest income related to the accretion of discount relating to the SPYR note receivable, and lower interest rates on revolver debt due to the change of credit facility.

Impairment Charges

Impairment charges of approximately $9.8 million from discontinued operations were recorded for the fiscal year ended January 1, 2022 due to the full impairment of our GeoTraq intangible. This amount is reflected as a component of Net income (loss) from discontinued operations in the table above. See Note 9 of the Consolidated Financial Statements for further discussion of this matter. No impairment charges were recorded for the fiscal year ended December 31, 2022.

Gain on Sale of GeoTraq

During the fiscal year ended December 31, 2022, we recorded a gain on the sale of GeoTraq of approximately $9.4 million from discontinued operations. See Note 26 of the Consolidated Financial Statements.

Unrealized Loss on Marketable Securities

For the fiscal year ended December 31, 2022, an unrealized loss on marketable securities of approximately $631,000 was recorded to mark to fair value securities received in connection to the sale of GeoTraq. See Note 10 of Consolidated Financial Statements. There were no similar transactions for the fiscal year ended January 1, 2022.

Gain (Loss) on Litigation Settlement, net

For the year ended December 31, 2022, the Company recorded a gain on litigation settlement of approximately $942,000 due to the receipt of a $1.95 million payment from Sompo International Companies (“Sompo”) in exchange for a full release in favor of Sampo from liability for both the GeoTraq and SEC-related matters, partially offset by an accrual of approximately $894,000 for the Skybridge settlement (see Note 17 of the Consolidated Financial Statements for further discussion of this matter), and an accrual of approximately $115,000 for adjudication of the Blackhawk matter. For the year ended January 1, 2022, the Company recorded a loss on litigation settlement of approximately $2.0 million due to payments made under the terms of a settlement agreement with Gregg Sullivan (see Note 17 of the Consolidated Financial Statements for further discussion of this matter).

Gain on Reversal of Contingency Loss

Gain on reversal of continency liabilities of approximately $637,000 relating to guarantees of ApplianceSmart leases that no longer exist as a result of ApplianceSmart's emergence from bankruptcy (see Notes 17 and 24 to the Consolidated Financial Statements).

Other Income, net

Other income, net from continuing operations was approximately $630,000 for the fiscal year ended December 31, 2022 as compared to income of approximately $152,000 the fiscal year ended January 1, 2022. Other income from discontinued operations was approximately $144,000 for the fiscal year ended December 31, 2022, as compared to expense of approximately $96,000 for the fiscal year ended January 1, 2022.

Segment Reporting

We report our business in the following segments: Biotechnology, Recycling, and Technology. We identified these segments based on a combination of business type, customers serviced, and how we divide management responsibility. Our revenues and profits are driven through our recycling centers, e-commerce, individual sales representatives, and our internet services for our recycling and technology segment. We expect revenues and profits for our biotechnology segment to be driven by the development of pharmaceuticals that treat the root cause of pain but are non-opioid painkillers. We include Corporate expenses within the Recycling segment. As discussed above, we sold our Technology segment, GeoTraq, during the fiscal year ended December 31, 2022, and detail its results as discontinued operations below.

Operating income (loss) by operating segment, is defined as income (loss) before net interest expense, other income and expense, provision for income taxes.

	Fiscal Year Ended December 31, 2022					Fiscal Year Ended January 1, 2022				
	Biotechnology	Recycling	Continuing Operations	Discontinued Operations	Total	Biotechnology	Recycling	Continuing Operations	Discontinued Operations	Total
Revenue	$ —	$ 39,611	$ 39,611	$ —	$ 39,611	$ —	$ 40,022	$ 40,022	$ —	$ 40,022
Cost of revenue	—	31,992	31,992	—	31,992	—	31,154	31,154	—	31,154
Gross profit	—	7,619	7,619	—	7,619	—	8,868	8,868	—	8,868
Selling, general and administrative expense	414	11,376	11,790	10	11,800	1,351	10,738	12,089	3,767	15,856
Impairment charges	—	—	—	—	—	—	—	—	9,783	9,783
Gain on sale of GeoTraq			—	(9,428)	(9,428)	—	—	—	—	—
Operating loss	$ (414)	$ (3,757)	$ (4,171)	$ 9,418	$ 5,247	$ (1,351)	$ (1,870)	$ (3,221)	$ (13,550)	$ (16,771)

Biotechnology Segment

For the fiscal years ended December 31, 2022 and January 1, 2022, respectively, our biotechnology segment incurred expenses of approximately $414,000 and $1.4 million, related to employee costs and professional services related to research.

Recycling Segment

Our recycling segment consists of ARCA Recycling, Connexx, and ARCA Canada. Revenue decreased by approximately $400,000, or 1.0%, for the fiscal year ended December 31, 2022 as compared to the fiscal year ended January 1, 2022. Recycling and Byproduct revenue increased by approximately $1.7 million primarily due to stronger demand, partially offset by lower byproduct commodity pricing. Replacement Appliances revenue decreased by approximately $2.1 million or 11.2%, primarily due to decreased sales volume.

Cost of revenue increased by approximately $840,000, or 2.7%, for the fiscal year ended December 31, 2022, as compared to the fiscal year ended January 1, 2022. Recycling and Byproducts cost of revenue increased by approximately $3.0 million, or 16.1%, which generally aligns with increases in revenue. Replacement Appliances cost of revenue decreased by approximately $2.2 million primarily due to lower appliance costs. Both Replacement Appliances and Recycling and Byproducts cost of revenue were impacted by higher transportation, facilities and labor costs.

Operating loss for the fiscal year ended December 31, 2022, increased by approximately $1.9 million as compared to the prior year period. The increase in operating loss was due to a decrease in gross margin and an increase in labor costs, partially offset by decreases in legal and professional fees.

Discontinued Operations

Our discontinued operations consists of GeoTraq, which was sold during the fiscal year ended December 31, 2022. Operating income for the fiscal year ended December 31, 2022 increased by approximately $23.0 million, as compared to the fiscal year ended January 1, 2022. The increase in operating income is due to the gain on sale of the GeoTraq intangible, in the amount of approximately $9.4 million (see Note 27 to the Consolidated Financial Statements below), as well as the suspension of operations that occurred in connection to the sale.

Liquidity and Capital Resources

Overview

The accompanying financial statements have been prepared under the assumption that we will continue as a going concern. Such assumption contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

As of December 31, 2022, our cash on hand was $115,000. We intend to fund operations by using cash on hand, monthly revenues from the sale of our Subsidiaries, and funds received from approved Employee Retention Credits (“ERC’s”). Debt recorded, as of December 31, 2022, belongs to the Subsidiaries, and will no longer impact us as of the date of sale. We intend to raise funds to support future development of JAN 123 either through capital raises or structured arrangements.

Our ability to continue as a going concern is dependent upon the success of future capital raises or structured settlements to fund the required testing to obtain FDA approval of JAN 123, as well as to fund our day-to-day operations. The accompanying financial statements do not include any adjustments that might be necessary should we be unable to continue as a going concern. While we will actively pursue these additional sources of financing, management cannot make any assurances that such financing will be secured.

Cash Flows

During the fiscal year ended December 31, 2022, cash used in operations was approximately $3.1 million, compared to cash used in operations of approximately $5.3 million during the fiscal year ended January 1, 2022. The decrease in cash used in operations was primarily due to changes in deferred tax assets, and changes in assets and liabilities. Cash used in operating activities from discontinued operations during the fiscal year ended December 31, 2022 was approximately $10,000, as compared to approximately $23,000 for the fiscal year ended January 1, 2022.

Cash used in investing activities was approximately $1.5 million for the fiscal year ended December 31, 2022, and was primarily due to purchases of property and equipment and intangibles. Cash used in investing activities of approximately $1.7 million for fiscal year ended January 1, 2022 was primarily due to purchases of property and equipment and intangibles.

Cash provided by financing activities was approximately $4.0 million for the fiscal year ended December 31, 2022 was primarily due to proceeds net of repayments of approximately $4.1 million from notes payable, partially offset by payments of $162,000 on a related party note. Cash provided by financing activities was approximately $7.4 million for the fiscal year ended January 1, 2022 was primarily due to net proceeds of approximately $5.5 million from an equity financing, and approximately $1.8 million in proceeds from notes payable, net of repayments.

Sources of Liquidity

We acknowledge that we continue to face a challenging competitive environment as we continue to focus on our overall profitability, including managing expenses. We reported net income of approximately $3.6 million from continuing operations in fiscal 2022, primarily due to a tax benefit of approximately $6.7 million, and a loss from continuing operations of approximately $3.3 million in fiscal 2021. Additionally, the Company has total current assets of approximately $9.2 million and total current liabilities approximately of $23.9 million resulting in a net negative working capital of approximately $14.8 million. Cash used in operations was approximately $3.1 million.

In Item 1A. Risk Factors, management has addressed and evaluated the risk factors that could materially and adversely affect the entity's business, financial condition and results of operations, cash flows, and liquidity. The Company has determined that the risk factors do not materially affect the Company's ability to continue as a going concern within one year after the date that the financial statements are issued.

Based on the above, management has concluded that the Company is not aware and did not identify any other conditions or events that would cause the Company to not be able to continue business as a going concern for the next 12 months.

Future Sources of Cash; New Acquisitions, Products and Services

We may require additional debt financing and/or capital to finance new acquisitions, refinance existing indebtedness or consummate other strategic investments in our business. Any financing obtained may further dilute or otherwise impair the ownership interest of our existing stockholders.

On March 22, 2023, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with certain institutional investors (the "Purchasers") for the sale by the Company in a registered direct offering (the "Offering") of 361,000 shares of the Company's Common Stock at a purchase price per share of Common Stock of $1.17. The Offering closed on March 24, 2023.

The aggregate gross proceeds for the sale of the shares of Common Stock were approximately $422,000, before deducting the placement agent fees and related expenses. The Company intends to use the net proceeds for working capital and general corporate purposes.

The Purchase Agreement contains customary representations, warranties and agreements by the Company and the Purchasers and customary indemnification rights and obligations of the parties. Pursuant to the terms of the Purchase Agreement, the Company has agreed to certain restrictions on the issuance and sale of its shares of Common Stock or Common Stock Equivalents (as defined in the Purchase Agreement) during the 15-day period following the closing of the Offering and certain restrictions on issuing any shares of Common Stock or Common Stock Equivalents in a Variable Rate Transaction (as defined in the Purchase Agreement) for twelve (12) months following the closing of the Offering.

H.C. Wainwright & Co., LLC acted as the sole placement agent (the "Placement Agent") for the Company on a "reasonable best efforts" basis in connection with the Offering. In connection with the closing of the Offering, the Placement Agent received an aggregate cash fee of 7.0% of the gross proceeds paid to the Company for the securities, a management fee of 1.0% of the gross proceeds raised in the Offering and reimbursement for accountable expenses incurred by it in connection with the Offering of $20,000. In addition, the Company granted warrants (the "Placement Agent Warrants") to the Placement Agent, or its designees, to purchase up to an aggregate of 25,270 shares of the Company's common stock. The Placement Agent Warrants have a per-share exercise price of $1.4625 and are exercisable through and including March 24, 2028.

The shares of Common Stock sold in the Offering were offered and sold by the Company pursuant to an effective shelf registration statement on Form S-3 (File No. 333-251645), which was initially filed with the Securities and Exchange Commission on December 23, 2020, and was declared effective on December 29, 2020. The Company will file a prospectus supplement with the SEC in connection with the sale of the Common Stock.

The representations, warranties and covenants contained in the Purchase Agreement were made solely for the benefit of the parties to the Purchase Agreement. In addition, such representations, warranties, and covenants (i) are intended as a way of allocating the risk between the parties to the Purchase Agreement and not as statements of fact, and (ii) may apply standards of materiality in a way that is different from what may be viewed as material by stockholders of, or other investors in, the Company. Accordingly, the Purchase Agreement is included with this filing only to provide investors with information regarding the terms of the transaction, and not to provide investors with any other factual information regarding the Company. Stockholders should not rely on the representations, warranties, and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the Company or any of its subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations and warranties may change after the date of the Purchase Agreement, which subsequent information may or may not be fully reflected in public disclosures.

Off Balance Sheet Arrangements

At December 31, 2022, we had no off-balance sheet arrangements, commitments or guarantees that require additional disclosure or measurement.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk and Impact of Inflation

Interest Rate Risk. We do not believe there is any significant risk related to interest rate fluctuations on our short and long-term fixed rate debt.

Foreign Currency Exchange Rate Risk. We currently generate revenues in Canada. The reporting currency for our consolidated financial statements is United States dollars. It is not possible to determine the exact impact of foreign currency exchange rate changes; however, the effect on reported revenue and net earnings can be estimated. We estimate that the overall strength of the United States dollar against the Canadian dollar had an immaterial impact on the revenues and net income for the fiscal year ended December 31, 2022. We do not currently hedge foreign currency fluctuations and do not intend to do so for the foreseeable future.

We do not hold any derivative financial instruments, nor do we hold any securities for trading or speculative purposes.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
JanOne Inc.
Las Vegas, Nevada

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of JanOne Inc. (the "Company") as of December 31, 2022, and the related consolidated statements of operations and comprehensive income (loss), changes in stockholders' equity (deficit) and cash flows for the year then ended, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of their operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America ("US GAAP").

Substantial Doubt About the Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has negative working capital, an accumulated deficit, a history of significant operating losses from continuing operations, and a history of negative operating cash flow. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Valuation of Note Receivable

As described in Note 27 to the consolidated financial statements, on May 24, 2022, the Company entered into an Asset Purchase Agreement with SPYR Technologies Inc. (SPYR), pursuant to which the Company sold SPYR substantially all the assets of its wholly-owned subsidiary GeoTraq Inc. SPYR issued shares of its common stock and delivered a five-year promissory note for the acquisition consideration.

We identified the Company's valuation of the promissory note at the transaction date as a critical audit matter because of the significant estimates and assumptions management used in the estimate of the fair value, mainly as it relates to the selection of the discount rate. Auditing management's selection of the discount rate involved a high degree of auditor judgment and increased audit effort, including the use of our valuation specialists, as changes in this assumption could have a significant impact on the preliminary fair value of the promissory note received.

Our audit procedures related to the Company's fair value estimate of the promissory note received included the following, among others:

- We read the asset purchase agreement to understand and evaluate the terms of the transaction.
- We obtained the Company's third-party expert valuation report to gain an understanding of the processes and key assumptions for estimating the fair value of the promissory note received.
- We utilized our valuation specialists to evaluate the adequacy and appropriateness of the methodologies and assumptions, including the discount rate used by the Company in developing the estimated fair value of the promissory note.
- We performed independent calculations to test the reasonableness and mathematical accuracy of the fair values concluded on by the Company.
- We evaluated the qualifications of the Company's third-party valuation expert based on credentials, reputation, and experience.
- We assessed the appropriateness of the disclosures in the consolidated financial statements.

Valuation of purchase price consideration

As described in Note 3 to the consolidated financial statements, on December 28, 2022, the Company acquired Soin Therapeutics LLC (Soin) through an all-stock transaction. As part of the consideration of the transaction, the Company issued Soin shares of its Series S preferred convertible stock.

We identified the Company's valuation of the preferred shares issued as a critical audit matter because of the significant estimates and assumptions management used in its fair value estimate, including forecasted product revenues, the expected FDA approval date and the selection of discount rates. Auditing management's estimates of the forecasted product revenues, the expected FDA approval date and the selection of discount rates involves a high degree of auditor judgment and increased audit effort, including the use of our valuation specialists, as changes in these assumptions could have a significant impact on the acquisition date fair value of the purchase price consideration.

Our audit procedures related to the Company's estimate of the fair value of the preferred Series S shares included the following, among others:

- We read the asset purchase agreement to understand and evaluate the terms of the transaction to determine that the acquisition met the requirements of an asset acquisition, including an understanding of the assets being acquired.
- We obtained the Company's third-party expert valuation report to gain an understanding of the processes and key assumptions for estimating the fair value of the Series S preferred shares issued.

- We utilized our valuation specialists to evaluate the adequacy and appropriateness of the methodologies and assumptions, including the reasonableness of discount rates and volatility estimates used by the Company in developing the estimated fair value of the preferred Series S shares.
- We assessed management’s estimates of the projection risk associated with the probability and timing of achieving FDA approval and revenue forecasts.
- We tested the mathematical accuracy of the model used to determine the fair value concluded on by the Company.
- We evaluated the qualifications of the Company's third-party valuation expert based on credentials, reputation, and experience.
- We assessed the appropriateness of the disclosures in the consolidated financial statements.

We have served as the Company's auditor since 2023.

/s/ Frazier & Deeter, LLC
Tampa, Florida
April 17, 2023

Report of Independent Registered Public Accounting Firm

To the Board of Directors and
Stockholders of JanOne Inc.
Las Vegas, Nevada

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of JanOne Inc. (the "Company") as of January 1, 2022, and the related consolidated statements of operations and comprehensive loss, changes in stockholders' equity (deficit), and cash flows for the year then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of January 1, 2022, and the results of their operations and their cash flows for the year then ended**,**in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.
Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ WSRP, LLC

We served as the Company's auditor from 2019 to 2022.
Salt Lake City, Utah
April 1, 2022, except for Note 27 to the consolidated financial statements, as to which the date is April 17, 2023.

JANONE INC.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share amounts)

	December 31, 2022	January 1, 2022
Assets		
Cash and cash equivalents	$ 115	$ 705
Trade and other receivables, net	7,922	4,220
Inventories	366	1,104
Prepaid expenses and other current assets	770	1,423
Current assets from discontinued operations	—	105
Total current assets	9,173	7,557
Property and equipment, net	2,705	2,111
Right of use asset - operating leases	5,290	3,671
Intangible assets-Soin, net	19,293	—
Intangible assets, net	740	268
Note receivable, net	8,974	—
Marketable securities	315	—
Deposits and other assets	266	1,556
Other assets from discontinued operations	—	2
Total assets	$ 46,756	$ 15,165
Liabilities, Mezzanine Equity, and Stockholders' Equity (Deficit)		
Liabilities:		
Accounts payable	$ 6,699	$ 5,071
Accrued liabilities - other	4,283	5,232
Accrued liability - California sales taxes	6,264	6,022
Lease obligation short term - operating leases	1,632	1,304
Short term debt	4,553	288
Current portion of note payable	274	261
Related party note	233	1,000
Current liabilities from discontinued operations	—	195
Total current liabilities	23,938	19,373
Lease obligation long term - operating leases	3,816	2,470
Deferred income taxes, net	195	—
Notes payable - long term portion	1,339	1,318
Long-term portion related party note payable	605	—
Other noncurrent liabilities	46	680
Total liabilities	29,939	23,841
Commitments and Contingencies (Note 17)		
Mezzanine equity		
Convertible preferred stock, series S - par value $0.001 per share 200,000 authorized, 100,000 and 0 shares issued and outstanding at December 31, 2022 and January 1, 2022, respectively	14,510	—
Stockholders' equity (deficit):		
Convertible preferred stock, series A-1 - par value $0.001 per share 2,000,000 authorized, 222,588 and 238,729 shares issued and outstanding at December 31, 2022 and January 1, 2022, respectively	—	—
Common stock, par value $0.001 per share, 200,000,000 shares authorized, 3,150,230 and 2,847,410 shares issued and outstanding at December 31, 2022 and at January 1, 2022, respectively	2	2
Additional paid in capital	45,748	45,743
Accumulated deficit	(42,822)	(53,804)
Accumulated other comprehensive loss	(621)	(617)
Total stockholders' equity (deficit)	2,307	(8,676)
Total liabilities, mezzanine equity, and stockholders' equity (deficit)	$ 46,756	$ 15,165

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

JANONE INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Dollars in thousands, except per share amounts)

	Fiscal Years Ended	
	December 31, 2022	January 1, 2022
Revenues	$ 39,611	$ 40,022
Cost of revenues	31,992	31,154
Gross profit	7,619	8,868
Operating expenses:		
Selling, general and administrative expenses	11,790	12,089
Total operating expenses	11,790	12,089
Operating loss	(4,171)	(3,221)
Other income (expense):		
Gain on debt settlement	—	1,799
Interest expense, net	(489)	(773)
Gain (loss) on litigation settlement	942	(1,950)
Gain on settlement of vendor advance payments	—	952
Gain on reversal of contingent liabilities	637	—
Unrealized loss on marketable securities	(631)	—
Other income, net	630	152
Total other income, net	1,089	180
Loss before benefit from income taxes	(3,082)	(3,041)
Income tax (benefit) provision	(6,671)	273
Net income (loss) from continuing operations	3,589	(3,314)
Income (loss) from discontinued operations	9,562	(13,573)
Income tax provision for discontinued operations	2,159	—
Net income (loss) from discontinued operations	7,403	(13,573)
Net income (loss)	$ 10,992	$ (16,887)
Income (loss) per share:		
Net income (loss) per share from continuing operations, basic and diluted	$ 1.14	$ (1.25)
Net income (loss) per share from discontinued operations, basic and diluted	$ 2.35	$ (5.11)
Net income (loss) per share, basic and diluted	$ 3.49	$ (6.35)
Weighted average common shares outstanding:		
Basic	3,150,230	2,658,686
Diluted	3,150,230	2,658,686
Net income (loss)	$ 10,992	$ (16,887)
Effect of foreign currency translation adjustments	(4)	(29)
Total other comprehensive loss, net of tax	(4)	(29)
Comprehensive income (loss)	$ 10,988	$ (16,916)

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

JANONE INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
(Dollars in thousands)

	Series A Preferred		Common Stock		Additional Paid in	Accumulated	Accumulated Other Comprehensive	
	Shares	Amount	Shares	Amount	Capital	Deficit	Deficit	Total
Balance, January 2, 2021	259,729	$ —	1,829,982	$ 2	$ 39,869	$ (36,917)	$ (588)	$ 2,366
Other comprehensive loss	—	—	—	—	—	—	(29)	(29)
Share based compensation	—	—	—	—	303	—	—	303
Series A-1 preferred converted	(21,000)	—	420,000					—
Stock option exercise	—	—	6,000		27			27
Shares issued	—	—	571,428	—	5,544	—	—	5,544
Net loss	—	—	—	—	—	(16,887)	—	(16,887)
Balance, January 1, 2022	238,729	—	2,827,410	2	45,743	(53,804)	(617)	(8,676)
Other comprehensive loss	—	—	—	—	—	(10)	(4)	(14)
Share based compensation	—	—	—	—	5	—	—	5
Series A-1 preferred converted	(16,141)	—	322,820	—	—	—	—	—
Net income	—	—	—	—		10,992	—	10,992
Balance, December 31, 2022	222,588	$ —	3,150,230	$ 2	$ 45,748	$ (42,822)	$ (621)	$ 2,307

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

JANONE INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	Fiscal Years Ended	
	December 31, 2022	January 1, 2022
OPERATING ACTIVITIES:		
Net income (loss)	$ 10,992	$ (16,887)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	557	4,192
Amortization of debt issuance costs	31	9
Gain on Payroll Protection Program loan forgiveness	—	(1,872)
Accretion of note receivable discount	(387)	—
Stock based compensation expense	5	303
Gain on reversal of contingent liabilities	(637)	—
Impairment charges	—	9,786
Gain on sale of GeoTraq	(9,428)	—
Unrealized loss on marketable securities	631	—
Gain on settlement of vendor advance payments	—	(952)
Amortization of right-of-use assets	55	(24)
Change in deferred income taxes	(4,589)	—
Gain on sale of property	—	—
Loss on litigation settlement	1,009	—
Changes in assets and liabilities:		
Accounts receivable	(3,702)	(620)
Inventories	738	421
Prepaid expenses and other current assets	653	(287)
Income taxes receivable	—	196
Other assets	1,281	(1,399)
Accounts payable and accrued expenses	(265)	1,842
Net cash used in operating activities	(3,056)	(5,292)
INVESTING ACTIVITIES:		
Purchases of property and equipment	(808)	(1,659)
Proceeds from the sale of property and equipment	—	3
Purchase of intangible assets	(701)	(65)
Net cash used in investing activities	(1,509)	(1,721)
FINANCING ACTIVITIES:		
Proceeds from note payable	16,837	1,835
Payment on related party note	(162)	—
Proceeds from issuance of short term notes payable	708	795
Payments on short term notes payable	(722)	(651)
Proceeds from equity financing, net	—	5,544
Payments on notes payable	(12,682)	(182)
Proceeds from stock option exercise	—	27
Net cash provided by financing activities	3,979	7,368
Effect of changes in exchange rate on cash and cash equivalents	(4)	(29)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(590)	326
CASH AND CASH EQUIVALENTS, beginning of period	705	379
CASH AND CASH EQUIVALENTS, end of period	$ 115	$ 705

	Fiscal Years Ended	
	December 31, 2022	January 1, 2022
Supplemental cash flow disclosures:		
Noncash recognition of new leases	$ 4,000	$ 1,700
Interest paid	$ 407	$ 475
Income taxes paid, net	$ 108	$ 40

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

Note 1: Background and Basis of Presentation

The accompanying consolidated financial statements include the accounts of JanOne Inc., a Nevada corporation, and its subsidiaries (collectively, the "Company" or "JanOne").

The Company has three operating segments – Biotechnology, Recycling, and Technology. In connection with the sale of GeoTraq (see Note 27), the accounts for the Technology segment have been presented as discontinued operations in the accompanying consolidated financial statements.

During September 2019, JanOne, through its biotechnology segment, broadened its business perspectives to become a pharmaceutical company focused on finding treatments for conditions that cause severe pain and bringing to market drugs with non-addictive pain-relieving properties.

ARCA Recycling, Inc. ("ARCA Recycling") is the Company's Recycling segment and provides turnkey recycling services for electric utility energy efficiency programs in the United States. ARCA Canada Inc. ("ARCA Canada") provides turnkey recycling services for electric utility energy efficiency programs in Canada. Customer Connexx, LLC ("Connexx") provides call center services for ARCA Recycling and ARCA Canada.

On March 9, 2023, 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, (b) Connexx, and (c) ARCA Canada (collectively, 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 preliminary gain calculation of the gain on disposition is approximately $9.7 million.

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), 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. 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.

GeoTraq Inc. ("GeoTraq") was the Company's Technology segment. The Company suspended all operations for GeoTraq during the year ended January 1, 2022. On May 24, 2022, the Company sold substantially all of the GeoTraq assets . GeoTraq is being presented as a discontinued operation (see Note 27). As discussed previously, the accounts for the Technology segment have been presented as discontinued operations in the accompanying consolidated financial statements.

The Company reports on a 52- or 53-week fiscal year. The Company's 2022 fiscal year ("2022") ended on December 31, 2022, and our fiscal year ("2021") ended on January 1, 2022.

Going concern

The accompanying financial statements have been prepared under the assumption that the Company will continue as a going concern. Such assumption contemplates the realization of assets and satisfaction of liabilities in the normal course of business, however, the issues described below raise substantial doubt about the Company's ability to do so.

The Company currently faces a challenging competitive environment and is focused on improving its overall profitability, which includes managing expenses. The Company reported a net income from continuing operations of approximately $3.6 million for the year ended December 31, 2022, primarily due to a tax benefit accrued from as a result of the Soin merger (see Note 3), and a net loss from continuing operations of approximately $3.3 million for the fiscal year ended January 1, 2022. Additionally, as of December 31, 2022, the Company has total current assets of approximately $9.2 million and total current liabilities of approximately $23.9 million resulting in a net negative working capital of approximately $14.8 million. Cash used in operations was approximately $3.1 million. Additionally, stockholders' equity, as of December 31, 2022, is approximately $2.3 million, which is below Nasdaq's compliance threshold of $2.5 million.

The Company intends to fund operations by using cash on hand, monthly receipts in connection with the sale of its Subsidiaries, and funds received from approved Employee Retention Credits ("ERC's"). Debt recorded, as of December 31, 2022, belongs to the Subsidiaries, and will no longer be the responsibility of the Company as of the date of sale. The Company intends to raise funds to support future development of JAN 123 either through capital raises or structured arrangements. However, the success of such funding cannot be assured.

The ability of the Company to continue as a going concern is dependent upon the success of future capital raises or structured settlements to fund the required testing to obtain FDA approval of JAN 123, as well as to fund its day-to-day operations. Such approval is contingent on several factors and no assurance can be provided that approval will be obtained. The accompanying financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern. While the Company will actively pursue these additional sources of financing, management cannot make any assurances that such financing will be secured or FDA approvals will be obtained.

Note 2: Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Financial Statement Reclassification

Certain account balances from prior periods have been reclassified in these consolidated financial statements to conform to current period classifications. The prior year amounts have also been modified in these financial statements to properly report amounts under current operations and discontinued operations (see Note 26).

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumption that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates made in connection with the accompanying consolidated financial statements include the fair values in connection with the GeoTraq promissory note, analysis of other intangibles and long-lived assets for impairment, valuation allowance against deferred tax assets, lease terminations, and estimated useful lives for intangible assets and property and equipment.

Financial Instruments

Financial instruments consist primarily of cash equivalents, trade and other receivables, notes receivables, and obligations under accounts payable, accrued expenses and notes payable. The carrying amounts of cash equivalents, trade receivables and other receivables, accounts payable, accrued expenses and short-term notes payable approximate fair value because of the short maturity of these instruments. The fair value of the long-term debt is calculated based on interest rates available for debt with terms and maturities similar to the Company's existing debt arrangements, unless quoted market prices were available (Level 2 inputs). The carrying amounts of long-term debt at December 31, 2022 and January 1, 2022 approximate fair value.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with a maturity of three months or less at the time of purchase. Fair value of cash equivalents approximates carrying value.

Trade Receivables and Allowance for Doubtful Accounts

The Company carries unsecured trade receivables at the original invoice amount less an estimate made for doubtful accounts based on a monthly review of all outstanding amounts. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions. The Company writes off trade receivables when it deems them to be uncollectible. The Company records recoveries of trade receivables previously written off when we receive them. The Company considers a trade receivable to be past due if any portion of the receivable balance is outstanding for more than ninety days. The Company does not charge interest on past due receivables. The Company had no allowance for doubtful accounts for the years ended December 31, 2022 and January 1, 2022.

Inventories

Inventories, consisting primarily of appliances, are stated at the lower of cost, determined on a specific identification basis, or net realizable value. The Company provides estimated provisions for the obsolescence of our appliance inventories, including adjustment to market, based on various factors, including the age of such inventory and management's assessment of the need for such provisions. The Company looks at historical inventory aging reports and margin analyses in determining its provision estimate. A revised cost basis is used once a provision for obsolescence is recorded. The Company does not have a reserve for obsolete inventory at December 31, 2022 and January 1, 2022.

Property and Equipment

Property and Equipment are stated at cost less accumulated depreciation. Expenditures for repairs and maintenance are charged to expense as incurred and additions and improvements that significantly extend the lives of assets are capitalized. Upon sale or other retirement of depreciable property, the cost and accumulated depreciation are removed from the related accounts and any gain or loss is reflected in operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The useful lives of building and improvements are 3 to 30 years, transportation equipment is 3 to 15 years, machinery and equipment are 5 to 10 years, furnishings and fixtures are 3 to 5 years, and office and computer equipment are 3 to 5 years.

The Company periodically reviews its property and equipment when events or changes in circumstances indicate that their carrying amounts may not be recoverable, or their depreciation or amortization periods should be accelerated. The Company assesses recoverability based on several factors, including its intention with respect to maintaining its facilities, and projected discounted cash flows from operations. An impairment loss would be recognized for the amount by which the carrying amount of the assets exceeds their fair value, as approximated by the present value of their projected discounted cash flows.

Intangible Assets

The Company accounts for intangible assets in accordance with ASC 350, *Intangibles—Goodwill and Other*. Under ASC 350, intangible assets subject to amortization, shall be reviewed for impairment in accordance with the Impairment or Disposal of Long-Lived Assets in ASC 360, *Property, Plant, and Equipment.*

Under ASC 360, long-lived assets are tested for recoverability whenever events or changes in circumstances ('triggering event') indicate that the carrying amount may not be recoverable. In making this determination, triggering events that were considered included:

- A significant decrease in the market price of a long-lived asset (asset group);
- A significant adverse change in the extent or manner in which a long-lived asset (asset group) is being used or in its physical condition;
- A significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset (asset group), including an adverse action or assessment by a regulator;
- An accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset (asset group);
- A current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset (asset group); and,
- A current expectation that, more likely than not, a long-lived asset (asset group) will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. The term more likely than not refers to a level of likelihood that is more than 50 percent.

If a triggering event has occurred, for purposes of recognition and measurement of an impairment loss, a long-lived asset or assets shall be grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. If after identifying a triggering event it is determined that the asset group's carrying value may not be recoverable, a recoverability test is performed by forecasting the expected cash flows to be derived from the asset group for the remaining useful life of the asset group's primary asset compared to its carrying value. The recoverability test relies upon the undiscounted cash flows (excluding interest and taxes) which are derived from the Company's specific use of those assets (not how a market participant would use those assets); and, are based upon the existing service potential of the current assets (excluding any improvements that would materially enhance the assets). If the expected undiscounted cash flows exceed the carrying value, the assets are considered recoverable.

The Company's intangible assets consist of trade names, licenses for the use of internet domain names, Universal Resource Locators, or URL's, computer software, patent USPTO reference No. 10,182,402, and designs and related manufacturing procedures. In connection with the Soin merger (see Note 3), intangible assets consist of three patents pending, orphan drug status for Naltrexone, as granted by the FDA, and the formula for Naltrexone. Upon acquisition, critical estimates are made in valuing acquired intangible assets, which include but are not limited to: future expected cash flows from customer contracts, customer lists, and estimating cash flows from projects when completed; tradename and market position, as well as assumptions about the period of time that customer relationships will continue; and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from the assumptions used in determining the fair values. All intangible assets are capitalized at their original cost and amortized over their estimated useful lives as follows: domain name and marketing – 3 to 20 years; software – 3 to 5 years, technology intangibles – 7 years, customer relationships – 7 to 15 years.

For the year ended January 1, 2022, the Company took an impairment charge for the full unamortized balance, in the amount of approximately $9.8 million, of its GeoTraq intangible (see Note 9 below). The Company took no impairment charges for the year ended December 31, 2022.

Revenue Recognition

Biotechnology Revenue

The Company currently generates no revenue from its Biotechnology segment.

Recycling Revenue

The Company provides replacement appliances and provides appliance pickup and recycling services for consumers (“end users”) of public utilities, our customers. The Company receives, as part of our de-manufacturing and recycling process, revenue from scrap dealers for refrigerant, steel, plastic, glass, copper and other residual items.

The Company accounts for revenue in accordance with Accounting Standards Codification 606 *Revenue from Contracts with Customers*.

Under the revenue standard revenue is recognized as follows:

The Company determines revenue recognition utilizing the following steps:

a.Identification of the contract, or contracts, with a customer,

b.Identification of the performance obligations in the contract,

c.Determination of the transaction price,

d.Allocation of the transaction price to the performance obligations in the contract, and

e.Recognition of revenue when, or as, we satisfy a performance obligation.

As part of its assessment of each contract, the Company evaluates certain factors including the customer’s ability to pay, or credit risk. For each contract, the Company considers the promise to transfer products or services, each of which is distinct, to be the identified performance obligations. In determining the transaction price, the price stated on the contract is typically fixed and represents the net consideration to which the Company expects to be entitled per order, and therefore there is no variable consideration. As the Company’s standard payment terms are less than 90 days, the Company has elected, as a practical expedient, to not assess whether a contract has a significant financing component. The Company allocates the transaction price to each distinct product or service based on its relative standalone selling price. The product or service price as specified on the contract is considered the standalone selling price as it is an observable source that depicts the price as if sold to a similar customer in similar circumstances.

Recycling Services and Byproduct Revenue

The Company generates revenue by providing pickup and recycling services. The Company recognizes revenue at the point in time when we have picked up a to be recycled appliance and transfer of ownership has occurred, and therefore the Company's performance obligations are satisfied, which typically occur upon pickup from the Company's end user’s home.

The Company generates other recycling byproduct revenue (the sale of copper, steel, plastic and other recoverable non-refrigerant byproducts) as part of its de-manufacturing process. The Company recognizes byproduct revenue upon delivery and transfer of control of byproduct to a third-party recycling customer, having a mutually agreed upon price per pound and collection reasonably assured. Transfer of control occurs at the time the customer is in possession of the byproduct material. Revenue recognized is a function of byproduct weight, type and in some cases volume of the byproduct delivered multiplied by the market rate as quoted.

Recycling Services and Byproduct revenue was $23.2 million and $21.6 million for the years ended December 31, 2022 and January 1, 2022, respectively.

Replacement Appliances Revenue

The Company generates revenue by providing replacement appliances. The Company recognizes revenue at the point in time when control over the replacement product is transferred to the end user, when its performance obligations are satisfied, which typically occur upon delivery from the Company's center facility and installation at the end user's home.

Replacement Appliances revenue was $16.3 million and $18.4 million for the years ended December 31, 2022 and January 1, 2022, respectively.

Contract Liability

Receivables are recognized in the period the Company ships the product, or provides the service. Payment terms on invoiced amounts are based upon contractual terms with each customer. When the Company receives consideration, or such consideration is unconditionally due, prior to transferring goods or services to the customer under the terms of a sales contract, the Company records deferred revenue, which represents a contract liability. The Company recognizes a contract liability as net sales once control of goods and/or services have been transferred to the customer and all revenue recognition criteria have been met and any constraints have been resolved. The Company defers recording product costs until recognition of the related revenue occurs.

Assets Recognized from Costs to Obtain a Contract with a Customer

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if it expects the benefit of those costs to be longer than one year. The Company has concluded that no material costs have been incurred to obtain and fulfill our FASB Accounting Standards Codification, or ASC 606 contracts, meet the capitalization criteria, and, as such, there are no material costs deferred and recognized as assets on the consolidated balance sheet at December 31, 2022 or January 1, 2022.

Other:

a. Taxes collected from customers and remitted to government authorities and that are related to sales of our products are excluded from revenues.

b. Sales commissions are expensed when incurred because the amortization period would have been one year or less. These costs are recorded in Selling, General and Administrative expense.

c. The Company does not disclose the value of unsatisfied performance obligations for (i) contracts with original expected lengths of one year or less or (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for the services performed.

Revenue recognized for Company contracts - approximately $35.0 million and $40.0 million for the years ended December 31, 2022 and January 1, 2022, respectively. Byproduct revenue is non-contract revenue and amounts for Byproduct revenue have been excluded from Revenue recognized for Company contracts for all periods presented.

Technology Revenue

The Company generates no revenue from its Technology segment. GeoTraq Inc. ("GeoTraq") was the Company's Technology segment. The Company suspended all operations for GeoTraq during the year ended January 1, 2022. On May 24, 2022, the Company sold substantially all of the GeoTraq assets . GeoTraq is being presented as a discontinued operation (see Note 27). As discussed previously, the accounts for the Technology segment have been presented as discontinued operations in the accompanying consolidated financial statements.

Shipping and Handling

The Company classifies shipping and handling charged to customers as revenues and classifies costs relating to shipping and handling as cost of revenues.

Advertising Expense

Advertising expense is charged to operations as incurred. Advertising expense was none and approximately $6,000 for the years ended December 31, 2022 and January 1, 2022, respectively.

Fair Value Measurements

ASC Topic 820, "Fair Value Measurements and Disclosures," requires disclosure of the fair value of financial instruments held by the Company. ASC Topic 825, "Financial Instruments," defines fair value, and establishes a three-level valuation hierarchy for disclosures of fair value measurement that enhances disclosure requirements for fair value measures. The three levels of valuation hierarchy are defined as follows: Level 1 - inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets. Level 2 – to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Income Taxes

The Company accounts for income taxes using the asset and liability method. The asset and liability method requires recognition of deferred tax assets and liabilities for expected future tax consequences of temporary differences that currently exist between tax bases and financial reporting bases of the Company's assets and liabilities. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided on deferred taxes if it is determined that it is more likely than not that the asset will not be realized. The Company recognizes penalties and interest accrued related to income tax liabilities in the provision for income taxes in its Consolidated Statements of Income.

Significant management judgment is required to determine the amount of benefit to be recognized in relation to an uncertain tax position. The Company uses a two-step process to evaluate tax positions. The first step requires an entity to determine whether it is more likely than not (greater than 50% chance) that the tax position will be sustained. The second step requires an entity to recognize in the financial statements the benefit of a tax position that meets the more-likely-than-not recognition criterion. The amounts ultimately paid upon resolution of issues raised by taxing authorities may differ materially from the amounts accrued and may materially impact the financial statements of the Company in future periods.

Lease Accounting

The Company accounts for leases in accordance with ASC 842 - *Leases* This accounting standard requires all lessees to record the impact of leasing contracts on the balance sheet as a right to use asset and corresponding liability. This is measured by taking the present value of the remaining lease payments over the lease term and recording a right to use asset ("ROU") and corresponding lease obligation for lease payments. Rent expense is realized on a straight-line basis and the lease obligation is amortized based on the effective interest method. The amounts recognized reflect the present value of remaining lease payments for all leases that have a lease term greater than 12 months. The discount rate used is an estimate of the Company's incremental borrowing rate based on information available at lease commencement.

In considering the lease asset value, the Company considers fixed or variable payment terms, prepayments and options to extend, terminate or purchase. Renewal, termination or purchase options affect the lease term used for determining lease asset value only if the option is reasonably certain to be exercised. The Company uses an estimate of its incremental borrowing rate based on information available at lease commencement in determining the present value of lease payments.

The Company leases warehouse facilities and office space. These assets and properties are generally leased under noncancelable agreements that expire at various dates through 2025 with various renewal options for additional periods. The agreements, which have, and continue to be, classified as operating leases, generally provide for base rent, and require us to pay all insurance, taxes and other maintenance costs. The Company's operating leases are exclusively for building space in the different cities in which the Company operates. The lease terms typically last from 2-5 years with some being longer or shorter depending on needs of the business and the lease partners. The Company has also engaged in month-to-month leases for parking spaces that the Company has elected to expense as incurred. Our lease agreements do not include variable lease payments. Our lessors do offer options to extend lease terms as leases expire and management evaluates against current rental markets and other strategic factors in making the decision to renew. When leases are within 6 months of being renewed, management will estimate probabilities of renewing for an additional term based on market and strategic factors and if the probability is more likely than not that the lease will be renewed, the financials will assume the lease is renewed under the lease renewal option.

The Company's operating leases do not contain residual value guarantees, and do not contain restrictive covenants. The Company currently has one sublease in Ontario, Canada.

Leases accounted for under ASC 842 were determined based on analysis of the lease contracts using lease payments and timing as documented in the contract. Non-lease contracts were also evaluated to understand if the contract terms provided for an asset that the Company controlled and provided us with substantially all the economic benefits. The Company did not observe any contracts with embedded leases. Lease contracts were reviewed, and distinctions made between non lease and lease payments. Only payments related to the lease of the asset were included in lease payment calculations.

Stock-Based Compensation

The Company from time to time grants stock options to employees, non-employees and Company executives and directors. Such awards are valued based on the grant date fair-value of the instruments. The value of each award is amortized on a straight-line basis over the vesting period.

Foreign Currency

The financial statements of the Company's non-U.S. subsidiary are translated into U.S. dollars in accordance with ASC 830, Foreign Currency Matters. Under ASC 830, if the assets and liabilities of the Company are recorded in certain non-U.S. functional currencies other than the U.S. dollar, they are translated at rates of exchange at year end. Revenue and expense items are translated at the average monthly exchange rates. The resulting translation adjustments are recorded directly into accumulated other comprehensive loss.

Earnings Per Share

Earnings per share is calculated in accordance with ASC 260, "*Earnings Per Share*". Under ASC 260 basic earnings per share is computed using the weighted average number of common shares outstanding during the period except that it does not include unvested restricted stock subject to cancellation. Diluted earnings per share is computed using the weighted average number of common shares and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of the incremental common shares issuable upon the exercise of warrants, options, restricted shares and convertible preferred stock. The dilutive effect of outstanding restricted shares, options and warrants is reflected in diluted earnings per share by application of the treasury stock method. Convertible preferred stock is reflected on an if-converted basis.

Segment Reporting

ASC Topic 280, "*Segment Reporting*," requires use of the "management approach" model for segment reporting. The management approach model is based on the way a Company's management organizes segments within the Company for making operating decisions and assessing performance. The Company determined it has three reportable segments (see Note 24).

Concentration of Credit Risk

The Company maintains cash balances at several banks in several states including, California, Minnesota and Nevada. Accounts are insured by the Federal Deposit Insurance Corporation up to $250,000 per institution. At times, balances may exceed federally insured limits.

Recently Issued Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments, which introduces a new approach to estimate credit losses on certain types of financial instruments based on expected losses instead of incurred losses. It also modifies the impairment model for available-for-sale debt securities and provides a simplified accounting model for purchased financial assets with credit deterioration since their origination. ASU No. 2016-13 is effective for smaller reporting companies for fiscal years beginning after December 15, 2022 and interim periods within those fiscal years. Early adoption is permitted. The Company is currently assessing the impact of adopting this new accounting standard on our Consolidated Financial Statements and related disclosures.

Note 3: Mergers and Acquisitions

Soin Pharmaceuticals

Effective as of December 28, 2022, the Company acquired Soin Therapeutics LLC, a Delaware limited liability company ("STLLC"), and its product, a patent-pending, novel formulation of low-dose naltrexone. The product is being developed for the treatment of Complex Regional Pain Syndrome (CRPS), an indication that causes severe, chronic pain generally affecting the arms or legs. At present, there are no truly effective treatments for CRPS. Because of the relatively small number of patients afflicted with CRPS, the FDA has granted Orphan Drug Designation for any product approved for treatment of CRPS. This designation will provide the Company with tax credits for its clinical trials, exemption of user fees, and the potential of seven years of market exclusivity following approval. In addition, development of orphan drugs currently also involves smaller trials and quicker times to approval, given the limited number of patients available to study. However, there can be no assurance that the product will receive FDA approval or that it will result in material sales.

In anticipation of the closing of the merger, the Company formed a merger subsidiary known as STI Merger Sub, Inc., a Delaware corporation (our "Merger Sub"), and designated a series of 200,000 shares of its preferred stock, stated value of $300.00 per share (the "Series S Convertible Preferred Stock" or the "Series S Stock") (see Note 19). The acquisition was memorialized by an Agreement and Plan of Merger, dated as of December 28, 2022 (the "Merger Agreement"), by and among STLLC, Amol Soin, M.D., the sole stockholder of STLLC ("Dr. Soin"), the Company's Merger Sub, and us.

For not less than six months after the closing and potentially up to approximately one year from the closing, Dr. Soin will remain the Company's Chief Medical Officer.

At the closing of the merger, (i) our Merger Sub merged with and into STLLC with STLLC as the surviving entity and (ii) the Company issued 100,000 shares of its Series S Stock to Dr. Soin. This all-stock transaction has an initial value of $13,000,000, potentially increasing by an additional $17,000,000 to up to a total value of $30,000,000, depending on revenues generated by the STLLC product. Dr. Soin agreed to certain restrictions on the maximum number of shares of Series S Stock that he may ultimately keep or that he may convert into shares of our common stock or sell into the public markets at any given time: (i) Dr. Soin may not convert shares of Series S Stock into shares of the Company's common stock in an amount such that, upon any such conversion, he beneficially own shares of the Company's common stock in excess of 4.99% of the Company's then-outstanding common stock and (ii) during the five-year period that commences on the date that Dr. Soin is first eligible to convert any shares of Series S Stock into shares of the Company's common stock, he will not dispose of any of such shares into the public markets in an amount that exceeds five percent of the daily trading volume of the Company's common stock during any trading day.

Dr. Soin may convert up to three million dollars of value of the Series S Stock into shares of the Company's common stock commencing one year from the closing and may convert up to an additional $10 million of value of the Series S Stock into shares of the Company's common stock from and after the sooner of (y) the issuance by the FDA of New Drug Approval for low-dose naltrexone for treating pain or (z) 10 years from the closing. Further, during the 10-year period following the closing, Dr. Soin may convert up to an additional $17 million of value at a rate of five percent of the gross revenues that the Company receives in connection with sales or license revenue from the product.

At the completion of the merger, the Company performed a screen test, as defined in ASC 805 ("*Business Combinations")*, to determine whether the Soin Pharmaceutical merger was considered a business combination or an asset acquisition. The results of the screen test revealed that substantially all of the fair value was concentrated in a group of similar assets, and that the assets did not possess the inputs, outputs, nor processes required to be considered a business, as defined in ASC 805. Consequently, no goodwill was recognized as part of this transaction.

The fair value of the Series S Stock issued in connection with the merger, as valued by a third-party, independent, valuation firm was approximately $14.5 million. The assets acquired by the Company consist of 1) three pending patents related to the methods of using low-dose Naltrexone to treat chronic pain, 2) final formula for Naltrexone, and 3) orphan drug designation as approved by the FDA. The Company reviewed the assets acquired and determined that no in-process research and development costs were acquired as part of the transaction, and, thus, all assets acquired represent intellectual property and should be capitalized. Consequently, the Company has recorded the assets as intangible assets on its consolidated balance sheets. In addition, the Company recognized a deferred tax liability of $4.8 million. The total value of the intangible assets purchased is $19.3 million. The Company will amortize the intangible assets ratably over a 10-year period (see Note 9). Because of certain conversion features of the Series S Stock that place redemption of these shares outside the control of the Company, the Series S Stock will be presented as mezzanine equity on the Company's consolidated balance sheets.

Note 4: Trade and other receivables

The Company's trade and other receivables are as follows (in $000's):

	December 31, 2022	January 1, 2022
Trade receivables, net	$ 7,312	$ 6,105
Factored accounts receivable	—	(2,194)
Prestige Capital reserve receivable	—	172
Other receivables	610	137
Trade and other receivables, net	$ 7,922	$ 4,220
Trade accounts receivable	$ 5,497	$ 4,449
Un-billed trade receivables	1,815	1,656
Total trade receivables, net	$ 7,312	$ 6,105

Prestige Capital

On March 26, 2018, Appliance Recycling Centers of America, Inc. ("ARCA") entered into a purchase and sale agreement with Prestige Capital Corporation ("Prestige Capital"), whereby from time to time ARCA can factor certain accounts receivable to Prestige Capital up to a maximum advance and outstanding balance of $7.0 million. Discount fees ultimately paid depend upon how long an invoice and related amount is outstanding from ARCA's customer. Prestige Capital has been granted a security interest in all ARCA accounts receivable. The term of the purchase and sale agreement is six months from March 26, 2018, and is automatically extended for successive six month periods unless cancelled by either party under the terms of the agreement. On September 26, 2022, in connection with ARCA Recycling's refinancing with Gulf Coast Bank and Trust Company (see Note 16), the Company terminated the agreement.

Note 5: Note receivable

ApplianceSmart

On December 30, 2017, the Company sold its retail appliance segment, ApplianceSmart, Inc. ("ApplianceSmart") to ApplianceSmart Holdings LLC (the "Purchaser"), a wholly owned subsidiary of Live Ventures Incorporated, a related party, pursuant to a Stock Purchase Agreement (the "Agreement"). Pursuant to the Agreement, the Purchaser purchased from the Company all of the issued and outstanding shares of capital stock of ApplianceSmart in exchange for $6.5 million. On April 25, 2018, the Purchaser delivered to the Company a promissory note (the "ApplianceSmart Note") in the original principal amount of approximately $3.9 million.

On December 9, 2019, ApplianceSmart filed a voluntary petition in the United States Bankruptcy Court for the Southern District of New York seeking relief under Chapter 11 of Title 11 of the United States Code. Consequently, the Company recorded an impairment charge of approximately $3.0 million for the amount owed by ApplianceSmart to the Company as of December 28, 2019.

On October 13, 2021, a hearing was held to consider approval of a disclosure statement filed by ApplianceSmart in conjunction with its bankruptcy proceedings. On December 14, 2021, a hearing was held to confirm ApplianceSmart's plan for reorganization (the "Plan"). On January 10, 2022, ApplianceSmart paid $25,000 to JanOne in settlement of its debt, as provided for in the confirmed Plan, and the ApplianceSmart Note was reversed. A final decree was issued by the court on February 28, 2022, upon the full satisfaction of the Plan, at which time ApplianceSmart emerged from Chapter 11. The outstanding balance of the ApplianceSmart Note at December 31, 2022 and January 1, 2022 was $0.00 and approximately $3.0 million, respectively, exclusive of the impairment charge.

GeoTraq

On May 24, 2022, the Company entered into an Asset Purchase Agreement with SPYR Technologies Inc. ("SPYR"), pursuant to which the Company sold to SPYR substantially all of the assets and none of the specified liabilities of GeoTraq, as discussed in Note 27 below. In connection with the Purchase Agreement, SPYR delivered to the Company a five-year Promissory Note in the initial principal amount of $12.6 million. The Promissory Note bears simple interest at the rate of 8% per annum, provides quarterly interest payments due on the first day of each calendar quarter, and may be prepaid at any time without penalty. Interest payments may be remitted in either restricted shares of common stock of SPYR, or in cash. The Promissory Note matures on May 24, 2027. For the year ended December 31, 2022, the Company recorded an accrued receivables aggregating approximately $610,000 in interest income related to Promissory Note.

As of December 31, 2022, no interest payments had been received in connection with the Asset Purchase Agreement. SPYR is reviewing options to issue shares permitting it to remain in compliance with the Asset Purchase Agreement and not violate rules as set forth by the SEC. Any future shares of SPYR stock issued to the Company will be restricted. On March 15, 2023, the Company received 550 shares of SPYR's Series G Preferred stock in payment for the accrued interest receivable as of December 31, 2022. However, because the value of SPYR's stock price had decreased significantly between the time the interest was accrued and when it was paid, and because the interest was paid in stock, the Company reversed approximately $517,000 of the $610,000 accrued.

In connection with the asset sale, the Company engaged a third-party valuation firm to assess the fair value of the consideration received. Based on the valuation, the Promissory Note ("Note") was valued at approximately $11.3 million. The amount of the discount, or approximately $1.3 million, has been recorded as an offset to the principal amount of the Note, and will be accreted ratably to interest income over the term of the Note. At December 31, 2022, the Company reviewed the original valuation of the Promissory Note to determine if the original 10.5% used to discount the Note was appropriate. In connection with this review, the Company determined that the discount rate should be revised to 14.5%. Consequently, the Company took a $1.85 million charge against income in its restatement of the 13 and 26 weeks ended July 2, 2022, as discussed previously. Further, the Company recorded an additional $813,000 charge against income for the year ended December 31, 2022 due to SPYR's declining financial trends.

The balance appearing on the Company's consolidated balance sheets represents the principal balance of the Promissory Note, net of the discount balance. During the fiscal years ended December 31, 2022 and January 1, 2022,

approximately $387,000 and $0.00, respectively, of the discount was recorded as interest income. As of December 31, 2022, the net principal balance on the Note was approximately $9.0 million.

Note 6: Inventory

Inventories, consisting principally of appliances, are stated at the lower of cost, determined on a specific identification basis, or net realizable value, and consist of the following (in $000's):

	December 31, 2022	January 1, 2022
Appliances held for resale	$ 366	$ 1,104
Inventory from continuing operations	366	1,104
Inventory from discontinued operations	—	105
Total inventory	$ 366	$ 1,209

The Company provides estimated provisions for the obsolescence of its appliance inventories, as necessary, including adjustments to net realizable value, based on various factors, including the age of such inventory and management's assessment of the need for such provisions. The Company looks at historical inventory aging reports and margin analyses in determining its provision estimate. A revised cost basis is used once a provision for obsolescence is recorded. No provision for obsolescence was recorded during the years ended December 31, 2022, or January 1, 2022.

Note 7: Prepaids and other current assets

Prepaids and other current assets consist of the following (in $000's):

	December 31, 2022	January 1, 2022
Prepaid insurance	$ 465	$ 493
Prepaid rent	—	180
Prepaid other	305	750
Total prepaids and other current assets	$ 770	$ 1,423

Note 8: Property and equipment

Property and equipment consist of the following (in $000's):

	Useful Life (Years)	December 31, 2022	January 1, 2022
Buildings and improvements	3-30	$ 85	$ 80
Equipment	3-15	3,915	3,597
Projects under construction		1,447	851
Property and equipment		5,447	4,528
Less accumulated depreciation		(2,742)	(2,417)
Total property and equipment, net, from continuing operations		2,705	2,111
Property and equipment, net, from discontinued operations		—	2
Total property and equipment, net		$ 2,705	$ 2,113

Depreciation expense was approximately $328,000 and $192,000 for the fiscal years ended December 31, 2022 and January 1, 2022, respectively.

Equipment Financing Agreement

On March 25, 2021, ARCA Recycling entered into a Master Equipment Finance Agreement (collectively, the "Equipment Finance Agreement") with KLC Financial, Inc. ("KLC"). Under the terms of the Equipment Finance Agreement, KLC has agreed to make loans to ARCA Recycling secured by certain equipment purchased or to be purchased by ARCA Recycling on terms set forth or to be set forth in schedules to the Equipment Finance Agreement. Under the terms of Schedule No. 01 (the "Initial Loan"), KLC has agreed to loan ARCA Recycling approximately $1.8 million secured by existing equipment of and new equipment to be purchased by ARCA Recycling. ARCA Recycling will make monthly payments of $31,000, inclusive of principal and interest, over a period of five years, at which time it is intended that the Initial Loan will be repaid in full. The Initial Loan bears interest at 7.59% per annum. KLC will have a first priority security interest over, among other things, all equipment identified in the schedules. The Initial Loan is guaranteed by Virland Johnson, the Chief Financial Officer of JanOne and Chief Financial Officer and Secretary of ARCA Recycling. The Equipment Finance Agreement contains customary affirmative and negative covenants, representations and warranties, and events of default for transactions of this nature. On September 26, 2022, ARCA Recycling, Inc. entered into a series of agreements with Gulf Coast Bank and Trust Company to refinance its existing credit facility with Prestige Capital (see Note 16).

On May 4, 2022, ARCA Recycling entered into a second Equipment Finance Agreement with KLC. Under the terms of the Equipment Finance Agreement, KLC has agreed to make loans to ARCA Recycling secured by certain equipment purchased or to be purchased by ARCA Recycling on terms set forth or to be set forth in schedules to the Equipment Finance Agreement. Under the terms of Schedule No. 01 ("Second Loan"), KLC has agreed to loan ARCA Recycling an additional $366,280 secured by existing equipment and new equipment to be purchased by ARCA Recycling. ARCA Recycling will make an advance payment of $7,665, and then monthly payments of $7,665, inclusive of principal and interest, which is not specifically stated in the agreement, over a period of five years, at which time it is intended that the Second Loan will be repaid in full. KLC will have a first priority security interest over, among other things, all equipment identified in the schedules. The Second Loan is personally guaranteed by Virland Johnson, the Chief Financial Officer of JanOne and Chief Financial Officer and Secretary of ARCA Recycling. The Equipment Finance Agreement contains customary affirmative and negative covenants, representations and warranties, and events of default for transactions of this nature (see Note 16).

Note 9: Intangible assets

Intangible assets as of consist of the following (in $000's):

	December 31, 2022	January 1, 2022
Soin intangibles	$ 19,293	$ —
Patents and domains	23	23
Computer software	5,245	4,559
Total intangible assets	24,561	4,582
Less accumulated amortization	(4,528)	(4,314)
Total intangible assets, net	$ 20,033	$ 268

Intangible amortization expense for continuing operations was approximately $229,000 and $4.0 million, respectively, for the fiscal years ended December 31, 2022 and January 1, 2022.

Soin Intangible Assets

Effective as of December 28, 2022, the Company acquired Soin Therapeutics LLC, a Delaware limited liability company ("STLLC"), and its product, a patent-pending, novel formulation of low-dose naltrexone. The assets acquired by the Company consist of 1) three pending patents related to the methods of using low-dose Naltrexone to treat chronic pain, 2) final formula for Naltrexone, and 3) orphan drug designation as approved by the FDA. The Company reviewed the assets acquired and determined that no in-process research and development costs were acquired as part of the transaction, and, thus, all assets acquired represent intellectual property and should be capitalized. The Company will amortize the intangible assets ratably over a 10-year period (see Note 3).

GeoTraq Intangible Asset

During the fiscal year ended January 1, 2022, the Company determined that long-term revenue projections for the Technology segment would be unattainable, and, as such, performed a qualitative assessment of the GeoTraq intangible asset, in accordance with ASC 350-30, *General intangibles other than goodwill*. The triggering events for this assessment were 1) its history of negative cash flows and operating losses since acquisition, 2) no foreseeable revenues during the final three years of its useful life such that would allow for full cost recovery, and, 3) no further investment in GeoTraq is imminent due to the Company's lack of resources (human and financial). The assessment further concluded that any opportunities for investment from outside the Company was minimal due to barriers to entry, and inflationary and supply-chain-related issues. Consequently, during the year ended January 1, 2022, the Company took a full write-down of the unamortized portion of the GeoTraq intangible asset of approximately $9.8 million.

Note 10: Marketable Securities

Marketable securities consist of the following (in $000's, except shares):

	Shares	Amount
Beginning balance, January 1, 2022	—	$ —
Securities received	30,000,000	946
Mark-to-market	—	(631)
Ending balance, December 31, 2022	30,000,000	$ 315

Marketable securities reflect shares of SPYR stock received by the Company in connection with the sale of GeoTraq (see Note 27 below). Shares held are marked to fair market value as of each balance sheet date, with the resulting change recorded as an unrealized gain or loss. Unrealized loss recorded for the year ended December 31, 2022 was approximately $631,000. No unrealized gain or loss on marketable securities was recorded for the year ended January 1, 2022.

Note 11: Deposits and other assets

Deposits and other assets consist of the following (in $000's):

	December 31, 2022	January 1, 2022
Deposits	$ 251	$ 1,513
Other	15	43
Total deposits and other assets	$ 266	$ 1,556

During the year ended December 31, 2022, the deposit for a refundable "deposit in lieu of bond", in the amount of $1.3 million, relating to the Skybridge matter was reclassified due to settlement of this matter (see Note 17 below). The balance remaining is for refundable security deposits with landlords from which the Company leases property.

Note 12: Leases

The Company accounts for leases in accordance with ASC 842. The amount recorded is the present value of all remaining lease payments for leases with terms greater than 12 months. The right of use asset is offset by a corresponding liability. The discount rate is based on an estimate of our incremental borrowing rate for terms similar to our lease terms at the time of lease commencement. The asset is amortized over remaining lease terms. See Lease Accounting in Note 2.

Total present value of future lease payments as of December 31, 2022 (in $000's):

2023	$	1,998
2024		1,698
2025		1,158
2026		981
2027		445
Total		6,280
Less interest		(832)
Present value of payments	$	5,448

During the years ended December 31, 2022 and January 1, 2022, approximately $3.7 million and $1.5 million, respectively, was included in operating cash flow for amounts paid for operating leases.

The Company obtained right-of-use assets in exchange for lease liabilities of approximately $4.0 million upon commencement of operating leases during the year ended December 31, 2022. The weighted average lease term for operating leases is 3.6 years and the weighted average discount rate is 8.15%.

Note 13: Accrued liabilities

Accrued liabilities of continuing consist of the following (in $000's):

	December 31, 2022	January 1, 2022
Compensation and benefits	$ 767	$ 731
Contract liability	290	17
Accrued incentive and rebate checks	2,037	1,427
Accrued transportation costs*	—	904
Accrued guarantees	130	767
Accrued purchase orders	—	23
Accrued taxes	223	543
Accrued litigation settlement	510	680
Other	326	140
Total accrued liabilities	$ 4,283	$ 5,232

*Accrued transportation costs are related to delayed billing from certain vendors.

Contract liabilities rollforward

The following table summarizes the contract liability activity (in $000's):

Beginning balance, January 2, 2021	$	292
Accrued		180
Settled		(455)
Ending balance, January 1, 2022		17
Accrued		2,109
Settled		(1,836)
Ending balance, December 31, 2022	$	290

Note 14: Accrued liability – California sales tax

The Company operates in fourteen states in the U.S. and in various provinces in Canada. From time to time, the Company is subject to sales and use tax audits that could result in additional taxes, penalties and interest owed to various taxing authorities.

The California Department of Tax and Fee Administration (formerly known as the California Board of Equalization) ("CDTFA") conducted a sales and use tax examination covering ARCA Recycling's California operations for the years 2011, 2012 and 2013. The Company believed it was exempt from collecting sales taxes under service agreements with utility customers that included appliance replacement programs. During the fourth quarter of 2014, the Company received communication from the CDTFA indicating they were not in agreement with the Company's interpretation of the law. Consequently, the Company applied for and, as of February 9, 2015, received approval to participate in the CDTFA's Managed Audit Program. The period covered under this program included years 2011, 2012, 2013 and extended through the nine-month period ended September 30, 2014.

On April 13, 2017 the Company received the formal CDTFA assessment for sales tax for tax years 2011, 2012 and 2013 in the amount of approximately $4.1 million plus applicable interest of approximately $500,000 related to the appliance replacement programs that the Company administered on behalf of its customers on which it did not assess, collect or remit sales tax. The Company has appealed this assessment to the CDTFA Appeals Bureau. The appeal remains in process. Interest continues to accrue until the matter is settled.

As of December 31, 2022 and January 1, 2022, the Company's accrued liability for California sales tax was approximately $6.3 million and $6.0 million, respectively.

Note 15: Income taxes

For fiscal years ended December 31, 2022, and January 1, 2022, the Company recorded an income tax benefit from continuing operation of approximately $6.7 million and an income tax provision of $273,000, respectively, and an income tax provision from discontinued operations of approximately $2.2 million and $0, respectively, which consisted of the following (in $000's):

	Fiscal Years Ended	
	December 31, 2022	January 1, 2022
Current tax expense:		
State	$ 32	$ 75
Federal	45	—
Current tax expense	77	75
Deferred tax benefit - domestic	(4,589)	198
Total (benefit) provision of income taxes	$ (4,512)	$ 273

A reconciliation of the Company's income tax benefit (provision) with the federal statutory tax rate for the fiscal years ended December 31, 2022, and January 1, 2022, respectively, is shown below:

	Fiscal Years Ended	
	December 31, 2022	January 1, 2022
U.S statutory rate	21.0 %	21.0 %
Federal income tax for installment sale	0.6 %	0.0 %
State tax rate	5.5 %	4.3 %
Foreign rate differential	-0.2 %	0.2 %
Permanent differences	0.4 %	2.3 %
Change in tax rates	2.8 %	0.2 %
Benefit from CARES Act carryback claim	0.0 %	-1.2 %
Change in valuation allowance	-96.4 %	-27.5 %
Other	0.4 %	-0.9 %
	-65.9 %	-1.6 %

Income (loss) before provision of income taxes was derived from the following sources for fiscal years December 31, 2022 and January 1, 2022, respectively, as shown below (in $000's):

	Fiscal Years Ended	
	December 31, 2022	January 1, 2022
United States	$ 6,717	$ (16,074)
Canada	(237)	(540)
Total	$ 6,480	$ (16,614)

The components of net deferred tax assets (liabilities) as of December 31, 2022 and January 1, 2022, respectively, are as follows (in $000's):

	December 31, 2022	January 1, 2022
Deferred tax assets (liabilities):		
Allowance for bad debts	$ —	$ 795
Accrued expenses	1,723	2,118
Accrued compensation	82	91
Section 174 expenses	92	—
Prepaid expenses	(184)	(375)
Net operating loss	5,494	4,440
Lease liability	39	25
Tax credits	3	92
Share-based compensation	171	219
Intangibles	(4,782)	(5)
Property and equipment	(483)	(407)
Installment sale	(2,114)	—
Unrealized losses	305	148
Section 163(j) interest	363	361
	709	7,502
Less: valuation allowance	(904)	(7,502)
Net deferred tax assets (liabilities)	$ (195)	$ —

As of December 31, 2022, the Company has net operating loss carryforwards of approximately $18.8 million for federal income tax purposes, which will be available to offset future taxable income. Due to recent tax legislation, these net operating losses are eligible for indefinite carryforward, limited by certain taxable income limitations. The Company evaluates all available evidence to determine if a valuation allowance is needed to reduce its deferred tax assets. During the fourth quarter, management has released the valuation allowance of approximately $6.6 million which they believe will be utilized in the near future. The Company continues to have a full valuation allowance on certain foreign net operating losses. Management concluded that no valuation allowance was necessary, based on taxable temporary differences reversing in the near future to utilize tax attributes. The Company has recorded a valuation allowance of $0.9 million and $7.5 million as of December 31, 2022, and January 1, 2022, respectfully.

The Company annually conducts an analysis of its uncertain tax positions and has concluded that it has no uncertain tax positions as of December 31, 2022. The Company's policy is to record uncertain tax positions as a component of income tax expense.

The Company files U.S. and state income tax returns in jurisdictions with differing statutes of limitations. The 2018 through 2022 tax years remain subject to selection for examination as of December 31, 2022. None of the Company's income tax returns are currently under audit. During the fourth quarter of fiscal 2022, the Company released the valuation allowance of approximately $6.6 million which they believe will be utilized in the near future. The Company continues to have a full valuation allowance on certain foreign net operating losses. The Company concluded that no valuation allowance was necessary, based on taxable temporary differences reversing in the near future. The Company has recorded a valuation allowance of $0.9 million and $7.5 million as of December 31, 2022 and January 1, 2022, respectfully.

Note 16: Long-term debt

Long-term debt and other financing obligations consist of the following (in $000's):

	December 31, 2022	January 1, 2022
AFCO Finance	$ 274	$ 288
KLC Financial	1,781	1,654
Gulf Coast Bank and Trust Company	4,206	—
Total debt	6,261	1,942
Less unamortized debt issuance costs	(95)	(74)
Net amount	6,166	1,868
Less current portion	(4,827)	(550)
Total long-term debt	$ 1,339	$ 1,318

Future maturities of long-term debt at December 31, 2022 are as follows and does not include related party debt (in $000's):

For the fiscal year ended	
2023	$ 4,827
2024	336
2025	403
2026	435
2027	165
Thereafter	—
Total future maturities of long-term debt	$ 6,166

AFCO Finance

The Company has entered into a financing agreement with AFCO Credit Corporation ("AFCO") purchased through Marsh Insurance on an annual basis to fund the annual premiums on insurance policies due July 1 of each year. These policies relate to workers' compensation and various liability policies including, but not limited to, General, Auto, Umbrella, Property, and Directors' and Officers' insurance. The total amount of the premiums financed in July 2022 was approximately $516,000 with an interest rate ranging from approximately 6.0% over the period. An initial down payment of approximately $129,000 was made on July 21, 2022 with additional monthly payments of approximately $59,000, escalating to approximately $69,000 over the term, being made beginning August 1, 2022 and ending on April 1, 2023.

The outstanding principal due AFCO at December 31, 2022 and January 1, 2022 was approximately $274,000 and $288,000, respectively.

Payroll Protection Program

On May 1, 2020, the Company entered into a promissory note (the "Promissory Note") with Texas Capital Bank, N.A. that provides for a loan in the amount of approximately $1.8 million (the "PPP Loan") pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). The PPP Loan was forgiven during the first quarter of fiscal 2021.

KLC Financial

On March 25, 2021, ARCA Recycling entered into a Master Equipment Finance Agreement (collectively, the "Equipment Finance Agreement") with KLC Financial, Inc. ("KLC"). Under the terms of the Equipment Finance Agreement, KLC has agreed to make loans to ARCA Recycling secured by certain equipment purchased or to be purchased by ARCA Recycling on terms set forth or to be set forth in schedules to the Equipment Finance Agreement. Under the terms of Schedule No. 01 (the "Initial Loan"), KLC has agreed to loan ARCA Recycling approximately $1.8 million secured by existing equipment and new equipment to be purchased by ARCA Recycling. ARCA Recycling will make monthly payments of $31,000, inclusive of principal and interest, over a period of five years, at which time it is intended that the Initial Loan will be repaid in full. The Initial Loan bears interest at 7.59% per annum. KLC will have a first priority security interest over, among other things, all equipment identified in the schedules. The Initial Loan is personally guaranteed by Virland Johnson, the Chief Financial Officer of JanOne and Chief Financial Officer and Secretary of ARCA Recycling. The Equipment Finance Agreement contains customary affirmative and negative covenants, representations and warranties, and events of default for transactions of this nature. As of December 31, 2022 and January 1, 2022, the outstanding principal and interest due under this agreement was approximately $1.7 million and $2.0 million, respectively.

On May 4, 2022, ARCA Recycling entered into a second Equipment Finance Agreement with KLC. Under the terms of the Equipment Finance Agreement, KLC has agreed to make loans to ARCA Recycling secured by certain equipment purchased or to be purchased by ARCA Recycling on terms set forth or to be set forth in schedules to the Equipment Finance Agreement. Under the terms of Schedule No. 01 ("Second Loan"), KLC has agreed to loan ARCA Recycling an additional $366,280 secured by existing equipment and new equipment to be purchased by ARCA Recycling. ARCA Recycling will make an advance payment of $7,665, and then monthly payments of $7,665, inclusive of principal and interest, which is not specifically stated in the agreement, over a period of five years, at which time it is intended that the Second Loan will be repaid in full. KLC will have a first priority security interest over, among other things, all equipment identified in the schedules. The Second Loan is personally guaranteed by Virland Johnson, the Chief Financial Officer of JanOne and Chief Financial Officer and Secretary of ARCA Recycling. The Equipment Finance Agreement contains customary affirmative and negative covenants, representations and warranties, and events of default for transactions of this nature. As of December 31, 2022 and January 1, 2022, the outstanding principal and interest due under this agreement was approximately $429,279 and $0, respectively.

Gulf Coast Bank and Trust Company

On September 26, 2022, ARCA Recycling, Inc. entered into a series of agreements with Gulf Coast to refinance its existing credit facility with Prestige Capital (see Note 4). The principal limit of the refinanced facility is $7.0 million, and the borrowing base is the lesser of the principal limit or the sum of the following:

1. 85% of eligible receivables, plus
2. Lesser of 50% of eligible unbilled receivables or $750,000, plus
3. Lesser of 50% of eligible Whirlpool only net inventory or $1.0 million, plus
4. Lesser of 80% of eligible capital expenditures ("CAPEX") or $2.0 million, less
5. Reserve of $400,000, less
6. Additional reserves as deemed necessary by the Lender

Advances under the new credit facility will bear interest at the prime rate, as published daily in the Wall Street Journal, plus 3.25%, but at no time will be less than 8.75%. The refinancing of the Borrower's existing credit facility improves the availability and liquidity of funds and provides flexibility to borrow against expanded asset categories. The facility matures on September 25, 2024; and, the facility is automatically extended by succeeding periods of the same duration, unless terminated earlier in accordance with its terms. If the agreement is terminated and the obligation is repaid before the current maturity date, for any reason, the Borrower shall be assessed an early termination fee. The early termination fee is determined by multiplying the minimum amount in effect at the time of termination by the number of calendar months between the termination date and the then-current maturity date. However, no early termination fee shall be assessed if the Borrower repays all obligations after the first anniversary of the agreement and before the then-current maturity date; and repays all obligations with funds borrowed from the Lender. Advances under the new credit facility are secured by a pledge of substantially all of the assets of the Borrower. The Company is a guarantor of the facility. As of December 31, 2022 and January 1, 2022, the outstanding balance due under this agreement was approximately $4.2 million and $0, respectively. As of December 31, 2022, availability on this credit facility was approximately $470,000.

Note 17: Commitments and Contingencies

Litigation

SEC Complaint

On August 2, 2021, the U.S. Securities and Exchange Commission ("SEC") filed a civil complaint (the "SEC Complaint") in the United States District Court for the District of Nevada naming the Company and one of its executive officers, Virland Johnson, the Company's Chief Financial Officer, as defendants (collectively, the "Defendants").

The SEC Complaint alleges financial, disclosure and reporting violations against the Company and the executive officer under Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 10b-5. The SEC Complaint also alleges various claims against the executive officer under Sections 13(a), 13(b)(2)(A), 13(b)(2)(B) and 13(b)(5) of the Exchange Act and Rules 12b-20, 13a-1, 13a-13, 13a-14, 13b2-1, and 13b2-2. The SEC seeks permanent injunctions and civil penalties against the Defendants, and an officer-and-director bar against the executive officer. The foregoing is only a general summary of the SEC Complaint, which may be accessed on the SEC's website at https://www.sec.gov/litigation/litreleases/2021/lr25155.htm.

The Company continues to assert that the SEC's pursuit of this matter will not result in any benefit to investors and instead will only serve as a distraction from core business. On October 1, 2021, the Company, filed a motion with the court to dismiss the complaint. The SEC filed its response opposing the motions on November 1, 2021. On September 7, 2022, the motions to dismiss were denied by the court. Pursuant to the automatic stay of proceedings under the Private Securities Litigation Reform Act, all discovery was stayed pending the motions to dismiss and continues to be stayed pending the June 23, 2023 mediation to which all of the parties have agreed.

The Defendants strongly dispute and deny the allegations and are vigorously defending themselves against the claims.

Skybridge

On December 29, 2016, the Company served a Minnesota state court complaint for breach of contract on Skybridge Americas, Inc. ("SA"), the Company's primary call center vendor throughout 2015 and most of 2016. The Company seeks damages in the millions of dollars as a result of alleged overcharging by SA and lost client contracts. On January 25, 2017, SA served a counterclaim for unpaid invoices in the amount of approximately $460,000 plus interest and attorneys' fees. On March 29, 2017, the Hennepin County district court (the "District Court") dismissed the Company's breach of contract claim based on SA's overuse of its Canadian call center but permitted the Company's remaining claims to proceed. Following motion practice, on January 8, 2018 the District Court entered judgment in SA's favor, which was amended as of February 28, 2018, for a total amount of approximately $614,000 including interest and attorneys' fees. On March 4, 2019, the Minnesota Court of Appeals (the "Court of Appeals") ruled and (i) reversed the District Court's judgment in favor of Skybridge on the call center location claim and remanded the

issue back to the District Court for further proceedings, (ii) reversed the District Court's judgment in favor of Skybridge on the net payment issue and remanded the issue to the District Court for further proceedings, and (iii) affirmed the District Court's judgment in Skybridge's favor against the Company's claim that Skybridge breached the contract when it failed to meet the service level agreements. As a result of the decision by the Court of Appeals, the District Court's award of interest and attorneys' fees, etc. was reversed. The Company and SA held a mediation session in July 2020. Trial was held in August 2020 and on February 1, 2021, the District Court assessed damages against the Company in the amount of approximately $715,000 plus interest, fees, and costs and attorneys' fees of $475,000. In subsequent proceedings, the Appeals Court affirmed the District Court judgment. Of the total amount awarded to SA, less the funds that the Company had previously deposited with the District Court, SA remains entitled to approximately $382,000 of statutory interest, which obligation has been assumed by the Buyer in connection with the ARCA and Subsidiaries Disposition transaction (see Note 29).

AMTIM Capital

AMTIM Capital, Inc. ("AMTIM") acts as the Company's representative to market our recycling services in Canada under an arrangement that pays AMTIM for revenues generated by recycling services in Canada as set forth in the agreement between the parties. A dispute has arisen between AMTIM and the Company with respect to the calculation of amounts due to AMTIM pursuant to the agreement. In a lawsuit filed by AMTIM in the province of Ontario, AMTIM claims a discrepancy in the calculation of fees due to AMTIM by the Company of approximately $2.0 million. Trial commenced in February 2022, and, on December 12, 2022, a decree was issued by the court dismissing the case.

GeoTraq

On or about April 9, 2021, GeoTraq, Gregg Sullivan, Tony Isaac, and we, among others, resolved all of their claims that related to, among other items, the Company's acquisition of GeoTraq in August 2017, all post-acquisition activities, and Mr. Sullivan's post-acquisition employment relationship with GeoTraq (all of such claims, the "GeoTraq Matters"). The resolution was effectuated through the parties' execution and delivery of a Settlement Agreement and Mutual Agreement of Claims (the "GeoTraq Settlement Agreement").

Under the terms of the Settlement Agreement, the Company, on its own behalf and on behalf of GeoTraq and Mr. Isaac, agreed to tender to Mr. Sullivan an aggregate of $1.95 million (the "GeoTraq Settlement Consideration") in the following manner: (i) $250,000, which was tendered in cash on or about the date of the Settlement Agreement and (ii) up to 10 quarterly installments of not less than $170,000 that commenced on June 1, 2021, and shall continue not less frequently than every three months thereafter (the "GeoTraq Installments"). The Company may tender the GeoTraq Installments in cash or in the equivalent value of shares of its common stock (the value of the shares to be determined by a formula set forth in the Settlement Agreement), in either case at the Company's discretion. The Company may also prepay one or more GeoTraq Installments in full or in part at any time or from time to time either in cash or in shares of its common stock (a "GeoTraq Prepayment"). If the Company elects to prepay one or more GeoTraq Installments with shares of its common stock, Mr. Sullivan reserves the right not to consent to a tender thereof in excess of 50% of the value of that specific GeoTraq Prepayment; however, Mr. Sullivan is restricted in the reasons for which he can refuse to provide his written consent. The number of shares of the Company's common stock to be issued upon any GeoTraq Prepayment is determined by a different formula than the one to be utilized for a GeoTraq Installment.

Pursuant to the terms of the Settlement Agreement, Mr. Sullivan provided the Company with his proxy to vote his remaining shares of its Series A-1 Convertible Preferred Stock that the Company had issued to him in connection with its acquisition of GeoTraq in 2017, as well as his proxy for the shares of the Company's common stock into which those shares of preferred stock may be converted. The Company may utilize the proxy in the context of an annual meeting of its stockholders, a special meeting of its stockholders, and a written consent of its stockholders. Subject to the above-described contingent GeoTraq Prepayment tender 50% restriction, Mr. Sullivan provided the Company with the sole ability to determine the time and amount of each conversion of those shares of preferred stock.

The parties to the Settlement Agreement released and forever discharged one another from any and all known and unknown claims that were asserted or could have been asserted arising out of the GeoTraq Litigation Matters. The accrued liability for payments due to Mr. Sullivan is $510,000 and $1.2 million as of December 31, 2022 and January 1, 2022, respectively.

Alixpartners, LLC

On October 19, 2022, Alixpartners, LLC filed a complaint in the Supreme Court of the State of New York, County of New York, styled *Alixpartners, LLC, plaintiff/petitioner, against JanOne Inc.*, Index No. 653877/2022. Plaintiff alleged the breach of an agreement and sought damages in the amount of approximately $345,000. The Company denied that obligation. After extensive negotiations, the parties reached a settlement, pursuant to which the Company agreed to pay to Alixpartners the sum of $125,000 in two tranches and to provide a confession of judgment in its favor in the amount of approximately $450,000, which represented the amount sought in the complaint plus interest thereon. The confession of judgment will be null and void and the complaint will be dismissed with prejudice upon the Company tendering both tranches timely.

Sieggreen

On March 6, 2023, *Sieggreen, Individually and On Behalf of All Others Similarly Situated, Plaintiff, v. Live Ventures Incorporated, Jon Isaac, and Virland A. Johnson, Defendants*, the Company was added as a defendant on March 6, 2023, and was served on March 23, 2023. Plaintiff has alleged causes of action against the Company for (i) violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder and (ii) violation of Section 10(b) of the Securities Exchange Act of 1934 and Rules 10b-5(a) and 10b-5(c) promulgated thereunder. The Company has not filed a responsive pleading as of the date of these financial statements and strongly disputes and denies all of the allegations contained therein and will vigorously defend itself against the claims.

Main/270

The Company is a defendant in an action filed on April 11, 2022, in the U.S. District Court Southern District of Ohio, Eastern Division, styled, *Trustees Main/270, LLC, Plaintiff, vs ApplianceSmart, Inc. and JANONE, Inc., Defendant*, Case no.: 2:22-cv-01938-ALM-EPD. The Company was a guarantor of the lease between the Plaintiff and ApplianceSmart, Inc. Plaintiff alleged a cause of action against the Company in respect of the guaranty and seeks approximately $90,000 therefor. Plaintiff also seeks approximately $1,420,000 against ApplianceSmart and the Company on a joint and several basis. The Company does not believe that it is obligated to Plaintiff in that amount and the parties continue to negotiate a potential settlement.

Westerville Square

In an attempt to recover payments due under a lease, in 2019, Westerville Square, Inc., as the landlord, initiated a civil action against the Company, styled *Westerville Square, Inc. v. Appliance Recycling Centers Of America, Inc., et al.,* in the Court of Common Pleas of Franklin County, Ohio, Case No. 19 CV 8627. The case was stayed during the bankruptcy proceedings of ApplianceSmart, Inc., and was reinstated on June 7, 2021. The landlord is currently seeking $120,000, which amount is disputed by the Company. The parties are in the process of attempting to settle the matter.

Other Commitments

As previously disclosed and as discussed, on December 30, 2017, the Company disposed of its retail appliance segment and sold ApplianceSmart to the Purchaser (see Note 25). In connection with that sale, as of December 28, 2019, the Company accrued an aggregate amount of future real property lease payments of approximately $767,000 which represented amounts guaranteed or which may have been owed under certain lease agreements to three third party landlords in which the Company either remained the counterparty, was a guarantor, or had agreed to remain contractually liable under the lease ("ApplianceSmart Leases"). A final decree was issued by the court on February 28, 2022, upon the full satisfaction of the Plan, at which time ApplianceSmart emerged from Chapter 11. During the year ended December 31, 2022, the Company reversed approximately $637,000 of the accrual, as the Company is no longer liable for two of these guarantees upon ApplianceSmart's emergence from bankruptcy (see Note 25). As of December 31, 2022, a balance of approximately $130,000 remains as an accrued liability due to an ongoing dispute concerning one of the leases.

The Company is party from time to time to other ordinary course disputes that we do not believe to be material to our financial condition as of December 31, 2022.

Note 18: Series A-1 Convertible Preferred Stock.

History

On August 18, 2017, the Company acquired GeoTraq by way of merger. In connection with this transaction, the Company tendered to the owners of GeoTraq $200,000, issued to them an aggregate of 288,588 shares (number of shares specific – not rounded) of the Company's Series A Convertible Preferred Stock valued at $12.3 million, including the beneficial conversion feature of $2.6 million, and entered into one-year unsecured promissory notes in the aggregate principal amount of $800,000.

Conversion

The "Conversion Ratio" per share of the Series A-1 Convertible Preferred Stock in connection with any conversion shall be at a ratio of 20:1, one share of Series A-1 Convertible Preferred Stock, if and when converted into shares of Common Stock, shall convert into twenty shares Common Stock. Each holder shall have the right, exercisable at any time and from time to time (unless otherwise prohibited by law, rule, or regulation, or as restricted below), to convert any or all of such holder's shares of Series A-1 Convertible Preferred Stock into shares of Common Stock at the Conversion Ratio.

Shares of Series A-1 Convertible Preferred Stock are convertible into the Company's common shares at a ratio of 1:20. During the years ended December 31, 2022 and January 1, 2022, 16,141 and 21,000 shares of the Company's Series A-1 Convertible Preferred Stock were converted into 322,820 and 420,000 shares, respectively, of the Company's common stock. As of December 31, 2022 and January 1, 2022, there were 222,588 and 238,729 shares, respectively, of Series A-1 Convertible Preferred Stock outstanding.

Dividends

The Company cannot declare, pay or set aside any dividends on shares of any other class or series of our capital stock unless (in addition to the obtaining of any consents required by our Articles of Incorporation) the holders of the Series A Convertible Preferred Stock then outstanding shall first receive, or simultaneously receive, a dividend in the aggregate amount of one dollar, regardless of the number of then-issued and outstanding shares of Series A Convertible Preferred Stock. Any remaining dividends allocated by the Board of Directors shall be distributed in an equal amount per share to the holders of outstanding common stock and Series A-1 Convertible Preferred Stock (on an as-if-converted to common stock basis pursuant to the Conversion Ratio as defined below).

Voting Rights

Each holder of a share of Series A Convertible Preferred Stock has a number of votes as is determined by multiplying (i) the number of shares of Series A Preferred Stock held by such holder, and (ii) 17. The holders of Series A-1 Convertible Preferred Stock vote together with all other classes and series of common and preferred stock of the Company as a single class on all actions to be taken by the common stockholders of the Company, except to the extent that voting as a separate class or series is required by law.

Redemption

The Series A-1 Convertible Preferred Stock has no redemption rights by JanOne, or any other entity.

Preemptive Rights

Holders of the Series A-1 Convertible Preferred Stock and holders of JanOne common stock are not entitled to any preemptive, subscription, or similar rights in respect of any securities of JanOne, except as set forth in the Amended and Restated Series A-1 Certificate of Designation or in any other document agreed to by JanOne.

Protective Provisions

Without first obtaining the affirmative approval of a majority of the holders of the shares of Series A-1 Convertible Preferred Stock, the Company may not directly or indirectly (i) increase or decrease (other than by redemption or conversion) the total number of authorized shares of Series A-1 Convertible Preferred Stock; (ii) effect an exchange, reclassification, or cancellation of all or a part of the Series A-1 Convertible Preferred Stock, but excluding a stock split or reverse stock split or combination of the common stock or preferred stock; (iii) effect an exchange, or create a right of exchange, of all or part of the shares of another class of shares into shares of Series A-1 Convertible Preferred

Stock; or (iv) alter or change the rights, preferences or privileges of the shares of Series A-1 Convertible Preferred Stock so as to affect adversely the shares of such series, including the rights set forth in this Designation; provided, however, that we may, without any vote of the holders of shares of the Series A-1 Convertible Preferred Stock, make technical, corrective, administrative or similar changes to the Amended and Restated Series A-1 Certificate of Designation that do not, individually or in the aggregate, materially adversely affect the rights or preferences of the holders of shares of the Series A-1 Convertible Preferred Stock.

Note 19: Series S Convertible Preferred Stock.

History

On December 28, 2022 the acquired Soin Therapeutics by way of merger. In connection with this transaction, with a potential value of up to $30 million, the Company tendered 100,000 shares of the Company's Series S Convertible Preferred Stock.

Conversion

Dr. Soin may convert up to three million dollars of value of the Series S Stock into shares of the Company's common stock commencing one year from the closing and may convert up to an additional $10 million of value of the Series S Stock into shares of the Company's common stock from and after the sooner of (y) the issuance by the FDA of New Drug Approval for low-dose naltrexone for treating pain or (z) 10 years from the closing. Further, during the 10-year period following the closing, Dr. Soin may convert up to an additional $17 million of value at a rate of five percent of the gross revenues that the Company receives in connection with sales or license revenue from the product.

Dr. Soin further agreed to certain restrictions on the maximum number of shares of Series S Stock that he may ultimately keep or that he may convert into shares of our common stock or sell into the public markets at any given time: (i) Dr. Soin may not convert shares of Series S Stock into shares of the Company's common stock in an amount such that, upon any such conversion, he beneficially own shares of the Company's common stock in excess of 4.99% of the Company's then-outstanding common stock and (ii) during the five-year period that commences on the date that Dr. Soin is first eligible to convert any shares of Series S Stock into shares of the Company's common stock, he will not dispose of any of such shares into the public markets in an amount that exceeds five percent of the daily trading volume of the Company's common stock during any trading day.

Shares of Series S Convertible Preferred Stock are convertible into the Company’s common shares at a ratio of 1:1. As of December 31, 2022 and January 1, 2022, there were 100,000 and 0 shares, respectively, of Series S Convertible Preferred Stock outstanding, as reflected in the following (dollars in $000's).

	Series S Preferred Stock	
	Shares	Amount
Balance, January 2, 2021	—	$ —
Balance, January 1, 2022	—	—
Series S preferred issued	100,000	14,510
Balance, December 31, 2022	100,000	$ 14,510

Dividends

Shares of Series S Convertible Preferred Stock do not have dividend rights.

Voting Rights

The Holder of each share of Series S Convertible Preferred Stock shall have one vote for such share. With respect to any stockholder vote, the Holder shall have full voting rights and powers equal to the voting rights and powers of the Common Stock stockholders, and shall be entitled to notice of any stockholders' meeting in accordance with the Bylaws of the Company, and shall be entitled to vote, together with Common Stock stockholders, with respect to any question upon which the Common Stock stockholders have the right to vote. The Holders of Series S Convertible Preferred Stock shall vote together with all other classes and series of common and preferred stock of the Company as a single class on all actions to be taken by the Common Stock stockholders, except to the extent that voting as a separate class or series is required by law.

Redemption

The Series S Convertible Preferred Stock has no redemption rights by JanOne, or any other entity.

Preemptive Rights

Holders of the Series S Convertible Preferred Stock and holders of JanOne common stock are not entitled to any preemptive, subscription, or similar rights in respect of any securities of JanOne, except as set forth in the Amended and Restated Series A-1 Certificate of Designation or in any other document agreed to by JanOne.

Protective Provisions

Without first obtaining the affirmative approval of a majority of the holders of the shares of Series S Convertible Preferred Stock, the Company may not directly or indirectly (i) increase or decrease (other than by redemption or conversion) the total number of authorized shares of Series S Convertible Preferred Stock; (ii) effect an exchange, reclassification, or cancellation of all or a part of the Series S Convertible Preferred Stock, but excluding a stock split or reverse stock split or combination of the common stock or preferred stock; (iii) effect an exchange, or create a right of exchange, of all or part of the shares of another class of shares into shares of Series S Convertible Preferred Stock; (iv) issue additional shares of Series S Convertible Preferred Stock other than in connection with the merger agreement, or (v) alter or change the rights, preferences or privileges of the shares of Series S Convertible Preferred Stock so as to affect adversely the shares of such series, including the rights set forth in this Designation; provided, however, that we may, without any vote of the holders of shares of the Series S Convertible Preferred Stock, make technical, corrective, administrative or similar changes to the Amended and Restated Series S Certificate of Designation that do not, individually or in the aggregate, materially adversely affect the rights or preferences of the holders of shares of the Series S Convertible Preferred Stock.

Note 20: Stockholders' Equity

Common Stock: The Company's Articles of Incorporation authorize 200,000,000 shares of common stock that may be issued from time to time having such rights, powers, preferences and designations as the Board of Directors may determine. As of December 31, 2022, and January 1, 2022, there were 3,150,230 and 2,827,410 shares, respectively, of common stock issued and outstanding.

Equity Offering: On January 29, 2021, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with certain institutional investors (the "Purchasers") for the sale by the Company in a registered direct offering (the "Offering") of 571,428 shares of the Company's common stock, par value $0.001 per share (the "Common Stock"), at a purchase price per share of Common Stock of $10.50. The Offering closed on February 2, 2021 with gross proceeds to the Company of approximately $6.0 million before deducting placement agent fees and other offering expenses. The Company is utilizing the net proceeds for general working capital.

The Purchase Agreement contains customary representations, warranties and agreements by the Company and the Purchasers and customary indemnification rights and obligations of the parties.

A.G.P./Alliance Global Partners acted as the sole placement agent (the "Placement Agent") for the Company on a "reasonable best efforts" basis in connection with the Offering. The Company entered into a Placement Agency Agreement, dated as of January 29, 2021, by and between the Company and the Placement Agent (the "Placement Agency Agreement"). Pursuant to the Placement Agency Agreement, the Placement Agent was paid a cash fee of 7% of the gross proceeds paid to the Company for the securities or $420,000, and reimbursement for accountable legal expenses incurred by it in connection with the Offering of $35,000.

The shares of Common Stock sold in the Offering were offered and sold by the Company pursuant to an effective shelf registration statement on Form S-3 (File No. 333-251645) (the "Registration Statement"), which was initially filed with the Securities and Exchange Commission on December 23, 2020 and was declared effective on December 29, 2020.

The representations, warranties and covenants contained in the Purchase Agreement were made solely for the benefit of the parties to the Purchase Agreement. In addition, such representations, warranties, and covenants (i) are intended as a way of allocating the risk between the parties to the Purchase Agreement and not as statements of fact, and (ii) may apply standards of materiality in a way that is different from what may be viewed as material by stockholders of, or other investors in, the Company. Accordingly, the Purchase Agreement incorporated by reference in this filing only to provide investors with information regarding the terms of the transaction, and not to provide investors with any other factual information regarding the Company. Stockholders should not rely on the representations, warranties, and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the Company or any of its subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations and warranties may change after the date of the Purchase Agreement, which subsequent information may or may not be fully reflected in public disclosures.

The foregoing descriptions of the Purchase Agreement and the Placement Agency Agreement are not complete and are qualified in their entireties by reference to the full text of the Purchase Agreement and the Placement Agency Agreement, a copy of each of which is filed as Exhibit 10.1 and Exhibit 1.1, respectively, to the Company's Current Report on Form 8-K as field on January 29, 2021 and each is incorporated by reference herein.

Stock options: The 2016 Plan, which replaces the 2011 Plan, authorizes the granting of awards in any of the following forms: (i) incentive stock options, (ii) nonqualified stock options, (iii) restricted stock awards, and (iv) restricted stock units, and expires on the earlier of October 28, 2026, or the date that all shares reserved under the 2016 Plan are issued or no longer available. On November 4, 2020, the Company amended the 2016 Plan to increase the issuance of common shares from 400,000 to 800,000. The vesting period is determined by the Board of Directors at the time of the stock option grant. As of December 31, 2022 and January 1, 2022, 90,000 options were outstanding under the 2016 Plan.

The Company's 2011 Plan authorizes the granting of awards in any of the following forms: (i) stock options, (ii) stock appreciation rights, and (iii) other share-based awards, including but not limited to, restricted stock, restricted stock units or performance shares, and expired on the earlier of May 12, 2021, or the date that all shares reserved under the 2011 Plan are issued or no longer available. As of December 31, 2022 and January 1, 2022, 20,000 and 27,500 options, respectively, were outstanding under the 2011 Plan. No additional awards will be granted under the 2011 Plan.

The following table summarizes stock option activity for the fiscal years ended December 31, 2022, and January 1, 2022 (Aggregate Intrinsic Value in $000's):

	Options Outstanding	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Life
Outstanding at January 2, 2021	113,900	$ 11.97	$ 78	7.0
Cancelled/expired	(28,400)	9.71		
Exercised	(6,000)	4.32		
Granted	38,000	8.16		
Outstanding at January 1, 2022	117,500	7.16	21	7.0
Cancelled/expired	(7,500)	—		
Outstanding at December 31, 2022	110,000	$ 6.27	$ —	6.5
Exercisable at December 31, 2022	110,000	$ 6.27	$ —	6.5

The exercise price for stock options outstanding and exercisable outstanding at December 31, 2022 is as follows:

Outstanding		Exercisable	
Number of Options	Exercise Price ($)	Number of Options	Exercise Price ($)
6,000	$17.35 to $23.45	6,000	$17.35 to $23.45
—	$11.10 to $15.00	—	$11.10 to $15.00
38,000	$5.70 to $9.90	38,000	$5.70 to $9.90
66,000	$3.54 to $5.25	66,000	$3.54 to $5.25
110,000		110,000	

The following table summarizes information about the Company's non-vested shares outstanding as of December 31, 2022 and January 1, 2022:

Non-vested Shares	Number of Shares
Non-vested at January 2, 2021	48,500
Granted	38,000
Exercised	(6,000)
Forfeited	(28,400)
Vested	(44,600)
Non-vested at January 1, 2022	7,500
Vested	(7,500)
Non-vested at December 31, 2022	—

The Company recognized share-based compensation expense related to stock options of approximately $5,000 and approximately $303,000 for the fiscal years ended December 31, 2022, and January 1, 2022, respectively. As of December 31, 2022, the Company had no unrecognized share-based compensation expense associated with stock option awards.

Note 21: Earnings (Loss) per share

Net loss per share is calculated using the weighted average number of shares of common stock outstanding during the applicable period. Basic weighted average common shares outstanding do not include shares of restricted stock that have not yet vested, although such shares are included as outstanding shares in the Company's Consolidated Balance Sheet. Diluted net earnings per share is computed using the weighted average number of common shares outstanding, and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of the additional common shares issuable with respect to restricted share awards, stock options and convertible preferred stock.

The following table presents the computation of basic and diluted net loss per share (in $000's, except per share data):

	For the Years Ended	
	December 31, 2022	January 1, 2022
Continuing Operations		
Basic and diluted		
Net income (loss) from continuing operations	$ 3,589	$ (3,314)
Weighted average common shares outstanding	3,150,230	2,658,686
Basic and diluted loss per share from continuing operations	$ 1.14	$ (1.25)
Discontinued Operations		
Basic and diluted		
Net income (loss) from discontinued operations	$ 7,403	$ (13,573)
Weighted average common shares outstanding	3,150,230	2,658,686
Basic and diluted loss per share from discontinued operations	$ 2.35	$ (5.11)
Total		
Basic and diluted		
Net income (loss)	$ 10,992	$ (16,887)
Weighted average common shares outstanding	3,150,230	2,658,686
Basic and diluted loss per share	$ 3.49	$ (6.35)

Potentially dilutive securities totaling approximately 4.6 million and 4.8 million shares, respectively, were excluded from the calculation of diluted net earnings (loss) per share for the years ended December 31, 2022 and January 1, 2022 because the effects were anti-dilutive based on the application of the treasury stock method.

Note 22: Major customers and suppliers

For the fiscal year ended December 31, 2022, five customers represented approximately 37% of the Company's total revenues. For the fiscal year ended January 1, 2022, two customers represented 22% of the Company's total revenues. As of December 31, 2022, five customers each represented seven percent or more of the Company's total trade receivables for a combined total of approximately 53%. As of January 1, 2022, five customers represented five percent or more of the Company's total trade receivables, for a total of 38% of the Company's total trade receivables.

The Company purchased appliances for resale from five suppliers. The Company is continuing to secure other vendors from which to purchase appliances. However, the curtailment or loss of one of these suppliers or any appliance supplier could adversely affect our operations.

Note 23: Defined contribution plan

The Company has a defined contribution salary deferral plan covering substantially all employees under Section 401(k) of the Internal Revenue Code of 1986, as amended (the “Code”). The Company contributes an amount equal to 10 cents for each dollar contributed by each employee up to a maximum of 5% of each employee’s compensation. The Company recognized expense for contributions to the plans of approximately $36,000 and $30,000 for the fiscal years ended December 31, 2022 and January 1, 2022, respectively.

Note 24: Segment information

The Company operates within targeted markets through three reportable segments for continuing operations: biotechnology, recycling, and technology. The biotechnology segment commenced operations in September 2019 and is focused on development of new and innovative solutions for ending the opioid epidemic ranging from digital technologies to educational advocacy. The recycling segment includes all fees charged and costs incurred for collecting, recycling and installing appliances for utilities and other customers. The recycling segment also includes byproduct revenue, which is primarily generated through the recycling of appliances. The technology segment designed wireless modules to connect devices to the Mobile Internet of Things ("IoT") which contain location-based service ("LBS") capabilities and can interface to external sensors to allow them to communicate both sensor status and position information. The nature of products, services and customers for each segment varies significantly. As such, the segments are managed separately. Our Chief Executive Officer has been identified as the Chief Operating Decision Maker ("CODM"). The CODM evaluates performance and allocates resources based on sales and income from operations of each segment. Operating loss represents revenues less cost of revenues and operating expenses, including certain allocated selling, general and administrative costs. There are no intersegment sales or transfers.

The following tables present our segment information (in $000's):

	For the Years Ended	
	December 31, 2022	January 1, 2022
Revenues		
Biotechnology	$ —	$ —
Recycling	39,611	40,022
Discontinued operations	—	—
Total Revenues	$ 39,611	$ 40,022
Gross profit		
Biotechnology	$ —	$ —
Recycling	7,619	8,868
Discontinued operations	—	—
Total Gross profit	$ 7,619	$ 8,868
Operating income (loss)		
Biotechnology	$ (414)	$ (1,351)
Recycling	(3,757)	(1,870)
Operating loss from continuing operations	(4,171)	(3,221)
Discontinued operations	9,418	(13,550)
Total Operating income (loss)	$ 5,247	$ (16,771)
Depreciation and amortization		
Biotechnology	$ —	$ —
Recycling	555	448
Depreciation and amortization from continuing operations	555	448
Discontinued operations	2	3,744
Total Depreciation and amortization	$ 557	$ 4,192
Interest expense, net		
Biotechnology	$ —	$ —
Recycling	489	773
Discontinued operations	—	—
Total Interest expense	$ 489	$ 773
Net income (loss) after provision for income taxes		
Biotechnology	$ (414)	$ (1,351)
Recycling	4,003	(1,963)
Net loss from continuing operations	3,589	(3,314)
Discontinued operations	7,403	(13,573)
Total Net income (loss) after provision for income taxes	$ 10,992	$ (16,887)

	As of December 31, 2022	As of January 1, 2022
Assets		
Biotechnology	$ 19,293	$ —
Recycling	27,463	15,058
Discontinue operations	—	107
Total Assets	$ 46,756	$ 15,165
Intangible Assets		
Biotechnology	$ 19,293	$ —
Recycling	740	268
Discontinue operations	—	—
Total Intangible Assets	$ 20,033	$ 268

Note 25: Related parties

Tony Isaac, the Company's Chief Executive Officer, is the father of Jon Isaac, President and Chief Executive Officer of Live Ventures Incorporated ("Live Ventures") and managing member of ICG, a greater than 5% stockholder of the Company. Tony Isaac, Chief Executive Officer and Richard Butler, Board of Directors member of the Company, are both Board of Directors members of Live Ventures. The Company also shares certain executive, accounting and legal services with Live Ventures. The total services shared were approximately $314,000 and approximately $296,000 for fiscal years ending December 31, 2022 and January 1, 2022, respectively. Connexx rents approximately 9,900 square feet of office space from Live Ventures at its Las Vegas, Nevada office. The total rent and common area expenses for Connexx at the Las Vegas, Nevada office were approximately $215,000 and approximately $227,000 for fiscal years ending December 31, 2022 and January 1, 2022, respectively.

ApplianceSmart Note

As stated in Note 5, on December 30, 2017, the Company sold its retail appliance segment, ApplianceSmart, Inc. ("ApplianceSmart") to ApplianceSmart Holdings LLC (the "Purchaser"), a wholly owned subsidiary of Live Ventures Incorporated, pursuant to a Stock Purchase Agreement (the "Agreement"). Pursuant to the Agreement, the Purchaser purchased from the Company all of the issued and outstanding shares of capital stock of ApplianceSmart in exchange for $6.5 million. On April 25, 2018, the Purchaser delivered to the Company a promissory note (the "ApplianceSmart Note") in the original principal amount of approximately $3.9 million.

On December 9, 2019, ApplianceSmart filed a voluntary petition in the United States Bankruptcy Court for the Southern District of New York seeking relief under Chapter 11 of Title 11 of the United States Code. Consequently, the Company recorded an impairment charge of approximately $3.0 million for the amount owed by ApplianceSmart to the Company as of December 28, 2019.

On October 13, 2021, a hearing was held to consider approval of a disclosure statement filed by ApplianceSmart in conjunction with its bankruptcy proceedings. On December 14, 2021, a hearing was held to confirm ApplianceSmart's plan for reorganization (the "Plan"). On January 10, 2022, ApplianceSmart paid $25,000 to JanOne in settlement of its debt, as provided for in the confirmed Plan, and the ApplianceSmart Note was reversed. A final decree was issued by the court on February 28, 2022, upon the full satisfaction of the Plan, at which time ApplianceSmart emerged from Chapter 11. The outstanding balance of the ApplianceSmart Note at December 31, 2022 and January 1, 2022 was zero and approximately $3.0 million, respectively, exclusive of the impairment charge.

Related Party Note

On August 28, 2019, ARCA Recycling entered into and delivered to ICG a secured revolving line of credit promissory note, whereby ICG agreed to provide ARCA Recycling with a $2.5 million revolving credit facility (the "ICG Note"). The ICG Note originally matured on August 28, 2020. On August 25, 2020, the ICG Note was amended to extend the maturity date to December 31, 2020. On March 30, 2021, ARCA Recycling entered into a Second Amendment and Waiver (the "Second Amendment") to the ICG Note to further extend the maturity date to August 18, 2021 and waive certain defaults under the ICG Note. The ICG Note bears interest at 8.75% per annum and provides for the payment of interest, monthly in arrears. ARCA Recycling will pay a loan fee of 2.0% on each borrowing made under the ICG Note. In connection with entering into the ICG Note, the Borrower also entered into a security agreement in favor of the Lender, pursuant to which ARCA Recycling granted a security interest in all of its assets to the Lender. The obligations of ARCA Recycling under the ICG Note are guaranteed by the Company. The foregoing transaction did not include the issuance of any shares of the Company's common stock, warrants, or other derivative securities. As of January 1, 2022, the balance due on ICG note was $1.0 million. Beginning in April 2022, the revolving credit facility was converted to a term note that amortizes ratably through its maturity date of March 2026. The principal amount of the note is $1.0 million, and bears interest at 8.75% per annum. Monthly payments on this note will be approximately $24,767. ICG is a record and beneficial owner of 13.9% of the outstanding common stock of the Company. Jon Isaac is the manager and sole member of ICG, and the son of Tony Isaac, the Chief Executive Officer of JanOne and ARCA Recycling. The principal balance of the note was approximately $838,000 and $1.0 million as of December 31, 2022 and January 1, 2022, respectively.

Future maturities of the related party note at December 31, 2022 are as follows and does not include related party debt (in $000's):

For the fiscal year ended		
2023	$	233
2024		254
2025		277
2026		74
Total future maturities of related party debt	$	838

ARCA Purchasing Agreement

On April 5, 2022, ARCA entered into a Purchasing Agreement with Live Ventures. Pursuant to the agreement, Live agrees to purchase inventory from time to time for ARCA, as set forth in submitted purchase orders. The inventory is owned by Live until which time payment by ARCA is received. All purchases made by ARCA shall be paid back to Live in full plus an additional five percent surcharge or broker-type fee. The term of the Agreement is one year, and automatically renews if not terminated by either party, as provided for in the Agreement. As of the year ended December 31, 2022, the amount due to Live Ventures was approximately $624,000. For the years ended December 31, 2022 and January 1, 2022, the Company paid broker fees of approximately $59,000 and $0, respectively.

Note 26: Sale of ARCA and Connexx

On February 19, 2021, the Company, together with its subsidiaries (a) ARCA Recycling, Inc., a California corporation (“ARCA”), and (b) Customer Connexx LLC, a Nevada limited liability company (“Connexx”), entered into an Asset Purchase Agreement (the “Purchase Agreement”) with (i) ARCA Affiliated Holdings Corporation, a Delaware corporation, (ii) ARCA Services Inc., a Delaware corporation, and (iii) Connexx Services Inc, a Delaware corporation (collectively, the “Buyers”), pursuant to which the Buyers agreed to acquire substantially all of the assets, and assume certain liabilities, of ARCA and Connexx (the “Disposition Transaction”). The principal of the Buyers is Virland A. Johnson, our Chief Financial Officer. The Disposition Transaction was previously expected to be consummated on or before August 18, 2021 (the "Outside Date"). On August 12, 2021, the parties entered into Amendment No. One to Asset Purchase Agreement (the “Recycling Sale Amendment”) to extend the Outside Date to September 30, 2021. In the event the Disposition Transaction is not closed by such date, the Purchase Agreement may be terminated and, in accordance with its terms, the Buyers may be required to pay to us a “break fee” of $250,000. On November 14, 2021, the parties entered into an Amendment No. Two to the Asset Purchase Agreement, which provided for the immediate termination of the transactions proposed by the Purchase Agreement, as amended by the Recycling Sale Amendment, and for an amendment to the Buyers to pay to us a “break fee.” The break fee was amended to an aggregate of $100,000, payable in two $50,000 installments: (i) the first of which is due to be paid not later than August 12, 2022 (the one-year anniversary of the Recycling Sale Agreement) and (ii) the second of which is due to be paid not later than the last day of our next fiscal year. However, if, prior to the date on which either installment of the amended break fee is payable, we sell ARCA and Connexx to an otherwise unaffiliated third party for an aggregate amount less than $25 million, then the Buyers will be relieved of their obligation to pay to us any not-yet-then-due installment of the break fee. Additionally, if, prior to the date on which the second installment of the amended break fee is payable, we have not sold ARCA and Connexx to any third party, then the Buyers will be relieved of their obligation to pay to us the second installment of the break fee. Finally, if, prior to a date on which either installment of the amended break fee is due, we sell ARCA and Connexx to the Buyers, then, the purchase price therefore will be reduced by an amount equivalent to any break fee that had been previously paid to us by the Buyers and the Buyers shall also be relieved of their obligation to pay to us any not-yet-due installment of the break fee. On December 21, 2022, an agreement was entered into further extending the break fee due date to March 31, 2023. On March 19, 2023, the Company entered into a Stock Purchase Agreement with VM7 Corporation, whose principal is Virland A. Johnson, for the Sale of ARCA and Connexx (see Note 29).

Note 27: GeoTraq

Sale of GeoTraq

On May 24, 2022, the Company entered into an Asset Purchase Agreement with SPYR Technologies Inc., pursuant to which the Company sold to SPYR substantially all the assets and none of the liabilities of its wholly-owned subsidiary GeoTraq Inc. The aggregate purchase price for the GeoTraq Assets was $13.5 million, payable in cash and shares of SPYR’s common stock. As of the closing of the transaction on May 24, 2022, SPYR issued to the Company 30,000,000 shares of its common stock at $0.03 per share, and delivered a five-year Promissory Note in the principal amount of $12.6 million. The Promissory Note bears simple interest at the rate of 8% per annum, provides quarterly interest payments due the first day of each calendar quarter, and may be prepaid at any time without penalty. Quarterly interest payments may be made in cash or in SPYR's restricted common stock. The Promissory Note matures on May 24, 2027.

In connection with the Asset Purchase Agreement, the Company employed an independent third-party firm to assess the fair value of the 30,000,000 shares of SPYR stock and the Promissory Note. The assessment determined that the fair market value of the SPYR common stock was approximately $946,000, or approximately $0.032 per share, which was approximately $46,000 greater than the amount of the shares received at close. The Promissory Note was valued at approximately $11.3 million, which was approximately $1.4 million less than the Note issued. Consequently, the Company recorded the shares of SPYR stock at fair market value of $946,000, and recorded a discount offsetting the Promissory Note in the amount of $1.35 million. The discount will be accreted ratably over the term of the Promissory Note, and recorded as interest income. Additionally, approximately $105,000 in GeoTraq inventory was transferred as part of the sale, and was, thus, derecognized.

As of December 31, 2022, based on declining financial trends at SPYR, the Company reviewed the original valuation of the Promissory Note to determine whether a revision of the estimate of the original 10.5% used to discount the note should occur to account for the additional risk the note would not be repaid. In connection with this review, the Company determined that the discount rate should be revised to 14.5%. Consequently, the Company took an additional $1.85 million charge against income for the 13 and 26 weeks ended July 2, 2022, and will restate its Quarterly Reports on Form 10-Q for the 13 and 26 weeks ended July 2, 2022, and the 13 and 39 weeks ended October 1, 2022 (see Note 28). Additionally, due to the declining financial trends at SPYR, the Company recorded an additional $813,000 charge against income for the year ended December 31, 2022 .

The following table illustrates the calculation of the gain on sale of GeoTraq, including the charges to income referenced above, as shown on the income statement (in $000's):

Purchase price	$	13,500
Discount on note receivable		(4,013)
Premium on shares received		46
Derecognition of GeoTraq inventory		(105)
Gain on sale	$	9,428

Discontinued Operation

For the year ended, December 31, 2022, the Company determined that the GeoTraq sale qualified for accounting treatment as a discontinued operation under ASC 205 (*"Discontinued Operations"*). In accordance with ASC 205, the Company has reported the assets and liabilities in the consolidated balance sheets. The assets and liabilities have been reflected in the consolidated balance sheets as of December 31, 2022 and January 1, 2022, and consist of the following:

	December 31, 2022	January 1, 2022
Assets from discontinued operations		
Inventories	$ —	$ 105
Total current assets from discontinued operations	—	105
Property and equipment, net	—	2
Total assets from discontinued operations	$ —	$ 107
Liabilities from discontinued operations		
Accounts payable	$ —	$ 195
Total current liabilities from discontinued operations	$ —	$ 195

Property and equipment, net, from discontinued operations consist of the following:

	Useful Life (Years)	December 31, 2022	January 1, 2022
Equipment	3-15	$ —	$ 41
Property and equipment		—	41
Less accumulated depreciation		—	(39)
Total property and equipment, net, from discontinued operations		$ —	$ 2

Depreciation expense was approximately $2,000 and approximately $12,000 for the fiscal years ended December 31, 2022 and January 1, 2022, respectively.

In accordance with the provisions of ASC 205, the Company has not included in the results of continuing operations the results of operations of the discontinued operations in the consolidated statements of operations and comprehensive income (loss). The results of operations for discontinued operations for the years ended December 31, 2022 and January 1, 2022 have been reflected as discontinued operations in the consolidated statements of operations and comprehensive income (loss) for the years ended December 31, 2022 and January 1, 2022, and consist of the following:

	Fiscal Years Ended	
	December 31, 2022	January 1, 2022
Operating expenses from discontinued operations:		
Selling, general and administrative expenses	$ 10	$ 3,764
Impairment charges	—	9,786
Gain on sale of GeoTraq	(9,428)	—
Total operating expenses from discontinued operations	(9,418)	13,550
Operating income (loss) from discontinued operations	9,418	(13,550)
Other income (expense) from discontinued operations		
Gain on debt settlement	—	73
Other income, net	144	(96)
Total other income, net	144	(23)
Income (loss) before benefit from income taxes from discontinued operations	9,562	(13,573)
Income tax provision	2,159	—
Net income (loss) from discontinued operations	$ 7,403	$ (13,573)

In accordance with the provisions of ASC 205, the Company would typically separately reported the cash flow activity of the discontinued operations in the consolidated statements of cash flows. However, due to the immateriality of the impact on cash flows from discontinued operations, the Company has chosen not to breakout these amounts on the consolidated statement of cash flows. The cash flow activity from discontinued operations was $10,000 and $23,000 for the years ended December 31, 2022 and January 1, 2022, respectively.

Note 28: Restatement

On April 17, 2023, the Company's management and the Audit Committee of the Company's Board of Directors (the "Audit Committee") reached a determination that the Company's previously issued unaudited consolidated financial statements and related disclosures for each of the quarterly periods ended July 2, 2022 and October 1, 2022, should no longer be relied upon because of a material misstatement contained in those two quarterly unaudited condensed consolidated financial statements. In connection with the Company's preparation of its unaudited condensed consolidated financial statements and related disclosures for each of the two referenced periods, the Company's management and Audit Committee relied upon the report issued by a third-party valuation firm to determine the carrying value of the promissory note the Company had received from SPYR Technologies, Inc. (the "SPYR Note"), in connection with the Company's sale of the assets of its GeoTraq, Inc. subsidiary to SPYR Technologies, Inc. in the first quarter of the Company's 2022 fiscal year. At December 31, 2022, the Company reviewed the original valuation of the Promissory Note to determine if the original 10.5% used to discount the Note was appropriate. In connection with this review, the Company determined that the discount rate should be revised to 14.5%.

The Company's management and the Audit Committee discussed the matters with Frazier & Deeter, LLC, the Company's independent registered public accounting firm for the 2022 fiscal year, and with WSRP, LLC, the Company's independent registered public accounting firm during the second and third quarters in the 2022 fiscal year and prior fiscal periods since 2019, and determined to restate the Company's unaudited condensed consolidated financial statements for the second and third fiscal quarters ended July 2, 2022, and October 1, 2022.

	July 2, 2022 (Unaudited)			January 1, 2022
	Previously Reported	Effect of Restatement	As restated	
Assets				
Cash and cash equivalents	$ 1,181	$ —	$ 1,181	$ 705
Trade and other receivables, net	4,273	—	4,273	4,220
Income taxes receivable	12	—	12	—
Inventories	494	—	494	1,209
Prepaid expenses and other current assets	869	—	869	1,423
Total current assets	6,829	—	6,829	7,557
Property and equipment, net	2,676	—	2,676	2,113
Right to use asset - operating leases	4,268	—	4,268	3,671
Intangible assets, net	345	—	345	268
Note receivable, net	11,277	(1,812)	9,465	—
Marketable securities	570	—	570	—
Deposits and other assets	1,554	—	1,554	1,556
Total assets	$ 27,519	$ (1,812)	$ 25,707	$ 15,165
Liabilities and Stockholders' Equity (Deficit)				
Liabilities:				
Accounts payable	$ 5,839	$ —	$ 5,839	$ 5,266
Accrued liabilities - other	4,963	—	4,963	5,232
Accrued liability - California Sales Taxes	6,140	—	6,140	6,022
Lease obligation short–term - operating leases	1,405	—	1,405	1,304
Short–term debt	—	—	—	288
Current portion of notes payable	315	—	315	261
Current portion of related party note payable	223	—	223	1,000
Total current liabilities	18,885	—	18,885	19,373
Lease obligation long term - operating leases	2,964	—	2,964	2,470
Long–term portion of notes payable	1,509	—	1,509	1,318
Long-term portion related party note payable	724	—	724	—
Other noncurrent liabilities	219	—	219	680
Total liabilities	24,301	—	24,301	23,841
Commitments and contingencies (Note 15)				
Stockholders' equity (deficit):				
Preferred stock, series A - par value $0.001 per share 2,000,000 authorized, 222,588 and 238,729 shares issued and outstanding at July 2, 2022 and January 1, 2022, respectively	—	—	—	—
Common stock, par value $0.001 per share, 10,000,000 shares authorized, 3,150,230 and 2,827,410 shares issued and outstanding at July 2, 2022 and January 1, 2022, respectively	2	—	2	2
Additional paid-in capital	45,747	—	45,747	45,743
Accumulated deficit	(41,914)	(1,812)	(43,726)	(53,804)
Accumulated other comprehensive loss	(617)	—	(617)	(617)
Total stockholders' equity (deficit)	3,218	(1,812)	1,406	(8,676)
Total liabilities and stockholders' equity (deficit)	$ 27,519	$ (1,812)	$ 25,707	$ 15,165

	For the Thirteen Weeks Ended				For the Twenty Six Weeks Ended			
	July 2, 2022			July 3, 2021	July 2, 2022			July 3, 2021
	Previously Reported	Effect of Restatement	As restated		Previously Reported	Effect of Restatement	As restated	
Revenues	$ 10,538	$ —	$ 10,538	$ 8,606	$ 19,862	$ —	$ 19,862	$ 17,278
Cost of revenues	8,889	—	8,889	6,863	16,360	—	16,360	14,114
Gross profit	1,649	—	1,649	1,743	3,502	—	3,502	3,164
Operating expenses:								
Selling, general and administrative expenses	2,908	—	2,908	4,595	5,853	—	5,853	8,125
Gain on sale of GeoTraq	(12,091)	12,091	—	—	(12,091)	12,091	—	—
Operating income (loss)	10,832	(12,091)	(1,259)	(2,852)	9,740	(12,091)	(2,351)	(4,961)
Other income (expense):								
Interest expense, net	(98)	(38)	(136)	(125)	(290)	(38)	(328)	(198)
Gain on Payroll Protection Program loan forgiveness	—	—	—	—	—	—	—	1,872
Gain (loss) on litigation settlement, net	—	—	—	(1,950)	1,835	—	1,835	(1,950)
Gain on settlement of vendor advance payments	—	—	—	131	—	—	—	941
Gain on reversal of contingency loss	—	—	—	—	637	—	637	—
Unrealized loss on marketable securities	(376)	—	(376)	—	(376)	—	(376)	—
Other income, net	333	—	333	22	359	—	359	22
Total other income (expense), net	(141)	(38)	(179)	(1,922)	2,165	(38)	2,127	687
Income (loss) from operations before provision for income taxes	10,691	(12,129)	(1,438)	(4,774)	11,905	(12,129)	(224)	(4,274)
Provision (benefit) for income taxes	4	—	4	205	7	—	7	203
Net income (loss) from continuing operations	10,687	(12,129)	(1,442)	(4,979)	11,898	(12,129)	(231)	(4,477)

Net income from discontinued operations	—	$ 10,317	$ 10,317	—	—	10,317	10,317	—
Net income (loss)	$ 10,687	$ (1,812)	$ 8,875	$ (4,979)	$ 11,898	$ (1,812)	$ 10,086	$ (4,477)
Net income (loss) per share:								
Basic income per share from continuing operations	$ 3.39	$ (3.85)	$ (0.46)	$ (2.07)	$ 3.78	$ (3.85)	$ (0.07)	$ (1.94)
Diluted income per share from continuing operations	$ 3.06	$ (3.85)	$ (0.46)	$ (2.07)	$ 3.40	$ (3.85)	$ (0.07)	$ (1.94)
Basic income per share from discontinued operations	$ —	$ 3.27	$ 3.27	$ —	$ —	$ 3.27	$ 3.27	$ —
Diluted income per share from discontinued operations	$ —	$ 2.95	$ 2.95	$ —	$ —	$ 2.95	$ 2.95	$ —
Basic income per share	$ 3.39	$ (0.58)	$ 2.82	$ (2.07)	$ 3.78	$ (0.58)	$ 3.20	$ (1.94)
Diluted income per share	$ 3.06	$ (0.58)	$ 2.54	$ (2.07)	$ 3.40	$ (0.58)	$ 2.88	$ (1.94)
Weighted average common shares outstanding:								
Basic	3,150,230	3,150,230	3,150,230	2,405,410	3,150,230	3,150,230	3,150,230	2,312,024
Diluted	3,496,250	3,496,250	3,496,250	2,405,410	3,496,250	3,496,250	3,496,250	2,312,024
Net income (loss)	$ 10,687	$ (1,812)	$ 8,875	$ (4,979)	$ 11,898	$ (1,812)	$ 10,086	$ (4,477)
Other comprehensive income (loss), net of tax:								
Effect of foreign currency translation adjustments	41	—	—	—	—	—	—	(42)
Total other comprehensive income (loss), net of tax	41	—	—	—	—	—	—	(42)
Comprehensive income (loss)	$ 10,728	$ (1,812)	$ 8,875	$ (4,979)	$ 11,898	$ (1,812)	$ 10,086	$ (4,519)

	Series A Preferred		Common Stock		Additional Paid-in	Accumulated	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Deficit	Equity (Deficit) (As restated)
Balance, January 1, 2022	238,729	$ —	2,827,410	$ 2	$ 45,743	$ (53,804)	$ (617)	$ (8,676)
Share based compensation	—	—	—	—	4	—	—	4
Other comprehensive loss	—	—	—	—	—	(8)	(41)	(49)
Net income	—	—	—	—	—	1,211	—	1,211
Balance, April 2, 2022	238,729	—	2,827,410	2	45,747	(52,601)	(658)	(7,510)
Series A-1 preferred converted	(16,141)	—	322,820	—	—	—	—	—
Other comprehensive income	—	—	—	—	—	—	41	41
Net income, as restated	—	—	—	—	—	10,687	—	10,687
Balance, July 2, 2022	222,588	$ —	3,150,230	$ 2	$ 45,747	$ (41,914)	$ (617)	$ 3,218

	For the Twenty Six Weeks Ended July 2, 2022			July 3, 2021
	Previously Reported	Effect of Restatement	As restated	
OPERATING ACTIVITIES:				
Net income (loss)	$ 11,898	$ (12,129)	$ (231)	$ (4,477)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	270	—	270	2,090
Amortization of debt issuance costs	7	—	7	—
Stock based compensation expense	4	—	4	180
Accretion of note receivable discount	(27)	(38)	(65)	—
Gain on legal settlement	(115)	—	(115)	—
Gain on Payroll Protection Program loan forgiveness	—	—	—	(1,872)
Gain on settlement of vendor advance payments	—	—	—	(941)
Gain on reversal of contingent liability	(637)	—	(637)	—
Gain on sale of GeoTraq	(12,091)	1,850	(10,241)	—
Unrealized loss on marketable securities	376	—	376	—
Changes in assets and liabilities:				
Accounts receivable	(53)	—	(53)	(204)
Income taxes receivable	(12)	—	(12)	173
Prepaid expenses and other current assets	554	—	554	110
Inventories	610	—	610	303
Right of use assets	(597)	—	(597)	(681)
Lease liability	595	—	595	650
Accounts payable and accrued expenses	713	—	713	2,485
Deposits and other Assets	(6)	—	(6)	(123)
Net cash provided by (used in) operating activities	1,489	(10,317)	(8,828)	(2,307)
INVESTING ACTIVITIES:				
Purchases of property and equipment	(721)	—	(721)	(1,458)
Purchases of intangibles	(189)	—	(189)	(65)
Net cash used in investing activities	(910)	—	(910)	(1,523)
FINANCING ACTIVITIES:				
Proceeds from equity financing, net	—	—	—	5,544
Proceeds from stock option exercise	—	—	—	27
Proceeds from notes payable	366	—	366	1,835
Payments on related party notes payable	(53)	—	(53)	—
Payments on notes payable	(128)	—	(128)	(59)
Payments on short-term notes payable	(288)	—	(288)	(144)
Net cash provided by (used in) financing activities	(103)	—	(103)	7,203
Effect of changes in exchange rate on cash and cash equivalents	—		—	(42)
INCREASE IN CASH AND CASH EQUIVALENTS	476	(10,317)	(9,841)	3,331
CASH AND CASH EQUIVALENTS, beginning of period	705		705	379
CASH AND CASH EQUIVALENTS, end of period	$ 1,181	$ (10,317)	$ (9,136)	$ 3,710
Supplemental cash flow disclosures:				
Interest paid	$ 120	$ —	$ 120	$ 84
Income taxes paid	54	—	54	28
Right to use asset - operating leases capitalized	1,451	—	1,451	1,244

	October 1, 2022			January 1, 2022
	(Unaudited) Previously Reported	Effect of Restatement	As restated	
Assets				
Cash and cash equivalents	$ 868	$ —	$ 868	$ 705
Trade and other receivables, net	6,834	—	6,834	4,220
Inventories	415	—	415	1,209
Prepaid expenses and other current assets	1,248	—	1,248	1,423
Total current assets	9,365	—	9,365	7,557
Property and equipment, net	2,656	—	2,656	2,113
Right to use asset - operating leases	5,733	—	5,733	3,671
Intangible assets, net	328	—	328	268
Note receivable, net	11,345	(1,719)	9,626	—
Marketable securities	300	—	300	—
Deposits and other assets	1,577	—	1,577	1,556
Total assets	$ 31,304	$ (1,719)	$ 29,585	$ 15,165
Liabilities and Stockholders' Equity (Deficit)				
Liabilities:				
Accounts payable	$ 6,065	—	$ 6,065	$ 5,266
Accrued liabilities - other	5,575	—	5,575	5,232
Accrued liability - California Sales Taxes	6,202	—	6,202	6,022
Lease obligation short–term - operating leases	1,711	—	1,711	1,304
Short–term debt	3,657	—	3,657	288
Current portion of notes payable	406	—	406	261
Current portion of related party note payable	228	—	228	1,000
Total current liabilities	23,844	—	23,844	19,373
Lease obligation long term - operating leases	4,179	—	4,179	2,470
Notes payable - long term portion	1,425	—	1,425	1,318
Long-term portion related party note payable	665	—	665	—
Other noncurrent liabilities	46	—	46	680
Total liabilities	30,159	—	30,159	23,841
Commitments and contingencies (Note 16)				
Stockholders' equity (deficit):				
Preferred stock, series A - par value $0.001 per share 2,000,000 authorized, 222,588 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 January 1, 2022, respectively	3	—	3	2
Additional paid-in capital	45,747	—	45,747	45,743
Accumulated deficit	(43,988)	(1,719)	(45,707)	(53,804)
Accumulated other comprehensive loss	(617)	—	(617)	(617)
Total stockholders' equity (deficit)	1,145	(1,719)	(574)	(8,676)
Total liabilities and stockholders' equity (deficit)	$ 31,304	$ (1,719)	$ 29,585	$ 15,165

	For the Thirteen Weeks Ended				For the Thirty-Nine Weeks Ended			
	October 1, 2022			October 2, 2021	October 1, 2022			October 2, 2021
	Previously Reported	Effect of Restatement	As restated		Previously Reported	Effect of Restatement	As restated	
Revenues	$ 8,587	$ —	$ 8,587	$ 12,113	$ 28,449	$ —	$ 28,449	$ 29,391
Cost of revenues	7,553	—	7,553	9,032	23,913	—	23,913	23,146
Gross profit	1,034	—	1,034	3,081	4,536	—	4,536	6,245
Operating expenses:								
Selling, general and administrative expenses	2,858	—	2,858	3,925	8,711	—	8,711	12,050
Gain on sale of GeoTraq	—	—	—	—	(12,091)	12,091	—	—
Operating income (loss)	(1,824)	—	(1,824)	(844)	7,916	(12,091)	(4,175)	(5,805)
Other income (expense):								
Interest income (expense), net	36	(68)	(32)	(125)	(254)	(106)	(360)	(323)
Gain on Payroll Protection Program loan forgiveness	—	—	—	—	—	—	—	1,872
Gain (loss) on litigation settlement, net	—	—	—	—	1,835	—	1,835	(1,950)
Gain on settlement of vendor advance payments	—	—	—	11	—	—	—	952
Gain on reversal of contingency loss	—	—	—	—	637	—	637	—
Unrealized loss on marketable securities	(270)	—	(270)	—	(646)	—	(646)	—
Other income, net	—	—	—	23	359	—	359	45
Total other income (expense), net	(234)	(68)	(302)	(91)	1,931	(106)	1,825	596
Income (loss) from operations before provision for income taxes	(2,058)	(68)	(2,126)	(935)	9,847	(12,197)	(2,350)	(5,209)
Provision for income taxes	16	—	16	33	23		23	236
Net income (loss)	(2,074)	(68)	(2,142)	(968)	9,824	(12,197)	(2,373)	(5,445)
Net income from discontinued operations	—	94	94	—	—	10,478	10,478	
Net income (loss)	$ (2,074)	$ 26	$ (2,048)	$ (968)	$ 9,824	$ (1,719)	$ 8,105	$ (5,445)

Net income (loss) per share:								
Basic income per share from continuing operations	$ (0.66)	$ (0.02)	$ (0.68)	$ (0.34)	$ 3.12	$ (3.87)	$ (0.75)	$ (2.09)
Diluted income per share from continuing operations	$ (0.66)	$ (0.02)	$ (0.68)	$ (0.34)	$ 2.81	$ (3.87)	$ (0.75)	$ (2.09)
Basic income per share from discontinued operations	$ —	$ 0.03	$ 0.03	$ —	$ —	$ 3.33	$ 3.33	$ —
Diluted income per share from discontinued operations	$ —	$ 0.03	$ 0.03	$ —	$ —	$ 3.00	$ 3.00	$ —
Basic income per share	$ (0.66)	$ 0.01	$ (0.65)	$ (0.34)	$ 3.12	$ (0.55)	$ 2.57	$ (2.09)
Diluted income per share	$ (0.66)	$ 0.01	$ (0.65)	$ (0.34)	$ 2.81	$ (0.55)	$ 2.32	$ (2.09)
Weighted average common shares outstanding:								
Basic	3,150,230	3,150,230	3,150,230	2,827,410	3,150,230	3,150,230	3,150,230	2,601,827
Diluted	3,150,230	3,150,230	3,150,230	2,827,410	3,496,003	3,496,003	3,496,003	2,601,827
Net income (loss)	$ (2,074)	$ 26	$ (2,048)	$ (968)	$ 9,824	$ (1,719)	$ 8,105	$ (5,445)
Other comprehensive loss, net of tax:								
Effect of foreign currency translation adjustments	—	—	—	—	—	—	—	(42)
Total other comprehensive income loss, net of tax	—	—	—	—	—	—	—	(42)
Comprehensive income (loss)	$ (2,074)	$ 26	$ (2,048)	$ (968)	$ 9,824	$ (1,719)	$ 8,105	$ (5,487)

	Series A Preferred		Common Stock		Additional Paid-in	Accumulated	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Deficit	Equity (Deficit) (As restated)
Balance, January 1, 2022	238,729	$ —	2,827,410	$ 2	$ 45,743	$ (53,804)	$ (617)	$ (8,676)
Share based compensation	—	—	—	—	4	—	—	4
Other comprehensive loss	—	—	—	—	—	(8)	(41)	(49)
Net income	—	—	—	—	—	1,211	—	1,211
Balance, April 2, 2022	238,729	—	2,827,410	2	45,747	(52,601)	(658)	(7,510)
Series A-1 preferred converted	(16,141)	—	322,820	1	—	—	—	1
Other comprehensive income	—	—	—	—	—	—	41	41
Net income, as restated	—	—	—	—	—	10,687	—	10,687
Balance, July 2, 2022	222,588	—	3,150,230	3	45,747	(41,914)	(617)	3,219
Net income, as restated	—	—	—	—	—	(2,074)	—	(2,074)
Balance, October 1, 2022	222,588	$ —	3,150,230	$ 3	$ 45,747	$ (43,988)	$ (617)	$ 1,145

	For the Thirty-Nine Weeks Ended October 1, 2022			October 2, 2021
	Previously Reported	Effect of Restatement	As restated	
OPERATING ACTIVITIES:				
Net income (loss)	$ 9,824	$ (12,197)	$ (2,373)	$ (5,445)
Adjustments to reconcile net income (loss) to net cash used in operating activities:				
Depreciation and amortization	347	—	347	3,136
Amortization of debt issuance costs	10	—	10	—
Stock based compensation expense	4	—	4	274
Accretion of note receivable discount	(95)	(131)	(226)	—
Gain on legal settlement	(115)	—	(115)	—
Gain on Payroll Protection Program loan forgiveness	—	—	—	(1,872)
Gain on settlement of vendor advance payments	—	—	—	(952)
Gain on reversal of contingent liability	(637)	—	(637)	—
Gain on sale of GeoTraq	(12,091)	1,850	(10,241)	—
Unrealized loss on marketable securities	646	—	646	—
Changes in assets and liabilities:				
Accounts receivable	(2,614)	—	(2,614)	(1,931)
Income taxes receivable	—	—	—	196
Prepaid expenses and other current assets	176	—	176	(71)
Inventories	689	—	689	478
Right of use assets	54	—	54	(995)
Lease liability	—	—	—	971
Accounts payable and accrued expenses	1,440	—	1,440	2,840
Deposits and other Assets	(29)	—	(29)	(114)
Net cash used in operating activities	(2,391)	(10,478)	(12,869)	(3,485)
INVESTING ACTIVITIES:				
Purchases of property and equipment	(736)	—	(736)	(1,530)
Purchases of intangibles	(214)	—	(214)	(65)
Net cash used in investing activities	(950)	—	(950)	(1,595)
FINANCING ACTIVITIES:				
Proceeds from equity financing, net	—	—	—	5,544
Proceeds from issuance of short-term notes payable	648	—	648	538
Proceeds from stock option exercise	—	—	—	27
Proceeds from notes payable	4,052	—	4,052	1,835
Payments on related party notes payable	(107)	—	(107)	—
Payments on notes payable	—	—	—	(58)
Payments on short-term notes payable	(1,089)	—	(1,089)	(323)
Net cash provided by financing activities	3,504	—	3,504	7,563
Effect of changes in exchange rate on cash and cash equivalents	—		—	(42)
INCREASE IN CASH AND CASH EQUIVALENTS	163	(10,478)	(10,315)	2,441
CASH AND CASH EQUIVALENTS, beginning of period	705	—	705	379
CASH AND CASH EQUIVALENTS, end of period	$ 868	$ (10,478)	$ (9,610)	$ 2,820
Supplemental cash flow disclosures:				
Interest paid	$ 235	—	$ 235	$ 146
Income taxes paid	54	—	54	28
Right to use asset - operating leases capitalized	1,902	—	1,902	1,815

Note 29: Subsequent events

The Company has evaluated subsequent events through the filing of this Form 10-K, and determined that there have been no events that have occurred that would require adjustments to disclosures in its consolidated financial statements other than as discussed below:

ARCA and Subsidiaries Disposition

On March 19, 2023, the Company entered into a Stock Purchase Agreement with VM7 Corporation, a Delaware corporation, under which the Buyer agreed to acquire all of the outstanding equity interests of (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 ("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 was consummated simultaneously with the execution of the Purchase Agreement. The Company's Board of Directors unanimously approved the Purchase Agreement and the Disposition Transaction.

The economic aspects of the Disposition Transaction are: (i) the Company reduced the liabilities on its consolidated balance sheets by approximately $17.6 million, excluding those related to the California Business Fee and Tax Division; (ii) the Company 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, the Company may request that the Buyer prepay aggregate monthly payments in the aggregate amount of $1 million. The Company 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.

Securities Purchase Agreement

On March 22, 2023, the Company entered into a Securities Purchase Agreement with certain institutional investors for the sale by the Company in a registered direct offering of 361,000 shares of the Company's common stock, par value $0.001 per share, at a purchase price per share of Common Stock of $1.17. The offering closed on March 24, 2023. The aggregate gross proceeds for the sale of the shares of Common Stock were approximately $422,000, before deducting the placement agent fees and related expenses. The Company intends to use the net proceeds for working capital and general corporate purposes.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None.

ITEM 9A. Controls and Procedures

Evaluation of Disclosure control and Procedures. We carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the required time periods and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Based upon that evaluation, our principal executive officer and principal financial officer concluded that, as of December 31, 2022, the period covered in this report, our disclosure controls and procedures were not effective because of the material weaknesses discussed below.

In light of the conclusion that our internal disclosure controls are ineffective as of December 31, 2022, we have applied procedures and processes as necessary to ensure the reliability of our financial reporting in regard to this annual report. Accordingly, the Company believes, based on its knowledge, that: (i) this annual report does not contain any untrue statement of a material fact or omit a material fact; and (ii) the financial statements, and other financial information included in this annual report, fairly present in all material respects our financial condition, results of operations and cash flows as of and for the periods presented in this annual report.

Management's Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2022. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 2013 regarding Internal Control – Integrated Framework. Based on our assessment using those criteria, our management concluded that our internal control over financial reporting was not effective as of December 31, 2022.

Management noted material weaknesses in internal control when conducting their evaluation of internal control as of December 31, 2022. (1) Insufficient information technology general controls and segregation of duties. (2) inadequate control design or lack of sufficient controls over significant accounting processes; (3) insufficient assessment of the impact of potentially significant transactions; and (4) insufficient processes and procedures related to proper recordkeeping of agreements and contracts.

These material weaknesses remained outstanding as of the filing date of this Form 10-K and management is currently working to remedy these outstanding material weaknesses.

The Company's management, including the Company's CEO and CFO, do not expect that the Company's disclosure controls and procedures or the Company's internal control over financial reporting will prevent or detect all error and all fraud. A control system, regardless of how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met. These inherent limitations include the following: judgements in decision-making can be faulty, and control and process breakdowns can occur because of simple errors or mistakes, controls can be circumvented by individuals, acting alone or in collusion with each other, or by management override, the design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

Changes in Internal Control Over Financial Reporting. There were no changes in the Company's internal control over financial reporting during the fiscal year ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. Other Information

None.

ITEM 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The directors and executive officers of the Company and their ages as of December 31, 2022, are as follows:

Name	Age	Position
Richard D. Butler, Jr.	72	Director
Nael Hajjar	38	Director
John Bitar	60	Director
Tony Isaac	69	President and Chief Executive Officer
Virland A. Johnson	62	Chief Financial Officer

Richard D. Butler, Jr. has been a director of the Company since May 2015. Mr. Butler is the owner of an advisory firm that provides real estate, corporate, and financial advisory services since 1999, and is the co-Founder, Managing Director, and, since 2005, a major stockholder of Ref-Razzer Company, a whistle manufacturing and vending company. Prior to this, Mr. Butler was the Co-Founder and Executive Vice President of Aspen Healthcare, Inc. from 1996 to 1999. From 1993 to 1996, Mr. Butler was a Managing Director at Landmark Financial and from 1989 to 1993 he was a Partner at Cal Ventures Real Estate Investment Group. Prior to this, Mr. Butler has also served as the President and Chief Executive Officer of Mt. Whitney Savings Bank, Chief Executive Officer of First Federal Mortgage Bank, Chief Executive Officer of Trafalgar Mortgage, and Executive Officer and Member of the President's Advisory Committee at State Savings & Loan Association (peak assets $14 billion) and American Savings & Loan Association (NYSE: FCA; peak assets $34 billion). Mr. Butler has served on the board of directors of Live Ventures (Nasdaq: Live)") since August 2006. On December 9, 2019, ApplianceSmart, a subsidiary of Live Ventures, filed a voluntary petition in the United States Bankruptcy Court for the Southern District of New York seeking relief under Chapter 11 of Title 11 of the United States Code. Mr. Butler attended Bowling Green University in Ohio, San Joaquin Delta College in California, and Southern Oregon State College. We believe that Mr. Butler brings to the Board extensive experience in financial management and executive roles, which enable him to provide important expertise in financial, operating and strategic matters that impact our Company.

Nael Hajjar has been a director of the Company since August 2018. Mr. Hajjar is currently the Unit Head for the Annual Wholesale Trade Survey in Statistics Canada's Manufacturing and Wholesale Trade Division. From March 2011 through May 2016, Mr. Hajjar was a Senior Analyst – Economist of Statistics Canada's Producer Prices Division where he developed Canada's first ever Investment Banking Services Price Index while leading the development of a variety of Financial Services Price Index development projects. We believe that Mr. Hajjar brings to the Board extensive experience in research and analysis of financial statistics, economics, and business practices in a variety of industries including manufacturing, logging, Wholesale Trade, and financial services. We believe that Mr. Hajjar also has extensive experience in project management, and he holds a Bachelor of Social Science, Honors in Economics, and Bachelor of Commerce, Option in Finance, from the University of Ottawa.

John Bitar has been a director of the Company since January 2020. Since 2012, Mr. Bitar has been providing consulting services to companies and clients on business and legal strategies, management, operations, and cost controls. From 2007 to 2012, Mr. Bitar co-founded and was Managing Partner of a worker's compensation law firm. Mr. Bitar has been an attorney admitted to the California State Bar since 1999. Mr. Bitar graduated from the University of Southern California in 1996 and earned his Juris Doctorate Degree in 1999 from University of the Pacific, McGeorge School of Law. We believe that Mr. Bitar has significant business experience and brings operational expertise to the Board.

Tony Isaac has been a director of the Company since May 2015 and Chief Executive Officer of the Company since May 2016. He served as Interim Chief Executive Officer of the Company from February 2016 until May 2016. Mr. Isaac has served as Financial Planning and Strategist/Economist of Live Ventures since July 2012. He is the Chairman and Co-Founder of Isaac Organization, a privately held investment company. Mr. Isaac has invested in various companies, both private and public from 1980 to the present. Mr. Isaac's specialty is negotiation and problem-solving of complex real estate and business transactions. Mr. Isaac has served as a director of Live Ventures since December 2011. Mr. Isaac graduated from Ottawa University in 1981, where he majored in Commerce and Business Administration and Economics. We believe that Mr. Isaac has significant investment and financial expertise and public board experience that he brings to the Board.

Virland A. Johnson was appointed Chief Financial Officer of the Company on August 21, 2017. Mr. Johnson had previously served the Company as a consultant beginning in February 2017. Mr. Johnson also served as Chief Financial Officer for Live Ventures from January 3, 2017 through October 1, 2021. Mr. Johnson is a director and Chief Financial Officer and Secretary of ApplianceSmart. Prior to joining Live Ventures Incorporated, Mr. Johnson was Sr. Director of Revenue for JDA Software from February 2010 to April 2016, where he was responsible for revenue recognition determination, sales and contract support while acting as a subject matter expert. Prior to joining JDA, Mr. Johnson provided leadership and strategic direction while serving in C-Level executive roles in public and privately held companies such as Cultural Experiences Abroad, Inc., Fender Musical Instruments Corp., Triumph Group, Inc., Unitech Industries, Inc. and Younger Brothers Group, Inc. Mr. Johnson's more than 25 years of experience is primarily in the areas of process improvement, complex debt financings, SEC and financial reporting, turn-arounds, corporate restructuring, global finance, merger and acquisitions and returning companies to profitability and enhancing stockholder value. Mr. Johnson holds a Bachelor's degree in Accountancy from Arizona State University, and holds an active CPA license in the State of Arizona.

Delinquent Section 16(a) Reports

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's officers and directors, and persons who own more than 10% of a registered class of the Company's equity securities, to file reports of ownership on Form 3 and changes in ownership on Form 4 or Form 5 with the SEC. Such officers, directors and 10% stockholders are also required by SEC rules to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on its review of copies of such forms received by it, or written representations from certain reporting persons, the Company believes that, during the fiscal year ended December 31, 2022, all of its officers, directors and 10% stockholders complied with all Section 16(a) timely filing requirements.

Code of Ethics

Our Audit Committee has adopted a code of ethics applicable to our directors and officers (including our Chief Executive Officer and Chief Financial Officer) and other of our senior executives and employees in accordance with applicable rules and regulations of the SEC and The Nasdaq Stock Market. A copy of the code of ethics may be obtained upon request, without charge, by addressing a request to Investor Relations, JanOne Inc., 325 E. Warm Springs Road, Suite 102, Las Vegas, Nevada 89119. The code of ethics is also posted on our website at www.janone.com under "Investor Relations — Corporate Governance."

We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding the amendment to, or waiver from, a provision of the code of ethics by posting such information on our website at the address and location specified above and, to the extent required by the listing standards of the Nasdaq Capital Market, by filing a Current Report on Form 8-K with the SEC disclosing such information.

Audit Committee

The Audit Committee of the Board of Directors is comprised entirely of non-employee directors. In fiscal 2021, the members of the Audit Committee were Mr. Butler (Chair), Mr. Bitar, and Mr. Hajjar. Each of Messrs. Bitar, Butler, and Hajjar was an "independent" director as defined under the rules of The Nasdaq Stock Market. The Audit Committee is responsible for selecting and approving the Company's independent auditors, for relations with the independent auditors, for review of internal auditing functions (whether formal or informal) and internal controls, and for review of financial reporting policies to assure full disclosure of financial condition. The Audit Committee operates under a written charter adopted by the Board of Directors, which is posted on the Company's website at www.janone.com under the caption "Investor Relations - Governance." The Board has determined that Mr. Butler is an "audit committee financial expert" as defined in SEC rules.

Compensation and Benefits Committee

The Compensation Committee of the Board of Directors is comprised entirely of non-employee directors. In fiscal 2021, the members of the Compensation Committee were Mr. Butler (Chair) and Mr. Hajjar, each of whom was also an "independent" director as defined under the rules of The Nasdaq Stock Market. The Compensation Committee is responsible for review and approval of officer salaries and other compensation and benefits programs and determination of officer bonuses. Annual compensation for the Company's executive officers, other than the CEO, is recommended by the CEO and approved by the Compensation Committee. The annual compensation for the CEO is recommended by the Compensation Committee and formally approved by the full Board of Directors.

In the performance of its duties, the Compensation Committee may select independent compensation consultants to advise the committee when appropriate. In addition, the Compensation Committee may delegate authority to subcommittees where appropriate. The Compensation Committee may separately meet with management if deemed necessary and appropriate. The Compensation Committee operates under a written charter adopted by the Board of Directors in March 2011, which is posted on the Company's website at www.janone.com under the caption "Investor Relations - Governance."

Governance Committee

The Nominating and Corporate Governance Committee (the "Governance Committee") is comprised entirely of non-employee directors. In fiscal 2021, the members of the Governance Committee were Mr. Butler (Chair) and Mr. Bitar, each of whom was also an "independent" director as defined under the rules of The Nasdaq Stock Market. The primary purpose of the Governance Committee is to ensure an appropriate and effective role for the Board of Directors in the governance of the Company. The principal recurring duties and responsibilities of the Governance Committee include (i) making recommendations to the Board regarding the size and composition of the Board, (ii) identifying and recommending to the Board of Directors candidates for election as directors, (iii) reviewing the Board's committee structure, composition and membership and recommending to the Board candidates for appointment as members of the Board's standing committees, (iv) reviewing and recommending to the Board corporate governance policies and procedures, (v) reviewing the Company's Code of Business Ethics and Conduct and compliance therewith, and (vi) ensuring that emergency succession planning occurs for the positions of Chief Executive Officer, other key management positions, the Board chairperson and Board members. The Governance Committee operates under a written charter adopted by the Board of Directors in March 2011, which is posted on the Company's website at www.janone.com under the caption "Investor Relations - Governance."

The Governance Committee will consider director candidates recommended by stockholders. The criteria applied by the Governance Committee in the selection of director candidates is the same whether the candidate was recommended by a Board member, an executive officer, a stockholder or a third party, and, accordingly, the Governance Committee has not deemed it necessary to adopt a formal policy regarding consideration of candidates recommended by stockholders. Stockholders wishing to recommend candidates for Board membership should submit the recommendations in writing to the Secretary of the Company.

The Governance Committee identifies director candidates primarily by considering recommendations made by directors, management, and stockholders. The Governance Committee also has the authority to retain third parties to identify and evaluate director candidates and to approve any associated fees or expenses. Board candidates are evaluated on the basis of a number of factors, including the candidate's background, skills, judgment, diversity, experience with companies of comparable complexity and size, the interplay of the candidate's experience with the experience of other Board members, the candidate's independence or lack of independence, and the candidate's qualifications for committee membership. The Governance Committee does not assign any particular weighting or priority to any of these factors and considers each director candidate in the context of the current needs of the Board as a whole. Director candidates recommended by stockholders are evaluated in the same manner as candidates recommended by other persons.

ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth the cash and non-cash compensation for fiscal years ended December 31, 2022 and January 1, 2022, earned by each person who served as Chief Executive Officer and our other two most highly compensated executive officers who held office as of December 31, 2022 ("named executive officers"):

Summary Compensation Table

Name and Principal Position (1)	Year	Salary ($)	Bonus ($)	Stock Award ($)	Option Awards ($)	All Other Compensation ($)	Total ($)
Tony Isaac	2022	550,324	75,000	—	—	—	625,324
President, Chief Executive Officer, and Secretary	2021	550,324	—	—	—	—	550,324
Virland A. Johnson	2022	250,324	—	—	—	—	250,324
Chief Financial Officer	2021	149,363	—	—	—	—	149,363

(1)The Company only had two executive officers as of December 31, 2022.

Outstanding Equity Awards at December 31, 2022

The following table provides a summary of equity awards outstanding for our Named Executive Officers at December 31, 2022:

Name	Number of Securities Underlying Unexercised Options (in shares) Exercisable	Number of Securities Underlying Unexercised Options (in shares) Unexercisable	Option Exercise Price ($)	Option Expiration Date
Tony Isaac	2,000	—	9.90	05/18/2025
Virland A. Johnson	—	—	—	

Stock Option Plans

The Company uses stock options to attract and retain executives, directors, consultants and key employees. Stock options are currently outstanding under three stock option plans. The Company's 2016 Equity Incentive Plan (the "2016 Plan") was adopted by the Board of Directors in October 2016 and approved by the stockholders at the 2016 annual meeting of stockholders. Under the 2016 Plan, the Company has reserved an aggregate of 400,000 shares of its common stock for option grants. On November 4, 2020, at the Annual Meeting, the Company's stockholders approved an amendment (the "Plan Amendment") to the 2016 Plan to increase the total number of shares of the Company's common stock reserved for issuance under the 2016 Plan from 400,000 shares to 800,000 shares. The Company's 2011 Stock Compensation Plan (the "2011 Plan") was adopted by the Board of Directors in March 2011 and approved by the stockholders at the 2011 annual meeting of stockholders. The 2011 Plan expired on December 29, 2016; but, options granted under the 2011 Plan before it expired will continue to be exercisable in accordance with their terms. As of December 31, 2022, options to purchase an aggregate of 117,500 shares were outstanding, including options for 90,000 shares under the 2016 Plan and options for 27,500 shares under the 2011 Plan. The Plans are administered by the Compensation Committee or the full Board of Directors acting as the Committee.

The 2016 Plan permits the grant of the following types of awards, in the amounts and upon the terms determined by the Administrator:

•*Options*. Options may either be incentive stock options ("ISOs") which are specifically designated as such for purposes of compliance with Section 422 of the Internal Revenue Code or non-qualified stock options ("NSOs"). Options shall vest as determined by the Administrator, subject to certain statutory limitations regarding the maximum term of ISOs and the maximum value of ISOs that may vest in one year. The exercise price of each share subject to an ISO will be equal to or greater than the fair market value of a share on the date of the grant of the ISO, except in the case of an ISO grant to a stockholder who owns more than 10% of the Company's outstanding shares, in which case the exercise price will be equal to or greater than 110% of the fair market value of a share on the grant date. The exercise price of each share subject to an NSO shall be determined by the Board at the time of grant but will be equal to or greater than the fair market value of a share on the date of grant. Recipients of options have no rights as a stockholder with respect to any shares covered by the award until the award is exercised and a stock certificate or book entry evidencing such shares is issued or made, respectively.

•*Restricted Stock Awards*. Restricted stock awards consist of shares granted to a participant that are subject to one or more risks of forfeiture. Restricted stock awards may be subject to risk of forfeiture based on the passage of time or the satisfaction of other criteria, such as continued employment or Company performance. Recipients of restricted stock awards are entitled to vote and receive dividends attributable to the shares underlying the award beginning on the grant date.

•*Restricted Stock Units*. Restricted stock units consist of a right to receive shares (or cash, in the Administrator's discretion) on one or more vesting dates in the future. The vesting dates may be based on the passage of time or the satisfaction of other criteria, such as continued *employment* or Company performance. Recipients of restricted stock units have no rights as a stockholder with respect to any shares covered by the award until the date a stock certificate or book entry evidencing such shares is issued or made, respectively.

Compensation of Non-Employee Directors

The Company uses cash compensation to attract and retain qualified candidates to serve on the Board of Directors. In setting director compensation, the Company considers the significant amount of time that directors expend fulfilling their duties to the Company as well as the skill level required by the Company of members of the Board. All of the Company's directors are reimbursed for reasonable travel expenses incurred in attending meetings.

The table below presents cash and non-cash compensation paid to non-employee directors during the last fiscal year.

Non-Management Director Compensation for Fiscal Year Ended December 31, 2022

Name	Fees Earned or Paid in Cash ($)	Option Awards ($)	All Other Compensation ($)	Total ($)
John Bitar	18,000	—	—	18,000
Richard D. Butler, Jr.	30,000	—	—	30,000
Nael Hajjar	14,400	—	—	14,400

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

The following table sets forth as of April 12, 2023 the beneficial ownership of common stock by each of the Company's directors, each of the named executive officers, and all directors and executive officers of the Company as a group, as well as information about beneficial owners of 5.0% or more of the Company's voting securities. Beneficial ownership includes shares that may be acquired in the next 60 days through the exercise of options or warrants.

Beneficial Owner	Position with Company	Number of Shares Beneficially Owned (1)	Percent of Outstanding Common (2)
Directors and executive officers:			
Tony Isaac (3)	President, Chief Executive Officer, and Secretary	94,000	2.6 %
Virland A. Johnson	Chief Financial Officer	—	*
Richard D. Butler, Jr. (3)	Director	18,000	*
John Bitar	Director	2,000	*
Nael Hajjar	Director	—	*
All directors and executive officers as a group (5 persons) (3)		114,000	3.2 %
Other 5% stockholders:			
Isaac Capital Group, LLC (4)		675,761	18.7 %
Juan Yunis (5)		460,000	12.7 %
Michael Bigger (6)		361,000	10.0 %

* Indicates ownership of less than 1% of the outstanding shares
(1)Unless otherwise noted, each person or group identified possesses sole voting and investment power with respect to such shares.
(2)Applicable percentage of ownership is based on 3,614,937 shares of common stock outstanding as of April 12, 2023, plus, for each stockholder, all shares that such stockholder could purchase within 60 days upon the exercise of existing stock options.
(3)Includes shares that could be purchased within 60 days upon the exercise of existing stock options, as follows: Mr. Isaac, 2,000 shares and Mr. Butler, 4,000 shares. All directors and executive officers as a group could purchase 6,000 shares. The address for each individual is 325 E. Warm Springs Road Suite 102, Las Vegas, Nevada, 89119.
(4)ICG beneficially owned 675,761 shares of common stock. Jon Isaac has sole dispositive power and sole voting power as to all 675,761 shares for ICG. The address for ICG is 505 East Windmill Lane, Suite 1C-295, Las Vegas, Nevada 89123.
(5)Mr. Yunis beneficially owned 490,000 shares of common stock. The business address for Mr. Yunis with respect to the shares of common stock is c/o JanOne Inc., 325 E. Warm Springs Road, Suite 102, Las Vegas, Nevada 89119. See also footnote 5 to the Series A-1 Convertible Preferred Stock chart, below.
(6)Mr. Bigger beneficially owned 361,000 shares of common stock. The business address for Mr. Bigger with respect to the shares of common stock is 2250 Red Springs Drive, Las Vegas, NV 89135.

Beneficial Ownership of Series A-1 Convertible Preferred Stock

The following table sets forth, as of April 12, 2023, the beneficial ownership of Series A-1 Convertible Preferred Stock by each owner of 5% or more of the Company's Series A-1 Convertible Preferred Stock. No officers or directors of the Company have beneficial ownership of Series A-1 Convertible Preferred Stock. There are no options or warrants to purchase shares of Series A-1 Convertible Preferred Stock.

Beneficial Owner	Number of Shares Beneficially Owned (1)	Percent of Outstanding Series A Preferred (2)
Gregg Sullivan (3)	28,859	13.0 %
Juan Yunis (4)	193,730	87.0 %

(1)Unless otherwise noted, each person or group identified possesses sole voting and investment power with respect to such shares.
(2)Applicable percentage of ownership is based on 222,588 shares of Series A-1 Convertible Preferred Stock outstanding as of April 12, 2023.
(3)The business address for Mr. Sullivan is c/o JanOne Inc., 325 E. Warm Springs Road, Suite 102, Las Vegas, Nevada 89119. On January 16, 2019, GeoTraq terminated the employment of Mr. Sullivan pursuant to the terms of the employment agreement dated August 18, 2017 between GeoTraq and Mr. Sullivan. On April 9, 2021, the Company entered into a settlement agreement (the "Settlement Agreement") with Mr. Sullivan, under which he may not convert such 28,859 shares of Series A-1 Convertible Preferred Stock except in accordance with the Settlement Agreement or in the event that the Company is not in compliance with the terms of the Settlement Agreement (see Note 17 to the Consolidated Financial Statements above for a more in-depth discussion) If converted in full, Mr. Sullivan would own 577,172 shares of Common Stock.
(4)The business address for Mr. Yunis with respect to the shares of Series A-1 Convertible Preferred Stock is c/o JanOne Inc., 325 E. Warm Springs Road, Suite 102, Las Vegas, Nevada 89119. Under his Series A-1 Convertible Preferred Stock agreement, Mr. Yunis is restricted to a beneficial ownership limit of 9.9% of the outstanding Common Stock of the Company. As a result of this restriction, as of December 31, 2022, Mr. Yunis could only convert 346,505 shares of Series A-1 Convertible Preferred Stock. If converted, Mr. Yunis would own 806,505 shares of Common Stock, which would result in his reporting beneficial ownership of 25.6% in the "Percent of Outstanding Common" in the Common Stock chart, above.

The following table provides aggregate information under our equity compensation plans as of January 1, 2022:

	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options and Warrants	(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Available for Future Issuance Under Equity Compensation Plans, Excluding Securities Reflected in Column (a)
Equity compensation plans approved by stockholders	110,000	$ 6.27	710,000
Equity compensation plans not approved by stockholders	—	—	—
Total	110,000	$ 6.27	710,000

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Review, Approval or Ratification of Transactions with Related Persons

There are no family relationships among any of the directors or executive officers of the Company. Of the current directors, each of Messrs. Butler, Bitar, and Hajjar is an "independent" director, as defined under the rules of The Nasdaq Stock Market and each has been an independent director since each joined the Board.

In accordance with its charter, the Audit Committee reviews and recommends for approval all related party transactions (as such term is defined for purposes of Item 404 of Regulation S-K). The Audit Committee participated in the approval of the transactions described above.

Related Party Transactions

Tony Isaac, our Chief Executive Officer, is the father of Jon Isaac, President and Chief Executive Officer of Live Ventures and managing member of ICG, a greater than 5% stockholder of the Company. Tony Isaac and Richard Butler are also members of the Board of Directors of Live Ventures. We also share certain executive, accounting, and legal services with Live Ventures. The total services shared were approximately $314,000 and approximately $296,000 for fiscal years ending December 31, 2022 and January 1, 2022, respectively. Connexx rents approximately 9,900 square feet of office space from Live Ventures at its Las Vegas, Nevada office. The total rent and common area expense were approximately $215,000 and approximately $227,000 for fiscal years ending December 31, 2022 and January 1, 2022, respectively.

ApplianceSmart Note

As stated in Note 5, on December 30, 2017, the Company sold its retail appliance segment, ApplianceSmart, Inc. ("ApplianceSmart") to ApplianceSmart Holdings LLC (the "Purchaser"), a wholly owned subsidiary of Live Ventures Incorporated, pursuant to a Stock Purchase Agreement (the "Agreement"). Pursuant to the Agreement, the Purchaser purchased from the Company all of the issued and outstanding shares of capital stock of ApplianceSmart in exchange for $6.5 million. On April 25, 2018, the Purchaser delivered to the Company a promissory note (the "ApplianceSmart Note") in the original principal amount of approximately $3.9 million.

On December 9, 2019, ApplianceSmart filed a voluntary petition in the United States Bankruptcy Court for the Southern District of New York seeking relief under Chapter 11 of Title 11 of the United States Code. Consequently, the Company recorded an impairment charge of approximately $3.0 million for the amount owed by ApplianceSmart to the Company as of December 28, 2019.

On October 13, 2021, a hearing was held to consider approval of a disclosure statement filed by ApplianceSmart in conjunction with its bankruptcy proceedings. On December 14, 2021, a hearing was held to confirm ApplianceSmart's plan for reorganization (the "Plan"). On January 10, 2022, ApplianceSmart paid $25,000 to JanOne in settlement of its debt, as provided for in the confirmed Plan, and the ApplianceSmart Note was reversed. A final decree was issued by the court on February 28, 2022, upon the full satisfaction of the Plan, at which time ApplianceSmart emerged from Chapter 11. The outstanding balance of the ApplianceSmart Note at December 31, 2022 and January 1, 2022 was zero and approximately $3.0 million, respectively, exclusive of the impairment charge.

For discussion related to potential obligations and or guarantees under ApplianceSmart Leases, see Note 24.

Related Party Note

On August 28, 2019, ARCA Recycling entered into and delivered to ICG a secured revolving line of credit promissory note, whereby ICG agreed to provide ARCA Recycling with a $2.5 million revolving credit facility (the "ICG Note"). The ICG Note originally matured on August 28, 2020. On August 25, 2020, the ICG Note was amended to extend the maturity date to December 31, 2020. On March 30, 2021, ARCA Recycling entered into a Second Amendment and Waiver (the "Second Amendment") to the ICG Note to further extend the maturity date to August 18, 2021 and waive certain defaults under the ICG Note. The ICG Note bears interest at 8.75% per annum and provides for the payment of interest, monthly in arrears. ARCA Recycling will pay a loan fee of 2.0% on each borrowing made under the ICG Note. In connection with entering into the ICG Note, the Borrower also entered into a security agreement in favor of the Lender, pursuant to which ARCA Recycling granted a security interest in all of its assets to the Lender. The obligations of ARCA Recycling under the ICG Note are guaranteed by the Company. The foregoing transaction did not include the issuance of any shares of the Company's common stock, warrants, or other derivative securities. As of January 1, 2022, the balance due on ICG note was $1.0 million. Beginning in April 2022, the revolving credit facility was converted to a term note that amortizes ratably through its maturity date of March 2026. The principal amount of the note is $1.0 million, and bears interest at 8.75% per annum. Monthly payments on this note will be approximately $24,767. ICG is a record and beneficial owner of 13.9% of the outstanding common stock of the Company. Jon Isaac is the manager and sole member of ICG, and the son of Tony Isaac, the Chief Executive Officer of JanOne and ARCA Recycling. As of December 31, 2022, the principal balance of the note is approximately $838,000.

ARCA Purchasing Agreement

On April 5, 2022, ARCA entered into a Purchasing Agreement with Live Ventures. Pursuant to the agreement, Live agrees to purchase inventory from time to time for ARCA, as set forth in submitted purchase orders. The inventory is owned by Live until which time payment by ARCA is received. All purchases made by the ARCA shall be paid back to Live in full plus an additional five percent surcharge or broker-type fee. The term of the Agreement is one year, and automatically renews if not terminated by either party, as provided for in the Agreement. As of the year ended December 31, 2022, the amount due to Live Ventures was approximately $624,000. For the year ended December 31, 2022, the Company paid broker fees of approximately $59,000.

ARCA and Subsidiaries Disposition

On March 19, 2023, the Company entered into a Stock Purchase Agreement with VM7 Corporation, a Delaware corporation, under which the Buyer agreed to acquire all of the outstanding equity interests of (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 ("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 was consummated simultaneously with the execution of the Purchase Agreement. The Company's Board of Directors unanimously approved the Purchase Agreement and the Disposition Transaction.

The economic aspects of the Disposition Transaction are: (i) the Company reduced the liabilities on its consolidated balance sheets by approximately $17.6 million, excluding those related to the California Business Fee and Tax Division; (ii) the Company 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, the Company may request that the Buyer prepay aggregate monthly payments in the aggregate amount of $1 million. The Company 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.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Each year, the Audit Committee approves the annual audit engagement in advance. The Audit Committee also has established procedures to pre-approve all non-audit services provided by the Company's independent registered public accounting firm. All non-audit services for the fiscal years ended December 31, 2022, and January 1, 2022 that are listed below were pre-approved.

Audit Fees: Audit fees include fees for the audit of the Corporation's consolidated financial statements and interim reviews of the Corporation's quarterly financial statements, comfort letters, consents and other services related to Securities and Exchange Commission matters.

Audit-Related Fees: Audit-related fees primarily include fees for certain audits of subsidiaries not required for purposes of WSRP's audit of the Corporation's consolidated financial statements or for any other statutory or regulatory requirements, and consultations on various other accounting and reporting matters

Tax Fees: This category consists of professional services rendered by our independent auditors for tax compliance.

All Other Fees consist of fees for services other than the services described above.

The following fees were billed to us by our independent registered public accounting firms , WSRP, LLC ("WSRP") and Frazier & Deeter, LLC ("Frazier & Deeter") for 2022 and WSRP in 2021:

Description	December 31, 2022	January 1, 2022
Audit fees	$ 353,500	$ 212,725
Audit-related fees	—	11,466
Tax fees	40,800	48,459
All other fees	4,000	—
Total	$ 398,300	$ 272,650

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)Financial Statements, Financial Statement Schedules and Exhibits

1.Financial Statements

See Index to Financial Statements under Item 8 of this report.

2.Financial Statement Schedules

None.

3.Exhibits

See Index to Exhibits

ITEM 16. FORM 10-K SUMMARY

None.

Index to Exhibits

Exhibit No.	Description
2.1	Agreement and Plan of Merger dated August 18, 2017, between the Company, Appliance Recycling Acquisition Corp., GeoTraq Inc., and the stockholders of GeoTraq Inc. [filed as Exhibit 10.9 to the Company's Form 10-Q/A for the quarterly period ended July 1, 2017 (File No. 0-19621) and incorporated herein by reference].
2.2	Stock Purchase Agreement dated December 30, 2017 [filed as Exhibit 10.28 to the Company's Form 10-K for the fiscal year ended December 30, 2017 (File No. 0-19621) and incorporated herein by reference].
2.3	Asset Purchase Agreement among JanOne Inc., ARCA Recycling, Inc., and Customer Connexx LLC, on the one hand, and ARCA Affiliated Holdings Corporation, ARCA Services Inc., and Connexx Services Inc., on the other hand, dated February 19, 2021 [filed as 10.1 to the Company's Form 8-K filed on February 25, 2021 (File No. 0-19621) and incorporated herein by reference].
3.1	Articles of Incorporation of Appliance Recycling Centers of America, Inc. [filed as Exhibit 3.3 to the Company's Form 8-K filed on March 13, 2018 (File No. 0-19621) and incorporated herein by reference].
3.2	Articles of Conversion [filed as Exhibit 3.1 to the Company's Form 8-K filed on March 13, 2018 (File No. 0-19621) and incorporated herein by reference].
3.3	Articles of Conversion [filed as Exhibit 3.2 to the Company's Form 8-K filed on March 13, 2018 (File No. 0-19621) and incorporated herein by reference].
3.4	Certificate of Correction to Articles of Incorporation [filed as Exhibit 3.1 to the Company's Form 10-Q for the quarterly period ended June 30, 2018 (File No 0-19621) and incorporated herein by reference].
3.5	Certificate of Change [filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on April 22, 2019 (File No. 0-19621) and incorporated herein by reference].
3.6	Certificate of Correction to Articles of Incorporation of Appliance Recycling Centers of America, Inc. [filed as Exhibit 3.7 to the Company's Current Report on Form 8-K filed on June 24, 2019 (File No. 0-19621) and incorporated herein by reference].
3.7	Certificate of Designation of Powers, Preferences, and Rights of Series A-1 Convertible Preferred Stock of Appliance Recycling Centers of America, Inc. [filed as Exhibit 3.8 to the Company's Current Report on Form 8-K filed on June 24, 2019 (File No. 0-19621) and incorporated herein by reference].
3.8(a)	Amended and Restated Certificate of Designation of the Preferences, Rights, and Limitations of the Series A-1 Convertible Preferred Stock of JanOne Inc., dated October 1, 2020 [filed as Exhibit 3.8(a) to the Company's Current Report on Form 8-K filed on October 2, 2020 (File No. 0-19621) and incorporated herein by reference].
3.8(b)	Second Amendment and Restated Certificate of Designation of the Preferences, Rights, and Limitations of the Series A-1 Convertible Preferred Stock of JanOne Inc., dated April 13, 2021 [filed as Exhibit 3.8(b) to the Company's Current Report on Form 8-K filed on April 16, 2021 (File No. 0-19621) and incorporated herein by reference]
3.9	Articles of Incorporation of JanOne Inc. (the Name Change Subsidiary), filed with the Secretary of State of the State of Nevada on September 6, 2019 [filed as Exhibit 3.9 to the Company's Current Report on Form 8-K filed on September 13, 2019 (File No. 0-19621) and incorporated herein by reference].
3.10	Certificate of Amendment to Articles of Incorporation, filed with the Secretary of State for the State of Nevada on November 5, 2020 [filed as 3.9 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 26, 2020 filed on November 10, 2020 (File No. 0-19621) and incorporated herein by reference].

3.11	Articles of Merger for JanOne Inc. into Appliance Recycling Centers of America, Inc., filed with the Secretary of State of the State of Nevada on September 9, 2019, and effective on September 10, 2019 [filed as Exhibit 3.10 to the Company's Current Report on Form 8-K filed on September 13, 2019 (File No. 0-19621) and incorporated herein by reference].
3.12	Bylaws of Appliance Recycling Centers of America, Inc. [filed as Exhibit 3.4 to the Company's Form 8-K filed on March 13, 2018 (File No. 0-19621) and incorporated herein by reference].
3.13	First Amendment to Bylaws of Appliance Recycling Centers of America, Inc. [filed as Exhibit 3.1 to the Company's Form 8-K filed on December 31, 2018 (File No. 0-19621) and incorporated herein by reference].
3.14+	Certificate of Designation of the Rights, Preferences, and Limitations of Series S Convertible Preferred Stock, filed with the Secretary of State of the State of Nevada on December 28, 2022.
4.1+	Description of Our Securities
4.2	Specimen Stock Certificate [filed as Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 26, 2020 filed on November 10, 2020 (File No. 0-19621) and incorporated herein by reference].
10.1[X]	Patent and Know How License Agreement dated November 19, 2019, by and among JanOne Inc., and UAB Research Foundation, TheraVasc, Inc., and the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College, acting on behalf of LSU Health Sciences Center at Shreveport [filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 25, 2019 (File No. 0-19621) and incorporated herein by reference].
10.2 [X]	Master Agreement for Development, Manufacturing and Supply Services dated February 5, 2020 by and between JanOne Inc. and CoreRx Inc. [filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 7, 2020 (File No. 0-19621) and incorporated herein by reference].
10.3	Promissory Note between JanOne Inc., as the borrower, and Texas Capital Bank, N.A., as lender [filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 4, 2020 (File No. 0-19621) and incorporated herein by reference].
10.4	Amended and Restated Promissory Note, effective April 1, 2018, issued by ApplianceSmart Holdings LLC [filed as Exhibit 10.1 to the Company's Form 8-K filed on December 31, 2018 (File No. 0-19621) and incorporated herein by reference].
10.5	Security Agreement dated December 26, 2018 by and between ApplianceSmart Holdings LLC and Appliance Recycling Centers of America, Inc. [filed as Exhibit 10.2 to the Company's Form 8-K filed on December 31, 2018 (File No. 0-19621) and incorporated herein by reference].
10.6	Security Agreement dated December 26, 2018 by and between ApplianceSmart, Inc. and Appliance Recycling Centers of America, Inc. [filed as Exhibit 10.3 to the Company's Form 8-K filed on December 31, 2018 (File No. 0-19621) and incorporated herein by reference].
10.7	Security Agreement dated December 26, 2018 by and between ApplianceSmart Contracting Inc. and Appliance Recycling Centers of America, Inc. [filed as Exhibit 10.4 to the Company's Form 8-K filed on December 31, 2018 (File No. 0-19621) and incorporated herein by reference].
10.8	Subordination Agreement, dated March 15, 2019, from Appliance Recycling Centers of America, Inc. to Crossroads Financing, LLC [filed as Exhibit 10.1 to the Company's Form 8-K filed on March 21, 2019 (File No. 0-19621) and incorporated herein by reference].
10.9	Intercreditor and Subordination Agreement, dated March 18, 2019, by and between Appliance Recycling Centers of America, Inc. and Crossroads Financing, LLC [filed as Exhibit 10.2 to the Company's Form 8-K filed on March 21, 2019 (File No. 0-19621) and incorporated herein by reference].
10.10	Secured Revolving Line of Credit Promissory Note [filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 30, 2019 (File No. 0-19621) and incorporated herein by reference].

10.11	Amendment to Secured Line of Credit Promissory Note dated August 25, 2020 between ARCA Recycling, Inc. and Isaac Capital Group, LLC [filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on November 10, 2020 (File No. 0-19621) and incorporated herein by reference].
10.12	Second Amendment and Waiver to Secured Line of Credit Promissory Note dated March 30, 2021 between ARCA Recycling, Inc. and Isaac Capital Group, LLC [filed as Exhibit 10.12 to the Company's Annual Report on Form 10-K filed on March 30, 2021 (File No. 0-19621) and incorporated herein by reference].
10.13	Securities Purchase Agreement dated November 8, 2016, between Energy Efficiency Investments, LLC and the Company [filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on November 15, 2016 (File No. 0-19621) and incorporated herein by reference].
10.14	Termination Agreement by and between Energy Efficiency Investments, LLC and JanOne Inc [filed as 10.18 to the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 2019 filed on April 6, 2020 (File No. 0-19621) and incorporated herein by reference]
10.15	Form of 3% Original Issue Discount Senior Convertible Promissory Note issuable under Securities Purchase Agreement dated November 8, 2016, between Energy Efficiency Investments, LLC and the Company [filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on November 15, 2016 (File No. 0-19621) and incorporated herein by reference].
10.16	Form of Common Stock Purchase Warrant issuable under Securities Purchase Agreement dated November 8, 2016, between Energy Efficiency Investments, LLC and the Company [filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on November 15, 2016 (File No. 0-19621) and incorporated herein by reference].
10.17*	2011 Stock Compensation Plan [filed with the Company's Schedule DEF 14A on March 31, 2011 and incorporated herein by reference].
10.18*	2016 Equity Incentive Plan [filed as Exhibit 10.3 to the Company's Form 10-K for the fiscal year ended December 31, 2016 (File No. 0-19621) and incorporated herein by reference]
10.19*	First Amendment to the JanOne Inc. 2016 Equity Incentive Plan [filed with the Company's Schedule DEF 14A on October 2, 2020 and incorporated herein by reference]
10.20*×	Master Equipment Finance Agreement dated as of March 25, 2021 between KLC Financial, Inc. and ARCA Recycling, Inc. [filed as Exhibit 10.20 to the Company's Form 10-K for the fiscal year ended January 2, 2021 (File No. 0-19621) and incorporated herein by reference]
10.21	Asset Purchase Agreement among JanOne Inc., ARCA Recycling, Inc., and Customer Connexx LLC, on the one hand, and ARCA Affiliated Holdings Corporation, ARCA Services Inc., and Connexx Services Inc., on the other hand, dated February 19, 2021 [filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 25, 2021 (File No. 0-19621) and incorporated herein by reference].
10.22	Second Amendment and Waiver to Secured Line of Credit Promissory Note dated March 30, 2021 between ARCA Recycling, Inc. and Isaac Capital Group, LLC. [filed as Exhibit 10.12 to the Company's Form 10-K for the fiscal year ended January 2, 2021 (File No. 0-19621) and incorporated herein by reference]
10.23	Securities Purchase Agreement dated January 29, 2021 by and between JanOne Inc. and the purchasers listed therein. [filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 29, 2021 (File No. 0-19621) and incorporated herein by reference].
10.24	Addendum to Master Equipment Finance Agreement dated as of April 14, 2021 between KLC Financial, LLC and ARCA Recycling, Inc. [filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on May 17, 2021 (File No. 0-19621) and incorporated herein by reference].
10.25	Settlement Agreement and Mutual Release of Claims dated April 9, 2021 by and among JanOne Inc. (f/k/a Appliance Recycling Centers of America, Inc.); GeoTraq, Inc.; Antonio Isaac; and Gregg Sullivan. [filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on August 16, 2021 (File No. 0-19621) and incorporated herein by reference].

10.26	Amendment No. One to Asset Purchase Agreement among JanOne Inc., ARCA Recycling, Inc. and Customer Connexx LLC, on the one hand, and ARCA Affiliated Holdings Corporation, ARCA Services Inc., and Connexx Services Inc., on the other hand [filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on August 16, 2021 (File No. 0-19621) and incorporated herein by reference].
10.27+	Third Amendment to Secured Revolving Line of Credit Promissory Note dated March 17, 2022 with Isaac Capital Group, LLC.
10.28	Asset Purchase Agreement between JanOne Inc. and SPYR Technologies Inc., dated May 24, 2022.
10.29	Promissory Note of SPYR Technologies Inc. in favor of JanOne Inc., dated May 24, 2022.
10.92	General Credit and Security Agreement, dated as of September 26, 2022, between Gulf Coast Bank and Trust Company and ARCA.
10.93	Guaranty to Gulf Coast Bank and Trust by JanOne Inc., dated as of September 21, 2022.
10.94	Debt Subordination Agreement by Isaac Capital Group, dated as of September 21, 2022.
10.95+	Agreement and Plan of Merger made and entered into as of December 28, 2022, among the registrant, STI Merger Sub Inc., Soin Therapeutics, LLC, and Amol Soin, M.D.
21.1+	List of Subsidiaries of the Registrant
23.1+	Consent of Frazier & Deeter, LLC, Independent Registered Public Accounting Firm.
23.2+	Consent of WSRP, LLC, Independent Registered Public Accounting Firm.
31.1+	Certification by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2+	Certification by Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1†	Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2†	Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101+	The following materials from our Annual Report on Form 10-K for the fiscal year ended January 1, 2022, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations and Comprehensive Income, (iii) the Consolidated Statements of Cash Flows, (iv) the Consolidated Statements of Shareholders' Equity, (v) the Notes to Consolidated Financial Statements, and (vi) document and entity information.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).
*	Items that are management contracts or compensatory plans or arrangements required to be filed as an exhibit pursuant to Item 14(a)3 of this Form 10-K.
+	Filed herewith.
†	Furnished herewith.
×	Portions of this exhibit have been redacted in compliance with Regulation S-K Item 601(b)(10)(iv)

SIGNATURES

Pursuant to the requirements of Section 13 or Section 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on our behalf by the undersigned, thereunto duly authorized.

April 17, 2023

JANONE INC.
(Registrant)

By /s/ Tony Isaac
Tony Isaac
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
Principal Executive Officer		
/s/ Tony Isaac Tony Isaac	Chief Executive Officer, Treasurer	April 17, 2023
Principal Financial and Accounting Officer		
/s/ Virland A. Johnson Virland A. Johnson	Chief Financial Officer	April 17, 2023
Directors		
/s/ Tony Isaac Tony Isaac	Director	April 17, 2023
/s/ Richard Butler Richard Butler	Director	April 17, 2023
/s/ John Bitar John Bitar	Director	April 17, 2023
/s/ Nael Hajjar Nael Hajjar	Director	April 17, 2023

JANONEINC.

AMENDED AND RESTATED CERTIFICATE OF
DESIGNATION
OF THE RIGHTS, PREFERENCES, AND LIMITATIONS OF
SERIES S CONVERTIBLE PREFERRED STOCK

The undersigned, Tony Isaac, does hereby certify that:

1.He is the Chief Executive Officer and Secretary of JanOne Inc., a Nevada corporation (the "Company ").

2.The Company is authorized to issue two million (2,000,000) shares of preferred stock, parvalue$0.001 per share, Two Hundred Fifty-nine Thousand Seven Hundred Twenty-nine (259,729) of which have been designated "Series A-1 Convertible Preferred Stock" and Two Hundred Twenty two Thousand Five Hundred Eighty-eighty (222,588) shares are currently issued and outstanding, and that no other shares of preferred stock are issued and outstanding.

3.The following resolutions were adopted by the board of directors (the "Board of Directors") of the Company:

RESOLVED, that pursuant to the authority expressly granted to and vested in the Board of Directors of the Company by provisions of the Articles of Incorporation of the Company (the "Articles of Incorporation"), there hereby is created out of the shares of the Company's preferred stock, par value $0.001 per share, of the Company authorized in the Articles of Incorporation, a series of Preferred Stock of the Company, to be named "Series S Convertible Preferred Stock," consisting of two hundred thousand (200,000) shares, which series shall have the following designations, powers, preferences and relative and other special rights and the following qualifications, limitations, and restrictions:

Section 1.
following meanings:

Definitions. For the purposes hereof, the following terms shall have the

"$3 Million Tranche" means the number of shares of Series S Convertible Preferred Stock that Amol Soin, M.D. (or his permitted transferee) is permitted to convert into an amount not to exceed $3,000,000 of value of Common Stock.

"$10 Million Tranche" means the number of shares of Series S Convertible Preferred Stock that Amol Soin, M.D. (or his permitted transferee) is permitted to convert into an amount not to exceed $10,000,000 of value of Common Stock.

"$17 Million Tranche" means the number of shares of Series S Convertible Preferred Stock that Amol Soin, M.D. (or his permitted transferee) is pe1mitted to convert into an amount not to exceed $17,000,000 of value of Common Stock

"Business Day" means a day in which a majority of the banks in the State of Nevada in the United States of America are open for business.

"Certificate" shall mean this Certificate of Designation of the Rights, Privileges, and Limitations of Series S Convertible Preferred Stock.

"Common Stock" shall mean the shares of the Company's class of common stock, $0.001 par value per share.

"Company" shall have the meaning ascribed in the initial paragraph hereof.

"Conversion" shall have the meaning ascribed in Section 6(a) below.

"Conversion Date" shall mean the date on which a share or shares of the Series S Convertible Preferred Stock is converted pursuant to the terms of this Certificate.

"Distribution" shall mean the transfer of cash or other property without consideration, whether by way of dividend or othe1wise (other than dividends on Common Stock payable in Common Stock), or the purchase or redemption of shares of the Company for cash or property other than: (i) repurchases of Common Stock issued to or held by employees, officers, directors or consultants of the Company or its subsidiaries upon termination of their employment or services pursuant to agreements providing for the right of said repurchase, (ii) repurchases of Common Stock issued to or held by employees, officers, directors or consultants of the Company or its subsidiaries pursuant *to* rights of first refusal contained in agreements providing for such right, (iii) repurchases of capital stock of the Company in connection with the settlement of disputes with any stockholder, and (iv) any other repurchase or redemption of capital stock of the Company approved by the holders of (a) a majority of the Common Stock and (b) a majority of the Series S Convertible Preferred Stock of the Company voting as separate classes.

"Holder" shall mean the person or entity in which the Series S Convertible Preferred Stock is registered on the books of the Company, which shall initially be the person or entity that was issued shares of Series S Convertible Preferred Stock, and shall thereafter be the permitted and legal assigns of which the Company is notified by the Holder and in respect of which the Holder has provided a valid legal opinion in connection therewith to the Company.

"Holders" shall mean all Holders of shares of the Series S Convertible Preferred Stock.

"Junior Stock" shall mean the Common Stock and each other class of capital stock *or* series of preferred stock of the Company established prior to or after the Original Issue Date, the terms of which do not expressly provide that such class or series ranks senior to or on parity with the Series S Convertible Preferred Stock upon the liquidation, wincli11g-up, or dissolution of the Company.

"Original Issue Date" shall mean the date upon which the shares of Series S Convertible Preferred Stock ate first issued.

"Recapitalization" shall mean any stock dividend, stock split, and combination of shares, reorganization, recapitalization, reclassification, or other similar event.

"Section 6(c) Event" shall have the meaning ascribed in Section 6(c), below.

"Series S Convertible Preferred Stock" shall mean the Series S Convertible Preferred Stock designated by the Company pursuant to the Articles of Incorporation :filed with the Office of the Secretary of State of the State of Nevada.

"Stated Value" shall have the meaning ascribed in Section 2, below.

"Triggering Event" shall have the meaning ascribed in Section 12(e), below.

Section 2. Designation; Amount: and Par Value. The series of Series S preferred stock shall be designated as the Company's Series S Convertible Preferred Stock (the "Series S Convertible Preferred Stock") and the number of shares so designated shall be up to Two Hundred Thousand (200,000) shares (which shall not be subject to increase without the written consent of the Holders of a majority of the then-issued and outstanding Series S Convertible Preferred Stock and the Board of Directors). Each share of Series S Convertible Preferred Stock shall have a stated value of $300.00 per share (the "Stated Value") and a par value of $0.001 per share.

Section 3. dividend rights.

Dividends. The shares of Series S Convertible Preferred Stock do not have

Section 4. Voting Rights. The Holder of each share of Series S Convertible Preferred Stock shall have one vote for such share. With respect to any stockholder vote, the Holder shall have full voting tights and powers equal to the voting -rights and powers of the Common Stock stockholders, and shall be entitled, notwithstanding any provision hereof, to notice of any stockholders' meeting in accordance with the Bylaws of the Company, and shall be entitled to vote, together with Common Stock stockholders, with respect to any question upon which the Common Stock stockholders have the right to vote. The Holders of Series S Convertible Preferred Stock shall vote together with all other classes and series of common and preferred stock of the Company as a single class on all actions to be taken by the Common Stock stockholders, except to the extent that voting as a separate class or series is required by law o.t by this Certificate.

Section 5. Liquidation Preference: Change of Control.

a)Liquidation. In the event of any voluntary or involuntary liquidation, dissolution, or winding up of the Company or a Qualified Soin Sale (as that term is defined in footnote 1) (each, a "Liquidation"), the Holders of shares of Series S Convertible Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Company available for distribution to its stockholders, before any payment shall be made to the Holders of Junior Securities by reason of their ownership thereof, an amount in cash equal to the Aggregate Liquidation Value[1] of all such shares of Series S Convertible Preferred Stock held by such Holder.

[1] "Aggregate Liquidation Value" shall be equivalent to the sum of Q) the Stated Value of all of the then-outstanding shares of Series S Convertible Preferred Stock remaining in the $3 Million Tranche that are, as of the date of Liquidation, convertible into shares of Common Stock *plus* (ii) the Stated Value of all of the then-outstanding shares of Series S Convertible Preferred Stock remaining in the $10 Million tranche that are, as of such Liquidation Date, convertible into sha:te5 of Common Stock *plus,* (iii) in respect of all of the then-outstanding shares of Series S Convertible Preferred Stock remaining in the $17 Million Tranche that are, as of the date of Liquidation, eligible to be converted into shares of Common Stock, an amount equal to 5% of the net sale proceeds received by the Company or its stockholders, as applicable, as a result of (a) the sale of the equity of the business entity or entities in which the Company holds the assets, as they may subsequently have been modified (the "Acquired Assets"), that it acquired in connection with the Agreement and Plan of Merger, entered into as of December 28, 2022, among the Company, STI Merger Sub Inc., Soin Therapeutics, LLC, and Amol Soin, M.D. (the "Merger Agreement"), o:t (b) the sale of all or substa11tially all of the assets of such business entity or entities (either transaction of the type referenced in subsections (a) or (b), a "Qualified Soin Sale"), such amount not to exceed $17 Million for such $17 Million Tranche *(lets,* in any case involving shares in the $17 Million Tranche, the aggregate Conversion Price of all conversions of shares of Series S Convertible Preferred Stock in such Tranche prior to the Liquidation); provided; however, that the Aggregate Liquidation Value shall not include the Stated Value of (x) any previously converted Series S Convertible Preferred Stock or *(y)* any incremental Series S Convertible Preferred Stock issued pursuant to Footnote 2.

b)Change of Control. The occurrence of a Change of Control shall not be deemed a Liquidation for purposes of this Section 5. Upon the consummation of any such Change of Control, the Holders of the Series S Convertible Preferred Stock shall, in consideration for the cancellation of their shares of Series S Convertible Preferred Stock, be entitled to (i.) cash, (ii) prope1-t:y, or (iii) securities in the post-Change of Control entity with substantially the same rights, privileges, preferences, and restrictions thereof as to which such Holders were entitled immediately preceding such Change of Control transaction (the "New Securities"), in each case as set forth in subsection (c), below. "Change of Control" means the occurrence from and afte1; the date of filing of this Certificate with the Secretary of State of the State of Nevada of any of (a) an acquisition after such date hereof by an individual or legal entity or "group" (as described in Rule 13d-5(b)(1) promulgated under the Exchange Act) of effective control (whether through legal or beneficial ownership of capital stock of the Company, by contract, or otherwise) of in excess of forty-nine percent (49%) of the voting securities of the Company (other than by means of conversion of shares of Series S Convertible Preferred Stock), (b) the Company merges into or consolidates with any other entity, or any entity merges into or consolidates with the Company and, after giving effect to such transaction, the stockholders of the Company immediately prior to such transaction own less than fifty-one percent (51%) of the aggregate voting power of the Company or the successor entity of such transaction, (c) [reserved], (d) a replacement at one time or within a one-year period of more than one-half of the members of the Board of Directors, which is not approved by a majority of those individuals who are members of the Board of Directors on, the date of filing of this Certificate with the Secretary of State of the State of Nevada (or by those individuals who are serving as members of the Board of Directors on any date, whose nomination to the Board of Directors was approved by a majority of the members of the Board of Directors who are members as of date of filing of this Certificate with the Secretary of State of the State of Nevada), or (e) the execution by the Company of an agreement to which the Company is a party or by which it is bound, providing for any of the events set forth in clauses (a) through (d), above. For the avoidance of doubt, a Qualified Soin Sale shall not constitute a "Change of Control".

c)Change of Control Procedures. In furtherance of the foregoing, the Company shall take such actions as are necessary to give effect to the provisions of this Section 5, including, without limitation, (i) in the case of a Change of Control structured as a non-cash merger, consolidation, or similar reorganization, causing the definitive agreement relating to such transaction to provide for a rate at which the shares of Series S Convertible Preferred Stock a.re converted .into or exchanged for New Securities or (ii) in the case of a Change of Control structured as an asset sale, as promptly as practicable following such transaction, either dissolving the Company and distributing the assets of the Company in accordance with applicable law or redeeming all outstanding shares of Series S Convertible Preferred Stock at the Aggregate Liquidation Value. The Company shall promptly provide to the Holders of shares of Series S Convertible Preferred Stock such information concerning the te1ms of such Change of Control, and the value of the assets of the Company as may reasonably be requested by the Holders of Series S Convertible Preferred Stock. The amount to be distributed to the Holders of Series S Convertible Preferred Stock upon any such Change of Control in the form of a non-cash transaction, in consideration for the cancellation of the shares of Series S Convertible Preferred Stock then held by such Holders, shall be, at the election of the post Change of Control entity, either the issuance of New Securities to such Holders or the distribution to such Holders of property of like kind as is distributed to all of the holders of shares of the Company's capital stock in such Change of Control transaction, the value of which property shall be substantially similar to the Aggregate Liquidation Value. The amount

to be distributed to the Holders of Series S Convertible P:refe.cred Stock upon any such Change of Control in the form of a cash transaction, in consideration of the cancellation of the shares of Series S Convertible Preferred Stock then held by such Holders, shall be an amount equivalent to the Aggregate Liquic½,tion Value.

d)No Participation With Junior Securities on a Change of Control or Liquidation. The preferential distributions to the Holders of Series S Convertible Preferred Stock as set forth in Sections S(a) and 5(6), above, constitute the entirety of the distributions to which such Holders are entitled in a Liquidation or a Change of Control as a result of their Series S Convertible Preferred Stock. By way of clarity and limitation, the Holders of Series S Convertible Preferred Stock shall not be entitled as a result of their Series S Convertible Preferred Stock to participate with the holders of shares of Junior Securities then outstanding in the distribution of any or all of the remaining assets and funds of the Company available for distribution to its stockholders.

e)Insufficient Assets. If, upon any Liquidation or Change of Control, the assets of the Company available for distribution to its stockholders shall be insufficient to pay the Holders of the shares of Series S Convertible Preferred Stock the full preferential amount to which they are entitled under this Section 5, (i) the Holders of such shares shall share ratably in any distribution of the remaining assets and funds of the Company in proportion to the respective full preferential amounts that would otherwise be payable in respect of the Series S Convertible Preferred Stock in the aggregate upon such Liquidation or Change of Control if all amounts payable on or with respect to such shares were paid in full and (ii) the Company shall not make or agree to make any payments to the Holders of Junior Securities.

f)Notice.

(i)Notice Requirement. In the event of any Liquidation or Change of Control, the Company shall, within ten (10) days of the date the Board approves such action, or no later than twenty (20) days of any stockholders' meeting called to approve such action, or within twenty (20) days of the commencement of any involuntary proceeding, whichever is earlier, give each Holder of shares of Series S Convertible Preferred Stock written notice of the proposed action. Such written notice shall describe the material terms and conditions of such proposed action, u1cluding a description of the stock, cash, and property to be received by the Holders of such shares upon consummation of the proposed action and the date of delivery thereof. If any material change in the facts set forth in the initial notice shall occur, the Company shall promptly *give* written notice to each Holder of such shares of such material change.

(ii) Notice Waiting Period. The Company shall not consummate any voluntary Liquidation or Chat1ge of Control of the Company before the expiration of thirty (30) days after the mailing of the initial notice or ten (10) days after the mailing of any subsequent written notice, whichever is later*; provided,* that any such period may be shortened upon the written consent of the Holders of all the outstanding shares of Series S Convertible Preferred Stock.

g)Excluded Transactions. Notwithstanding anything to the contra1-y contained in this Certificate or otherwise, in respect of any sale of the recycling business ("ARCA") of the Company or monetization of the long-term promissory note acquired in connection with the

Company's sale of substantially all of the assets of Geotraq Inc. (the "Geotraq Note"), the Holders of shares of Series S Convertible Preferred Stock shall neither be entitled to nor shall receive any proceeds or other indicia of value resulting from such transaction. Accordingly, such Holders will be specifically excluded from any cash or stock or other value received by the Company or its equity or debt holders from any such transaction. Further, if the Geotraq Note or any subsidiary, division, or other asset of ARCA is distributed to the holders of capital stock of the Company or is otherwise separated from the Company, the Holders of shares of the Series S Convertible Preferred Stock, in their roles as such, shall neither be entitled to nor shall receive any ownership position therein.

Section 6. Conversion. The shares of Seri.es S Conve1tible Prefe11:ed Stock shall not be convertible into shares of Common Stock and have no other conversion rights except as specifically set forth below:

a)Conversion. The "Conversion Price" per share of the Seri.es S Convertible Prefe11:ed Stock shall be the higher of) $1.662; and (ii) the lower of (x) the Nasdaq Official Closing Price per share of Common Stock (as reflected on Nasdaq.com) on the date on which a Holder exercises his right to convert shares of Series S Convertible Preferred Stock into shares of Common Stock; or (y) the average Nasdaq Official Closing Price of the common stock (as reflected on Nasdaq.com) for the five trading days immediately preceding the date on which a Holder exercises his, her, or its right to convert shares of Series S Convertible Preferred Stock into shares of Common Stock (each, a "Conversion"). Subject to the provisions set forth in this Certificate, each Holder shall have the right, exercisable at any time and from time to time (unless otherwise prohibited by law, rule, or regulation, or as restricted below), to convert any or all of such Holder's shares of Series S Convertible Preferred Stock into shares of Common Stock at the Conversion Price.

b)Conversion Limits.

(i)Permissive Conversion. The Holder has the right, but not the obligation, (A) commencing on December 28, 2023, to convert any or all of the $3 Million Tranche into shares of Common Stock; (B) commencing on the later of (1) June 28, 2023, or (2) the earlier of (x) the issuance to the Company by the U.S. Food and Dmg Administration of New Drug Approval for low-dose naltrexone for

[2] Lower of (i) the Nasdaq Official Closing Price per share of the Common Stock (as reflected on Nasdaq.com) on the Business Day immediately preceding the effective date of the Merger Agreement or *(ii)* the average Nasdaq Official Closing Price of the Common Stock (as reflected on Nasdaq.com) for the five trailing days immediately preceding the effective date of the Merger Agreement. Notwithstanding the conversion pricing formula set forth above, if, as of the effective date of the applicable notice of any conversion of shares of Series S Convertible Preferred Stock, either of the Nasdaq Official Closing Price per share of the Common Stock (as reflected on Nasdaq.com) on the Business Day immediately preceding the effective date of the applicable notice of such conversion or the average Nasdaq Official Closing Price of the Common Stock (as reflected on Nasdaq.com) for the five trading days immediately preceding the effective date of the applicable notice of such conversion is less than $1.66 per share of Common Stock, then, although the Conversion Price will not be less than $1.66, the $3 Million Tranche, the $10 Million Tranche, and the $17 Million Tranche, as applicable, will increase to a dollar value such that, upon conversions of the Series S Convertible Preferred Stock, the Holder will receive $3 Million, $10 Million, or $17 Million value, as applicable, notwithstanding the "Nasdaq calculated" pricing rules. This calculation shall utilize the lesser of the two Nasdaq pricing rules. Further, each such conversion will be calculated on a stand-alone basis and will not affect the Conversion Price for any subsequent conversion. By way of example *only,* if (i) the Conversion Price were $1.66 in accordance with the alternatives set forth above and (il) the lesser of the two Nasdaq pricing rules were approximately $1.1067, then, without taking into effect . the Beneficial Ownership Limitation, and assuming that all of the $3 Million Tranche were converted in one transaction, the value of the$3 Million Tranche would increase to $4.5 Million, without effecting the value of the $10 Million Tranche or the $17 Million Tranche.

treating pain (the "Product") or (y) December 28, 2032, to convert any or all of the $10 Million Tranche into shares of Common Stock; and (C) commencing on December 28, 2022, to convert any or all of the $17 Million Tranche into shares of Common Stock at a rate of five percent of the gross revenues that the Company has received and has recognized as revenue on its financial statements (that are prepared in accordance with U.S. generally accepted accounting principles) in connection with sales or license fees or other revenue resulting from the Product, provided, that each such conversion shall be in increments of not less than one million dollars of received and recognized revenue.

(ii) Automatic Conversion. On December 28, 2032, any remaining shares of Series S Convertible Preferred Stock (other than shares from the $17 Million Tranche that ate not eligible for conversion pursuant to Section 6(b)(i)(C)) that, as of such date, had not been converted into shares of Common Stock either in accordance with the provisions of Section 6(b)(i)(B) hereof or had not been returned to the Company's treasury for cancellation as payment for indemnifiable damages in connection with transactions contemplated by and the provisions of the Merger Agreement shall be converted into shares of Common Stock without the requirement of any action by or on behalf of the Holder and the Company, other than calculating the number of shares of Common Stock so to be issued in such automatic conversion pursuant to the Conversion Price.

(iii) Return to Treasury. If, as of December 28, 2032, (A) the Holder has converted shares of Series S Convertible Preferred Stock into shares of Common Stock with an aggregate value of at least $13 million, and (B) any shares of Series S Convertible Preferred Stock from the $17 Million Tranche remain issued and outstanding but are not eligible for conversion pursuant to Section 6(b)(i)(C)), then, as of such date, all of such remaining shares shall be deemed to have been cancelled and returned to the Company's treasury without the receipt of any additional consideration therefor.

(iv) Notwithstanding anything to the contrary herein, the Holder may not effectuate any Conversion and the Company may not issue any shares of Common Stock in connection therewith that would trigger any Nasdaq requirement to obtain stockholder approval prior to a Conversion or any issllil11ce of shares of Common Stock in connection therewith that would be in excess of that number of shares of Common Stock equivalent to 19.9% of the number of shares of Common Stock as of the date hereof (the "Nasdaq Threshold"); provided, however, that the Holder may effectuate any Conversion and the Company shall be obligated to issue shares of Common Stock in connection therewith that would not trigger such a requirement. This restriction shall be of no further force or effect upon the approval of the stockholders in compliance with Nasdaq's stockholder voting requirements. Notwithstanding anything to the contrary contained herein, the Holder may not effectuate any Conversion and the Company shall not issue any shares of Common Stock in connection therewith in excess of the Nasdaq Threshold until the fifth (5th) Business Day following the date 011 which the stockholders of the Company shall have approved Conversions in excess of the Nasdaq Threshold.

c) Taxes. The Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issue and delivery of shares of Common Stock upon

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conversion in a name other than that in which the shares of the Series S Convertible Preferred Stock so converted were registered, and no such issue or delive1y shall be made unless and until the person requesting such issue or delivery has paid to the Company the amount of any such tax, or has established, to the satisfaction of the Company, that such tax has been or will be paid. The Company may withhold from any payment due whatsoever in connection with the Series S Convertible Preferred Stock any and all required withholdings and/or taxes that the Company, in its reasonable discretion deems reasonable or necessary, absent an opinion from Holder's accountant or legal counsel, acceptable to the Company in its reasonable determination, that such withholdings and/or taxes are not required to be withheld by the Company.

d)Stock Dividends, Splits, and Reclassifications. If the Company shall (i) declare a dividend or other distribution payable in securities or (ii) split its outstanding shares of Co011non Stock into a larger number, including any such reclassification in connection with a merger, consolidation, or other business combination in which the Co1npany is the continuing entity (any such corporate event, a "Section 6(c) Event"), then, in each instance, the Conversion Price shall be adjusted such that the number of shares issued upon conversion of one share of Series S Convertible Preferred Stock will equal the number of shares of Common Stock that would otherwise have been issued but for such Section 6(c) Event.

e)Fractional Shares. If any conversion of Series S Convertible Preferred Stock would result in the issuance of a fractional share of Common Stock (aggregating all shares of Series S Convertible Preferred Stock being converted pursuant to each conversion), such fractional share shall be rounded up to the nearest whole share and the Holder shall be entitled to receive, in lieu of the final fraction of a share, one additional whole share of Common Stock.

f)Reservation of Stock Issuable Upon Conversion. The Company shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock solely for the purpose of effecting the conversion of the shares of the Series S Conve1iilile Preferred Stock, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all then-outstanding shares of the Series S Convertible Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then-outstanding shares of the Series S Convertible Preferred Stock, the Company will within a reasonable time period use commercially reasonable efforts to take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose.

g)Effect of Conversion. On any Conversion Date, all rights of any Holder with respect to the shares of the Series S Convertible Preferred Stock so converted, including the rights, if any, to receive distributions of the Company's assets or notices from the Company, will terminate, except only for the rights of any such Holder to receive the number of shares of Common Stock into which such shares of the Series S Convertible Preferred Stock have been converted.

h)Holder's Conversion Limitations. The Company shall not effect any conversion of shares of Series S Convertible Preferred Stock, and a Holder shall not have the right to convert any shares of Series S Convertible Preferred Stock, pursuant to Section 6(a) or otherwise, to the extent that, after giving effect to such issuance after conversion as set forth on the applicable notice of conversion, the Holder (together with the Holder's affiliates,

and any other persons acting as a group together with the Holder or any of the Holder's affiliates), would beneficially own111 excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by the Holder and its affiliates shall include the number of sh2.tes of Common Stock issuable upon conversion of shares of Series S Convertible Preferred Stock with respect to which such determination is being 1nade, but shall exclude the number of shares of Common Stock that would be issuable upon conversion of the remaining, non converted portion of the shares of Series S Convertible Preferred Stock beneficially owned by the Holder or any of its affiliates subject to a limitation on conversion analogous to the limitation contained herein beneficially owned by the Holder or any of its affiliates. Except as set forth in the preceding sentence, for purposes of this Section 6(g), beneficial ownership shall be calculated in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder, it being acknowledged by the Holder that the Company is not representing to the Holder that such calculation is in compliance with Section 13(d) of the Exchange Act and the Holder is solely responsible for any schedules required to be filed in accordance therewith, and the Company shall have no obligation to verify or confirm the accuracy of such defemination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For pm-poses of this Section 6(g), in determining the number of outstanding shares of Common Stock, a Holder may rely on the number of outstanding shares of Common Stock as reflected in (A) the Company's most recent periodic or annual report filed with the Securities and Exchange Commission, as the case may be, (B) a more recent public announcement by the Company or (C) a more recent written notice by the Company or its transfer agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of the Holder, the Company shall within two Business Days confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the specific amount of the proposed conversion of shares of Series S Convertible Preferred Stock by the Holder or its affiliates since the date as of which such number of outstanding shares of Common Stock was reported. The «Beneficial Ownership Limitation" shall be 4.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon a conversion hereunder. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 6(g) to correct this paragraph (or any portion hereof) that may be defective or inconsistent with the intended Beneficial Ownership Limitation herein contained or to make changes or supplements necessary or desirable to give proper effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of shares of Series S Convertible preferred Stock.

Section 7. Redemption. The Series S Convertible Preferred Stock shall have no redemption rights by the Company or any other entity.

Section 8. Protective Provisions. In addition to any other rights provided by law, at any time any shares of Series S Convertible Preferred Stock are outstanding, as a legal party in interest, the Company, through action directly initiated by the Board of Directors or indirectly initiated by the Board of Directors through ji1dicial action or process, including any action by the Common Stock stockholders, shall not, either directly or indirectly by amendment, merger, consolidation, or

otherwise, take any of the following actions without first obtaining the affirmative approval by the Holders of a majority of the shares of Se.ti.es S Convertible Preferred Stock:

a)Increase or decrease (other than by redemption or conversion) the total number of authorized shares of Series S Convertible Preferred Stock;

b)Effect an exchange, reclassification, or cancellati.011of all or a part of the Se.ti.es S Convertible Preferred Stock, but excluding a stock split or reverse stock split or combination of the Common Stock or Series S Convertible Preferred Stock;

c)Effect an exchange, or create a right of exchange, of all or part of the shares of another class or series of shares into shares of Series S Convertible Preferred Stock;

d)Issue additional shares of Series S Convertible Preferred Stock other than in connection with the Merger Agreement; or

e)Alter or change the rights, preferences, or privileges of the shares of Series S Convert:1ble Preferred Stock so as to affect adversely the shares of such series, including the
.tights set forth in this Certificate provide however, that the Company may, by any means authorized by law and without any vote of the Holders of shares of Se.ti.es S Convertible Preferred Stock, make technical, corrective, administrative, or similar changes in this Certificate that do not, individually or in the aggregate, materially adversely affect the rights or preferences of the Holders of shares of the Series S Convertible Preferred Stock.

Section 9. Preemptive Rights. Holders of Series S Conve1tible Preferred Stock a11d Common Stock stockholders shall not be entitled to any preemptive, subscription, or similar rights in respect of any securities of the Company, except as specifically set forth herein or in any other document agreed to by the Company.

Section 10. Reports. The Company shall mail to all Holders of Series S Convertible Preferred Stock those reports, proxy statements, and other materials that it mails to all of its Common Stock stockholders.

Section 11. Reserved.

Section 12. Miscellaneous.

a)The headings of the various sections and subsections of this Certificate are for convenience of reference only and shall not affect the interpretation of any of the provisions of this Certificate.

b)Whenever possible, each provision of this Certificate shall be interpreted in a manner as to be effective and valid under applicable law and public policy. If any provision set forth herein is held to be invalid, unlawful, or incapable of being enforced by reason of any rule of law or public policy, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or otherwise adversely affecting the remaining provisions of this Certificate. No provision herein set forth shall be deemed dependent upon any other provision unless so expressed herein. If a court of competent jurisdiction should determine that a provision of this Certificate would be valid or enforceable if a period of time were extended or shortened, then such court may make such change as shall be necessary to render the provision in question effective and valid under applicable law.

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c)The Company will provide to the Holders of the Series S Convertible Preferred Stock all communications sent by the Company to the Common Stock stockholders. Except as may otherwise be required by law, the shares of the Series S Convertible Preferred Stock shall not have any powers, designations, preferences, or other special rights, other than those specifically set forth in this Certi.6.cate.

d)Shares of the Series S Convertible Preferred Stock converted into Common Stock shall be retired and canceled and shall have the status of authorized but unissued shares of preferred stock of the Company undesignated as to any specific series and may with any and all other authorized but unissued shares of preferred stock of the Company be designated or re-designated and issued or reissued, as the case may be, as part of any series of preferred stock of the Company.

e)Notwithstanding the above, terms and conditions of this Certificate and the dollar amounts and share numbers set forth herein shall be subject to adjustment, as appropriate, whenever there shall occur a stock split, stock dividend, combination, reclassification, or other similar event involving shares of the Series S Convertible Preferred Stock (each, a "Triggering Event"). Such adjustments shall be made in mathematical proportion to such stock split, stock dividend, combination, reclassification, or other similar event, promptly upon the occurrence of such Triggering Event without the requirement of any further action of, or resolution to be duly adopted by, the Board of Directors. Upon the occurrence of any such Triggering Event adjustment, the Company shall promptly deliver to each Holder a notice describing in reasonable detail the event requiring the adjustment and the method of calculation thereof.

f)With respect to any notice to a Holder of shares of Series S Convertible Preferred Stock required to be provided hereunder, such notice shall be sent by overnight courier service to the registered address of such Holder. All notice periods referred to herein shall commence on the date of receipt of the applicable notice. Any notice that was transmitted in the manner herein provided shall be presumed to have been duly given.

[Remainder of the page intentionally left blank. Signature page follows]

IN WITNESS WHEREOF, the undersigned has executed and subscribed this Amended and Restated Certificate and does affirm the foregoing as t1.11e this_ day of January, 2023.

JANONEINC.

By: _

Tony Isaac, Chief Executive Officer

Exhibit 4.1

Description of JanOne Inc.'s Common Stock

The following summary of terms of our common stock, par value $0.0001 per share (our "Common Stock"), is based upon our Articles of Incorporation (our "Charter") and Bylaws (our "Bylaws"), currently in effect, and under Chapter 78 of the Nevada Revised Statutes (the "NRS"). This summary is not complete and is subject to, and qualified in its entirety by reference to, our Charter and our Bylaws. For a complete description of the terms and provisions of our Common Stock, please refer to our Charter and Bylaws, which are filed as exhibits to this Annual Report on Form 10-K. Throughout this section, references to "we," "our," and "us" refer to JanOne Inc. We encourage you to carefully read these documents and the applicable provisions of the NRS.

General

Our authorized capital stock consists of 200,000,000 shares of Common Stock and 2,000,000 shares of preferred stock, par value $0.001 per share, of which 259,729 shares are designated as Series A-1 Convertible Preferred Stock, par value $0.001 per share (our "Series A-1 Preferred Stock").

As of January 2, 2022, we had 2,827,410 shares of our Common Stock issued and outstanding and 238,729 shares of our Series A-1 Preferred Stock issued and outstanding.

The authorized and unissued shares of common stock and preferred stock are available for issuance without further action by our stockholders, unless such action is required by applicable law or the rules of any stock exchange on which our securities may be listed. Unless approval of our stockholders is so required, our Board of Directors (our "Board") does not currently intend to seek stockholder approval for the issuance and sale of our common stock.

All of our issued and outstanding shares of our capital stock are fully paid and non-assessable.

Voting, Dividend, and Liquidation Rights

Each holder of our Common Stock is entitled to one vote for each share issued and outstanding held on all matters to be voted upon by the stockholders. Our Charter does not provide for cumulative voting in the election of directors. Subject to the rights of the holders of the Series A-1 Preferred Stock to their preferential dividend in accordance with the provisions of our Charter, the holders of shares of our Common Stock and Series A-1 Preferred Stock (on an as-if-converted to Common Stock basis in accordance with the terms of our Charter) will be entitled to such cash dividends as may be declared from time to time by our Board from funds available therefor. Upon liquidation, dissolution or winding up of the Company, and after all liquidation preferences payable to any series of preferred stock entitled thereto have been satisfied, our remaining assets shall be distributed to all holders of Common Stock and any similarly situated stockholders who are not entitled to any liquidation preference or, if there be an insufficient amount to pay all such stockholders, then ratably among such holders.

Preemptive or Other Rights

Our shares of Common Stock do not have any preemptive, conversion, or redemption rights.

Stockholder Action; Special Meetings

Stockholders' actions can only be taken at an annual or special meeting of our stockholders. Our Bylaws provide that special meetings of the stockholders may be called at any time only by our Chief Executive Officer, or two of the members of the Board, or upon a written request of shareholders holding 10% or more of the capital stock entitled to vote.

Board of Directors; Removal; Vacancies

Our Bylaws specify that the number of directors is to be determined by a majority vote of the Board. Our Board is currently composed of five directors. We do not have a classified Board. Pursuant to our Bylaws and the NRS, a

director serves until the regular meeting next following or closely coinciding with the expiration of his term of office and until his or her successor has been elected and qualified, or until his or her earlier death, removal, or resignation.

Limitation of Liability and Indemnification

Our Charter provides that none of our directors and officers shall be personally liable to us or our stockholders for damages for breach of fiduciary duty as a director or officer, except for liability for (i) acts or omissions that involve intentional misconduct, fraud, or knowing violation of law, or (ii) for authorizing any distribution in violation of Section 78.300 of the NRS. Our Bylaws provide that any officer or director who is made a party or witness to an action, suit, or proceeding, whether civil, criminal, administrative, or investigative, by reason of the fact that he or she is or was one of our directors or officers or serving at our request as a director, officer, employee, or agent, shall be indemnified and held harmless by us to the fullest extent authorized by the NRS. The right to indemnification shall include the right of advancement of expenses to the extent permitted under the NRS.

Listing and Transfer Agent

Our common stock is listed on The Nasdaq Capital Market under the symbol "JAN." The transfer agent and registrar for our common stock is EQ Shareowner Services.

Anti-Takeover Effects of Certain Provisions of our Charter, our Bylaws, and the NRS

Certain provisions of the NRS and our Charter and Bylaws could make more difficult the acquisition of us by means of a tender offer or otherwise, and the removal of incumbent officers and directors. These provisions are expected to discourage certain types of coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us.

Business Combinations

The "business combination" provisions of Sections 78.411 to 78.444, inclusive, of the NRS prohibit a Nevada corporation with at least 200 stockholders (at least 100 of whom are stockholders of record and residents of the State of Nevada) from engaging in various "combination" transactions with any interested stockholder for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the transaction is approved by the entity's board of directors prior to the date the interested stockholder obtained such status; or after the expiration of the three-year period, unless:

- the transaction is approved by the entity's board of directors or a majority of the voting power held by disinterested stockholders of the entity, or

- if the consideration to be paid by the interested stockholder is at least equal to the highest of: (a) the highest price per share paid by the interested stockholder within the three years immediately preceding the date of the announcement of the combination or in the transaction in which it became an interested stockholder, whichever is higher, (b) the market value per share of common stock on the date of announcement of the combination and the date the interested stockholder acquired the shares, whichever is higher, or (c) for holders of preferred stock, the highest liquidation value of the preferred stock, if it is higher.

A "combination" is defined to include mergers or consolidations or any sale, lease exchange, mortgage, pledge, transfer, or other disposition, in one transaction or a series of transactions, with an "interested stockholder" having: (a) an aggregate market value equal to 5% or more of the aggregate market value of the assets of the corporation, (b) an aggregate market value equal to 5% or more of the aggregate market value of all outstanding shares of the corporation, or (c) ten percent (10%) or more of the earning power or net income of the corporation.

In general, an "interested stockholder" is a person who, together with affiliates and associates, owns (or within three years, did own) ten percent (10%) or more of an entity's voting stock. The statute could prohibit or delay mergers or other takeover or change in control attempts and, accordingly, may discourage attempts to acquire us even though such a transaction may offer our stockholders the opportunity to sell their stock at a price above the prevailing market price.

Acquisitions of Controlling Interest

Nevada's "acquisition of controlling interest" statutes (NRS 78.378 through 78.3793, inclusive) contain provisions governing the acquisition of a controlling interest in certain Nevada corporations. These "control share" laws provide generally that any person who acquires a "controlling interest" in certain Nevada corporations may be denied voting rights, unless a majority of the disinterested stockholders of the corporation elects to restore such voting rights. These laws would apply to us as of a particular date if we were to have 200 or more stockholders of record (at least 100 of whom have addresses in Nevada appearing on our stock ledger at all times during the 90 days immediately preceding that date) and do business in the State of Nevada directly or through an affiliated corporation, unless that corporation's articles of incorporation or bylaws in effect on the tenth day after the acquisition of a controlling interest provide otherwise. These laws provide that a person acquires a "controlling interest" whenever a person acquires shares of a subject corporation that, but for the application of these provisions of the NRS, would enable that person to exercise (1) one-fifth or more, but less than one-third, (2) one-third or more, but less than a majority or (3) a majority or more of all of the voting power of that corporation in the election of its directors. Once an acquirer crosses one of these thresholds, shares that it acquired in the transaction that took it over the threshold and shares that it acquired within the 90 days immediately preceding the date when the acquiring person acquired or offered to acquire a controlling interest become "control shares" to which the voting restrictions described above apply.

Exhibit 10.27

THIRD AMENDMENT

This THIRD AMENDMENT TO SECURED REVOLVING LINE OF CREDIT PROMISSORY NOTE (collectively, this ***"Amendment')*** is entered into as of March 17, 2022, between ARCA Recycling, Inc., a California corporation ***("Borrower"),*** and ISAAC CAPITAL GROUP, LLC, a Delaware limited liability company ***("Lender").***

RECITALS

A. Whereas, Lender and Borrower are parties to a Secured Revolving Line of Credit Promissory Note dated August 28, 2019 (as the same has been amended from time to time) in the original aggregate principal amount of $2,500,000 (as amended, the ***"Note")*** (any capitalized terms not specifically defined herein will have the meaning ascribed to them in the Note); and

B. Whereas, the Note matured on August 18, 2021;

C. Whereas, Lender has been making payments on the Note beyond the current maturity date and desires to further extend the Maturity Date of the Note in an act of good faith to make full payment of the Note;

D. Whereas, the Borrower and Lender each desire to alter the term of the Note and convert the Note from a Secured Revolving Line of Credit to a four-year term with standard, monthly payments; and

E. Whereas, the Note currently has $1,000,000.00 remaining to be paid by Borrower to Lender.

NOW, THEREFORE, in consideration of the parties' mutual promises in this Amendment, and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties agree as follows:

AGREEMENT

1. **Extension of Maturity Date.** The Lender hereby extends the Note's Maturity Date to August 30, 2026.

2. **Interest Payment.** Promptly following the execution and delivery of this Amendment, the Borrower shall pay the Lender its usual, monthly interest-only payment for the month of March 2022.

3. **New Payment Plan.** In accordance with the payment schedule in **Exhibit A,** Borrower will pay monthly payments of $24,766.50 to Lender, paid on the last day of each month of the term until the Maturity Date, beginning April 30, 2022. The 48 payments include the principle and simple interest (of 8.75%), as shown in **Exhibit A.**

4. **Guarantv.** JanOne Inc., a Nevada corporation and parent of Borrower ***("Guarantor"),*** does hereby unconditionally guarantee to ARCA full and prompt payment of all obligations of Borrower to the Lender under the Note.

5.**Ratification.** The Note shall, together with this Amendment and any related documents, instruments, and agreements shall hereafter refer to the Note, as amended hereby.

6.**Other Provisions.** The provisions of the Note that are not expressly amended in this Amendment shall remain unchanged and in full force and effect. In the event of any conflict between the terms and provisions of this Amendment and the Note, the provisions of this Amendment shall control.

7.**Signatures.** This Amendment may be signed in counterparts. A facsimile or other electronic transmission of a signature page will be considered an original signature page. At the request of a party, the other party will confirm a fax-transmitted or electronically transmitted signature page by delivering an original signature page to the requesting party.

(Remainder of this page intentionally left blank; signatures begin on the next page.)

IN WITNESS WHEREOF, the parties have caused this Amendment to be duly executed and delivered as of the date first written above.

Borrower:

ARCA RECYCLING INC.

By: /s/ Virland A. Johnson
Name: Virland A. Johnson
Title: Chief Financial Officer

Lender:

ISAAC CAPITAL GROUP, LLC

By: /s/ Jon Isaac
Name: Jon Isaac
Title: President and Chief Executive Officer

EXHIBIT A

ICG Note Amortization Schedule

ENTER VALUES	
Loan amount	$1,000,000.00
Annual interest rate	8.75%
Loan period in years	4
Number of payments per year	12
Start date of loan	Apr-22
Optional extra payments	$0.00

LOAN SUMMARY	
Scheduled payment	$24,766.50
Scheduled number of payments	48
Actual number of payments	48
Total early payments	$0.00
Total interest	$188,792.16
LENDER NAME	Isaac Capital Group

PMT NO	PAYMENT DATE	BEGINNING BALANCE	SCHEDULED PAYMENT	EXTRA PAYMENT	TOTAL PAYMENT	PRINCIPAL	INTEREST	ENDING BALANCE	CUMULATIVE INTEREST
1	Apr-22	$1,000,000.00	$24,766.50	$0.00	$24,766.50	$17,474.84	$7,291.67	$982,525.16	$7,291.67
2	May-22	$982,525.16	$24,766.50	$0.00	$24,766.50	$17,602.26	$7,164.25	$964,922.91	$14,455.91
3	Jun-22	$964,922.91	$24,766.50	$0.00	$24,766.50	$17,730.61	$7,035.90	$947,192.30	$21,491.81
4	Jul-22	$947,192.30	$24,766.50	$0.00	$24,766.50	$17,859.89	$6,906.61	$929,332.41	$28,398.42
5	Aug-22	$929,332.41	$24,766.50	$0.00	$24,766.50	$17,990.12	$6,776.38	$911,342.29	$35,174.80
6	Sep-22	$911,342.29	$24,766.50	$0.00	$24,766.50	$18,121.30	$6,645.20	$893,220.99	$41,820.01
7	Oct-22	$893,220.99	$24,766.50	$0.00	$24,766.50	$18,253.43	$6,513.07	$874,967.55	$48,333.08
8	Nov-22	$874,967.55	$24,766.50	$0.00	$24,766.50	$18,386.53	$6,379.97	$856,581.02	$54,713.05
9	Dec-22	$856,581.02	$24,766.50	$0.00	$24,766.50	$18,520.60	$6,245.90	$838,060.42	$60,958.95
10	Jan-23	$838,060.42	$24,766.50	$0.00	$24,766.50	$18,655.65	$6,110.86	$819,404.77	$67,069.81
11	Feb-23	$819,404.77	$24,766.50	$0.00	$24,766.50	$18,791.68	$5,974.83	$800,613.10	$73,044.63
12	Mar-23	$800,613.10	$24,766.50	$0.00	$24,766.50	$18,928.70	$5,837.80	$781,684.40	$78,882.44
13	Apr-23	$781,684.40	$24,766.50	$0.00	$24,766.50	$19,066.72	$5,699.78	$762,617.68	$84,582.22
14	May-23	$762,617.68	$24,766.50	$0.00	$24,766.50	$19,205.75	$5,560.75	$743,411.93	$90,142.97
15	Jun-23	$743,411.93	$24,766.50	$0.00	$24,766.50	$19,345.79	$5,420.71	$724,066.14	$95,563.69
16	Jul-23	$724,066.14	$24,766.50	$0.00	$24,766.50	$19,486.85	$5,279.65	$704,579.28	$100,843.33
17	Aug-23	$704,579.28	$24,766.50	$0.00	$24,766.50	$19,628.95	$5,137.56	$684,950.34	$105,980.89
18	Sep-23	$684,950.34	$24,766.50	$0.00	$24,766.50	$19,772.07	$4,994.43	$665,178.26	$110,975.32
19	Oct-23	$665,178.26	$24,766.50	$0.00	$24,766.50	$19,916.25	$4,850.26	$645,262.02	$115,825.58
20	Nov-23	$645,262.02	$24,766.50	$0.00	$24,766.50	$20,061.47	$4,705.04	$625,200.55	$120,530.62
21	Dec-23	$625,200.55	$24,766.50	$0.00	$24,766.50	$20,207.75	$4,558.75	$604,992.80	$125,089.37
22	Jan-24	$604,992.80	$24,766.50	$0.00	$24,766.50	$20,355.10	$4,411.41	$584,637.70	$129,500.78
23	Feb-24	$584,637.70	$24,766.50	$0.00	$24,766.50	$20,503.52	$4,262.98	$564,134.18	$133,763.76
24	Mar-24	$564,134.18	$24,766.50	$0.00	$24,766.50	$20,653.02	$4,113.48	$543,481.16	$137,877.24
25	Apr-24	$543,481.16	$24,766.50	$0.00	$24,766.50	$20,803.62	$3,962.88	$522,677.54	$141,840.12
26	May-24	$522,677.54	$24,766.50	$0.00	$24,766.50	$20,955.31	$3,811.19	$501,722.23	$145,651.31
27	Jun-24	$501,722.23	$24,766.50	$0.00	$24,766.50	$21,108.11	$3,658.39	$480,614.11	$149,309.70
28	Jul-24	$480,614.11	$24,766.50	$0.00	$24,766.50	$21,262.03	$3,504.48	$459,352.09	$152,814.18
29	Aug-24	$459,352.09	$24,766.50	$0.00	$24,766.50	$21,417.06	$3,349.44	$437,935.03	$156,163.62
30	Sep-24	$437,935.03	$24,766.50	$0.00	$24,766.50	$21,573.23	$3,193.28	$416,361.80	$159,356.90
31	Oct-24	$416,361.80	$24,766.50	$0.00	$24,766.50	$21,730.53	$3,035.97	$394,631.27	$162,392.87
32	Nov-24	$394,631.27	$24,766.50	$0.00	$24,766.50	$21,888.98	$2,877.52	$372,742.28	$165,270.39
33	Dec-24	$372,742.28	$24,766.50	$0.00	$24,766.50	$22,048.59	$2,717.91	$350,693.69	$167,988.30
34	Jan-25	$350,693.69	$24,766.50	$0.00	$24,766.50	$22,209.36	$2,557.14	$328,484.33	$170,545.44
35	Feb-25	$328,484.33	$24,766.50	$0.00	$24,766.50	$22,371.31	$2,395.20	$306,113.03	$172,940.64
36	Mar-25	$306,113.03	$24,766.50	$0.00	$24,766.50	$22,534.43	$2,232.07	$283,578.60	$175,172.72
37	Apr-25	$283,578.60	$24,766.50	$0.00	$24,766.50	$22,698.74	$2,067.76	$260,879.85	$177,240.48

PMT NO	PAYMENT DATE	BEGINNING BALANCE	SCHEDULED PAYMENT	EXTRA PAYMENT	TOTAL PAYMENT	PRINCIPAL	INTEREST	ENDING BALANCE	CUMULATIVE INTEREST
38	May-25	$260,879.85	$24,766.50	$0.00	$24,766.50	$22,864.25	$1,902.25	$238,015.60	$179,142.73
39	Jun-25	$238,015.60	$24,766.50	$0.00	$24,766.50	$23,030.97	$1,735.53	$214,984.63	$180,878.26
40	Jul-25	$214,984.63	$24,766.50	$0.00	$24,766.50	$23,198.91	$1,567.60	$191,785.72	$182,445.85
41	Aug-25	$191,785.72	$24,766.50	$0.00	$24,766.50	$23,368.07	$1,398.44	$168,417.65	$183,844.29
42	Sep-25	$168,417.65	$24,766.50	$0.00	$24,766.50	$23,538.46	$1,228.05	$144,879.20	$185,072.33
43	Oct-25	$144,879.20	$24,766.50	$0.00	$24,766.50	$23,710.09	$1,056.41	$121,169.10	$186,128.75
44	Nov-25	$121,169.10	$24,766.50	$0.00	$24,766.50	$23,882.98	$883.52	$97,286.13	$187,012.27
45	Dec-25	$97,286.13	$24,766.50	$0.00	$24,766.50	$24,057.13	$709.38	$73,229.00	$187,721.65
46	Jan-26	$73,229.00	$24,766.50	$0.00	$24,766.50	$24,232.54	$533.96	$48,996.46	$188,255.61
47	Feb-26	$48,996.46	$24,766.50	$0.00	$24,766.50	$24,409.24	$357.27	$24,587.22	$188,612.88
48	Mar-26	$24,587.22	$24,766.50	$0.00	$24,587.22	$24,407.94	$179.28	$0.00	$188,792.16

EXECUTION VERSION

AGREEMENT AND PLAN OF MERGER

among

JANONE INC.,
a Nevada. corporation,

STI MERGER SUB INC.,
a Delaware corporation,

SOIN THERAPEUTICS, LLC,
a Delaware limited liability company, and
A.MOL Soin, M.D.

Dated December 28, 2022

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THISAGREEMENT AND PLAN OF MERGER (this ***"Agreement')*** is made and entered into as of December 28, 2022 (the ***"Agreement Date'),*** among JanOne Inc., a Nevada corporation ***("Acquirer'),*** STI Merger Sub Inc., a Delaware corporation and a wholly owned subsidiary of Acquirer ***("Merger Sub"),*** Soin Therapeutics, UC, a Delaware limited liability company (the ***"Company'),*** and Amal Soin M.D. a resident of the State of Ohio (the ***"Sole Owner').*** Certain other terms used herein are defined in Exhibit A.

RECITALS

A.This Agreement contemplates a reverse triangular merger of Merger Sub with and into the Company in a transaction intended to qualify as a tax-free reorganization under Sections 368(a)(1)(A) and 368(a)(2)(E) of the Code.

B.The Acquirer, the Merger Sub, and the Company intend to effect a merger of the Merger Sub with and into the Company, pursuant to which the Company would survive and become a wholly owned subsidiary of the Acquirer (the ***"Merger')*** in accordance with this Agreement, the DGCL, and the DLLC.

C.The Sole Owner is the only member of the Company and has carefully considered the terms of this Agreement and has (1) declared this Agreement and the transactions contemplated by this Agreement and the documents referenced herein, including the Merger (collectively, the ***"Transaction'),*** upon the terms and subject to the conditions set forth herein, advisable, fair to and in the best interests of the Company and him and (2) approved this Agreement and the Merger in accordance with Applicable Law.

D.The respective Boards of Directors of Acquirer (the ***"Acquirer Board')*** and the Merger Sub (the ***"Merger Sub Board')*** have each unanimously: (1) determined that it is in the best interests of the Acquirer or the Merger Sub, as applicable, and their respective stockholders, and declared it advisable, to enter into this Agreement; and (2) approved the execution, delivery, and performance of this Agreement and the consummation of the transactions contemplated hereby, including the Merger; in each case, in accordance with the DGCL.

E.For United States federal income tax purposes, the parties intend that the Transactions shall qualify as a reorganization under Section 368(a) of the Internal Revenue Code of 1986, as amended (the ***"Code'),*** and the parties intend, by executing this Agreement, to adopt a plan of reorganization within the meaning of Treasury Regulations Sections l.368-2(g) and 1.368- 3(a).

F.The parties desire to make certain representations, warranties, covenants, and agreements in connection with the Merger and the other transactions contemplated by this Agreement and also to, prescribe certain terms and conditions to the Merger.

Now, THEREFORE, in consideration of the foregoing and of the representations, warranties, covenants, and agreements contained in this Agreement, and for such other good and valuable consideration, the receipt and adequacy of which ate hereby confirmed, the parties, intending to be legally bound, agree as follows:

ARTICLE!
THE MERGER

1.1 The Merger.

(a) Merger. Upon the terms and subject to the conditions set forth herein, at the Effective Time, the Merger Sub shall be merged with and into the Company, and the separate existence of the Merger Sub shall cease and the Company shall become a wholly owned subsidiary of the Acquirer (sometimes referred to herein as the ***"Surviving Company').***

(b) Effects of the Merger. The Merger shall have the effects set forth herein and in the applicable provisions of the DGCL and the DILC.

(c) Closing. Upon the terms and subject to the conditions set forth herein, the closing of the Transactions (the ***"Closing')*** shall take place remotely by electronic exchange of documents and signatures, unless otherwise agreed by the Acquirer and the Company, on the first Business Day following the satisfaction or waiver of the conditions set forth in Article V (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions). The date on which the Closing occurs is sometimes referred to herein as the ***"Closing Date."***

(d) Effective Time. A certificate of merger satisfying the applicable requirements of the DGCL and the DLLC, in substantially the form attached hereto as Exhibit B (the ***"Certificate of Merger"),*** shall be duly executed by the Company and the Merger Sub and, concurrently with or as soon as practicable following the Closing, delivered to the Secretary of State of the State of Delaware for filing. The Merger shall become effective upon the filing of the Certificate of Merger with the Secretary of State of the State of Delaware or at such later time as the Acquirer and the Company agree and specify in the Certificate of Merger (the ***"Effective Time!').***

(e) Certificate of Formation and Operating Agreement; Officers. Unless otherwise determined by the Acquirer and the Company prior to the Effective Time:

(i) the Certificate of Formation of the Company as in effect immediately prior to the Effective Time shall, by virtue of the Merger and without any further action, be the Certificate of Formation of the Surviving Company, until thereafter amended as provided by the FDC;

(ii) the Company shall take all actions necessary to cause the Operating Agreement of the Company to be amended so that the Acquirer shall be the sole member of the Surviving Company immediately after the Effective Time; and

(iii) the Company shall take all actions necessary to cause the officers of the Merger Sub immediately prior to the Effective Time to be the only officers or managers of the Surviving Company immediately after the Effective Time until their respective successors are duly elected or appointed and qualified or until their earlier death, resignation, or removal in accordance with the Certificate of Formation and Operating Agreement of the Surviving Company.

(f) Tax Consequences. For United States federal income tax purposes, the Merger is intended to constitute a reorganization within the meaning of Section 368(a)(1)(A) of the Code. The

parties to this Agreement adopt this Agreement as a "plan of reorganization" within the meaning of Sections 1.368-2(g) and 1368-3(a) of the Treasury Regulations.

1.2Closing Deliveries.

(a)The Company's Deliveries. The Company shall deliver to the Acquirer, at or prior to the Closing:

(i)a certificate, dated as of the Closing Date and executed on behalf of the Company by the Sole Owner, certifying (A) the Certificate of Formation of the Company (the *"Certificate of Formation")* in effect as of the Closing, (B) the Operating Agreement of the Company (the *"Operating agreement')* in effect as of the Closing, (C) the resolutions of the Sole Owner (l) declaring this Agreement and the Transactions, upon the terms and subject to the conditions set forth herein, advisable, fair to, and in the best interests of the Company and its Sole Owner, (ll) approving this Agreement in accordance with the DGCL and DLLC, and (III) approving the Merger;

(ii)a certificate from the Secretary of State of the States of Delaware and Ohio, dated within ten Business Days prior to the Closing Date, certifying that the Company is in good standing;

(fu") the Certificate of Merger, executed by the Company;

(iv)evidence reasonably satisfactory to the Acquirer of the Company's completion of the actions set forth in Exhibit D, including, but not limited to, the Company making an election on IRS Form 8832 to be classified for income tax purposes as an association taxable as a corporation (the ***"Required Actions");*** and

(v)such other documents or instruments as the Acquirer reasonably requests and are reasonably necessary to consummate the transactions contemplated by this Agreement.

Receipt by the Acquirer of any of the agreements, instruments, certificates, or documents delivered pursuant to this Section 1.2(a) shall not be deemed to be an agreement by the Acquirer or the Merger Sub that the information or statements contained therein are true, correct, or complete, and shall not diminish the Acquirer's or the Merger Sub's remedies hereunder if any of the foregoing agreements, instruments, certificates, or documents are not true, correct, or complete.

(b)The Acquirer and the Merger Sub's Deliverables. The Acquirer and the Merger Sub shall deliver to the Company and the Sole Owner at or prior to the Closing:

(i)a certificate, dated as of the Closing Date and executed on behalf of the Acquirer by an officer, certifying the resolutions of the Board of Directors of the Acquirer approving this Agreement and the Transactions;

(ii)a certificate, dated as of the Closing Date and executed on behalf of the Merger Sub by an officer, certifying (A) the Certificate of Incorporation of the Merger Sub in effect as of the Closing, (B) the Bylaws of the Merger Sub in effect as of the Closing, (C) the resolutions of the Board of Directors of the Merger Sub (l) declaring this Agreement and the Transactions, upon the terms and subject to the conditions set forth herein, advisable, fair to, and in the best interests of the Merger Sub and its sole stockholder, (ll) approving this

Agreement in accordance with the DGCL, and (III) directing that the adoption of this Agreement be submitted to its sole stockholder for consideration and recommending that its sole stockholder adopt this Agreement and approve the Merger, and (D) the resolutions of the Acquirer as the sole stockholder of the Merger Sub adopting this Agreement and approving the Merger;

(iii) a certificate from the Secretary of State of Nevada, dated within ten Business Days prior to the Closing Date, certifying that the Acquirer is in good standing;

(iv) a certificate from the Secretary of State of the State of Delaware, dated within ten Business Days prior to the Closing Date, certifying that the Merger Sub is in good standing; and

(v) such other documents or instruments as the Company and the Sole Owner reasonably request and are reasonably necessary to consummate the transactions contemplated by this Agreement.

1.3 Effect on Company Securities.

(a) Treatment of Company Membership Interests . Upon the terms and subject to the conditions set forth herein, at the Effective Time, by virtue of the Merger and without any action on the part of any party hereto or any other Person, all of the Sole Owner's membe1-ship interests in the Company shall be c celled and automatically converted into the right to receive, subject to and in accordance with Section 1.3(c), the shares of Series S Convertible Preferred Stock described in Section 1.4(a)(iii) below (the ***"Merger Consideration Shares')***.

(b) Treatment of Merger Sub Capital Stock. At the Effective Time, by virtue of the Merger and without any action on the part of the Acquirer, the Merger Sub or any other Person, each share of capital stock of the Merger Sub that is issued and outstanding immediately prior to the Effective Time shall be converted into and become 100% of the membership interests of the Surviving Company (and the membership interests of the Surviving Company into which the shares of the Merger Sub capital stock are so converted shall be the only membership interests of the Surviving Company that are issued and outstanding immediately after the Effective Time).

(c) Change in Acquirer Common Stock. If between the date of this Agreement and the date of any payment by Acquirer of Merger Consideration that includes shares of Acquirer Series S Convertible Preferred Stock the outstanding shares of Acquirer Common Stock shall have been changed into a different number of shares or a different class, by reason of any stock dividend, subdivision, reclassification, recapitalization, split, combination or exchange of shares, the Merger Consideration shall be correspondingly adjusted to reflect such stock dividend, subdivision, reclassification, recapitalization, split, combination or exchange of shares. If any consolidation or merger of Acquirer with another person in which Acquirer is not the survivor, or sale, transfer or other disposition of all or substantially all of Acquirer's assets to another person shall be effected, then, as a condition of such consolidation, merger, sale, transfer or other disposition, lawful and adequate provision shall be made whereby the Sole Owner shall thereafter have the right to receive, in lieu of the Acquirer Series S Convertible Preferred Stock issuable pursuant to the Merger Consideration, such shares of stock, securities or assets as would have been payable with respect to or in exchange for the Acquirer Series S Convertible Preferred Stock payable to the Sole Owner, had such consolidation, merger, sale, transfer or other disposition not taken place, and in any such case appropriate provision shall be made with respect to the rights and interests of the Sole Owner to the

end that the provisions hereof shall thereafter be applicable, as nearly equivalent as may be practicable in relation to any shares of stock, securities or assets thereafter deliverable pursuant to the Merger Consideration. The provisions of this Section 1.3(c) shall similarly apply to successive consolidations, mergers, sales, transfers or other dispositions.

1.4 Payment Procedures.

(a) Delivery of Closing Consideration.

(i) At or prior to the Closing, the Sole Owner shall deliver a properly completed and duly executed IRS Form W-9 to the Acquirer.

(ii) Upon receipt of written confirmation of the effectiveness of the Merger from the Secretary of State of the State of Delaware and following receipt of an executed Form W-9 from the Sole Owner, the Acquirer will issue to the Sole Owner the Merger Consideration Shares issuable pursuant to Section Error! Reference source not found•. The deliveries and issuances required under this Section 1.4(a) are to be made within one Business Day following written confirmation of the effectiveness of the Merger and the receipt of the foregoing Tax form.

(iii) The Merger Consideration Shares initially shall consist of 100,000 shares of Series S Conve1tible Preferred Stock. In the event that, based upon the conversion rights in favor of the Sole Owner as set forth in the Series S CoD, additional shares of Series S Convertible Preferred Stock are required to be issued to the Sole Owner to fulfill the obligations of the Acquirer thereunder, then the Acquirer shall promptly issue to the Sole Owner that number of additional shares thereof sufficient to fulfill such obligations. In the event that, based upon the conversion rights in favor of the Sole Owner as set forth in the Series S CoD, the number of authorized, but unissued, shares of Series S Convertible Preferred Stock shall be insufficient for the Acquirer to fulfill its obligations to the Sole Owner hereunder, then the Acquirer and, if required, the Sole Owner shall promptly take such action as is reasonably required to increase the number of authorized, but unissued, shares of Series S Convertible Preferred Stock to an amount sufficient to permit the Acquirer to fulfill its obligations hereunder. If, as of December 28, 2032, (i) any shares of Series S Convertible Preferred Stock from the $17 Million Tranche (as that term is defined in the Series S CoD) remain issued and outstanding, or (ii) any shares of Series S Convertible Preferred Stock from either the $3 Million Tranche or the $10 Million Tranche (as such terms are defined in the Series S CoD) remain issued and outstanding after the Sole Owner has converted shares of Series S Convertible Preferred Stock from the $3 Million Tranche and the $10 Million Tranche into Acquirer Common Stock having an aggregate value upon all such conversions of $13,000,000, then the Sole Owner shall promptly thereafter return all such remaining shares to the Acquirer for cancellation without the receipt of any additional consideration therefor.

(b) Legends. Any shares of Series S Convertible Preferred Stock to be issued pursuant to this Agreement shall bear the following legends (along with any other legends that may be required under Applicable Law):

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR UNDER THE SECURITIES LAWS OF CERTAIN STATES. THESE SECURITIES ARE

SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THATTHEY MAY BE REQUIRED TO BEAR THE FINANCIAL RJSKS OF THIS INVESTMENT FOR AN INDEFINITE PERJOD OF TIME. THE ISSUER OF THESE SECURJTIES MAY REQUIRE AN OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY PROPOSED TRANSFER OR RESALE IS IN COMPLIANCE WITH THE SECURJTIES ACT AND ANY APPLICABLE STATE SECURJTIES LAWS.

THE SECURITIES REPRESENTED HEREBY ARE SUBJECT TO CERTAIN INDEMNIFICATION OBLIGATIONS OF THE HOLDER IN FAVOR OF THE COMPANY, ALL AS SET FORTH IN THAT CERTAIN AGREEMENT AND PLAN OF MERGER, DATED AS OF DECEMBER 28, 2022, AMONG THE COMPANY, THE HOLDER, AND THE OTHER PARTIES THERETO. COPIES OF THAT AGREEJ.\IBNT MAY BE OBTAINED AT NO COST BY WRITTEN REQUEST_MADE BY THE HOLDER OF RECORD OF THIS CERTIFICATE TO THE COMPANY.

THE SECURITIES REPRESENTED HEREBY 111AY BE SUBJECT TO CANCELLATION AS OF DECEMBER 28, 2032, PURSUANT TO THE PROVISIONS OF THAT CERTAIN AGREEMENT AND PLAN OF MERGER, DATED AS OF DECEMBER 28, 2022, AMONG THE COMPANY, THE HOLDER, AND THE OTHER PARTIES_THERETO. COPIES OF T!-IAT AGREEMENT MAY BE OBTAINED AT NO COST BY WRITI'EN REQUEST_MADE BY THE HOLDER OF RECORD OF THIS CERTIFICATE TO THE COMPANY.

1.5 No Further Ownership Rights in the Company Membership Interests. The Merger Consideration issued or issuable in accordance with this Agreement shall be issued or issuable, as applicable, in full satisfaction of all rights pertaining to the membership interests of the Company, and there shall be no further registration of transfers on the records of the Surviving Company of membership interests of the Company that were outstanding immediately prior to the Effective Time.

1.6 Transfer Taxes. All transfer, documentary, sales, use, stamp, registration, and other similar Truces and fees (including any penalties and interest) incurred in connection with this Agreement shall be paid 50% by the Acquirer and 50% by the Sole Owner when due, and the Acquirer shall, at its own expense, file all necessary Tax Returns and other documentation with respect to all such transfer, documentary, sales, use, stamp, registration, and other similar Taxes and fees.

1.7 Withholding Rights. Each of the Acquirer, the Merger Sub, the Surviving Company, and their respective subsidiaries, and any other Person who is a withholding agent under applicable Tax law, shall be entitled to deduct and withhold from any amounts otherwise payable pursuant to this Agreement to any continuing employee, any holder of any membership interests of the Company, or any other Person, such amounts as are required to be deducted and withheld under the Code or any provision of state, local, provincial, or foreign Tax law. To the extent that amounts are so

withheld, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to such Persons in respect of which such deduction and withholding was made.

1.8 Taking of Necessary Action; Further Action. If, at any time after the Closing, any further action is necessary or desirable to carry out the purposes of this Agreement and to vest the Surviving Company with full right, title, and interest in, to and under, and/or possession of, all assets, property, rights, privileges, powers, and franchises of the Company, the officers, managers, and members of the Surviving Company are fully authorized, in the name and on behalf of the Company or otherwise, to take all lawful action necessary or desirable to accomplish such purpose or acts, so long as such action is not inconsistent with this Agreement.

ARTICLE II
REPRESENTATIONS AND WARRANTIES REGARDING THE COMPANY

Subject to the disclosures set forth in the disclosure letter of the Company delivered to the Acquirer concurrently with the execution of this Agreement (the ***"Company Disclosure Letter')*** (each of which disclosures, in order to be effective, shall clearly indicate the Section and, if applicable, the Subsection of this Ai-tide II to which it relates (unless and only to the extent that the relevance to other representations and warranties is reasonably apparent from the actual text of the disclosures without any reference to extrinsic documentation or any independent knowledge on the part of the reader regarding the matter disclosed), each of the Company and the Sole Owner, jointly and severally, represent and warrant to the Acquirer as follows:

2.1 Organization Standing, Power, and Subsidiaries.

(a) The Company is a limited liability company duly organized, validly existing, and in good standing under the laws of the State of Delaware. The Company has the limited liability company power to own, operate, use, distribute, and lease its properties and to conduct the Business and is qualified to do business as a foreign entity in the State of Ohio. There are no outstanding and currently effective powers of attorneys executed by or on behalf of the Company.

(b) The Company does not have any Subsidiaries and the Company does not currently own or control, directly or indirectly, any interest in any other corporation, partnership, trust, joint venture, limited liability company, association, or other business entity.

(c) Neither the Company nor the Sole Owner has ever approved or commenced any proceeding or made any election contemplating the dissolution or liquidation of the Company or the winding up or cessation of the business or affairs of the Company. There are no entities that have been merged into or that otherwise are predecessors to the Company.

(d) Schedule 2.l(d) of the Company Disclosure Letter sets forth an accurate and complete list of the names and titles of the officers of the Company.

2.2 Capital Structure.

(a) The Sole Owner is the sole legal, beneficial, record, and equitable owner of 100% of the membership interests of the Company, free and clear of all Encumbrances whatsoever except as may be set forth in the Operating Agreement of the Company. There are no commitments or Contracts to issue any membership interests of the Company. The Sole Owner's membership interests: (i) were issued in compliance with applicable laws; (ii) were not issued in violation of the Governing Documents of the Company or any other agreement, arrangement, or commitment to

which the Sole Owner or the Company is a party and are not subject to or in violation of any preemptive or similar rights of any Person. The Company is not under any obligation to register under the Securities Act or any other Applicable Law any of the membership interests of the Company.

(b)Other than the Governing Documents of the Company, there are no voting trusts, proxies, or other agreements or understandings in effect with respect to the voting or transfer of any part of the membership interests of the Company.

2.3Authority; Non-contravention.

(a)The Company has all requisite limited liability company power and authority to enter into this Agreement and the other Company Transaction Documents and to consummate the Transactions. The execution and delivery of this Agreement and the other Company Transaction Documents and the consummation of the Transactions have been duly authorized by all necessary company action and authority on the part of the Company. Each Company Transaction Document has been duly executed and delivered by the Company and, assuming the due execution and delivery of such Transaction Document by the other parties hereto, constitutes the valid and binding obligation of the Company enforceable against the Company in accordance with its terms subject only to the effect, if any, of (i) applicable bankruptcy and other similar Applicable Law affecting the rights of creditors generally and (it) rules of law governing specific performance, injunctive relief, and other equitable remedies. The Sole Owner has, by resolution, duly adopted (and not thereafter modified or rescinded) and (i) declared that this Agreement and the Transactions, upon the terms and subject to the conditions set forth herein, advisable, fair to and in the best interests of the Company and its Sole Owner, (.it) approved this Agreement in accordance with Applicable Law, and (iii) approved the Merger. The affirmative vote of the Sole Owner is the only vote of the members of the Company necessary to adopt this Agreement and approve the Transactions under the DLLC and the Company's Governing Documents, each as in effect at the time of such adoption and approval (collectively, the
« ***Company Member Approval').***

(6) The execution and delivery of this Agreement and the other Company Transaction Documents by the Company does not, and the consummation of the Transactions will not, (i) result in the creation of any Encumbrance on any of the material assets of the Company or any of the membership interests of the Company or (ii) conflict with, or result in any violation of or default under (with or without notice or lapse of time, or both), or give rise to a right of termination, cancellation, or acceleration of any obligation or loss of any benefit under, or require any consent, approval, or waiver from any Person pursuant to, (A) any provision of the Company's Governing Documents, in each case as amended to date, (B) any Contract of the Company or any Contract applicable to any of the assets of the Company ox (C) any Applicable Law.

(c) No consent, approval, Order, or authorization of, or registration, declaration, or filing with, or notice to, any Governmental Entity or any other Person is required by or with respect to the Company in connection with the execution and delivery of this Agreement or any other Company Transaction Document or the consummation of the Transactions, except for (i) the filing of the Certificate of Merger with the Secretary of State of the State of Delaware and (ii) those that, if not obtained or made, would not reasonably be expected to materially adversely affect the ability of the Company to consummate the Transactions.

2.4Financial Statements; No Undisclosed Liabilities.

(a)The Company has made available to the Acquirer its unaudited financial statements for the fiscal year ending December 31, 2021 and for the six-month period ending June 30, 2022 (collectively, the *"Financial Statements"),* which are included as Schedule 2.4(a) of the Company Disclosure Letter. The Financial Statements (w) are derived from and in accordance with the books and records of the Company, and (x) fairly and accurately present in all material respects the financial condition of the Company at the dates therein indicated and the results of operations and cash flows of the Company for the periods therein specified (subject, in the case of unaudited interim period Financial Statements, to normal recurring year-end audit adjustments, none of which individually or in the aggregate are or will be material in amount), and (y) are true, correct, and complete in all material respects.

(b)The Company does not have any Liabilities of any nature other than (i) those set forth or adequately reserved for in the balance sheet included in the Financial Statements as of June 30, 2022 (such date, the ***"Company Balance Sheet Date"*** and such balance sheet, the ***"Company Balance Sheet'),*** (ii) those incurred in the conduct of the Company's business since the Company Balance Sheet Date in the ordinary course of business and consistent with past practice that are of the type that ordinarily recur and, individually or in the aggregate, are not material in nature or amount, and (iii) those incurred by the Company in connection with the execution of this Agreement

2.5Absence of Changes. Since the Company Balance Sheet Date, (a) the Business has been conducted in the ordinary course of business consistent with past practice, (b) the Company has not experienced a Material Adverse Effect, and (c) the Company has not done, caused, or permitted any action that if taken after the Agreement Date would have required the prior written consent of the Acquirer pursuant to Section 4.1(a) - (y).

2.6Litigation. There is no pending Legal Proceeding to which the Company is a party, and, to the knowledge of the Company, there is no threatened Legal Proceeding against the Company or any of its assets or any of its managers, directors, officers, or employees (in their capacities as such or relating to their employment, services, or relationship with the Company). To the knowledge of the Company, no event has occurred or circumstances exist that may give rise to, or serve as a basis for, any such Legal Proceeding. There is no Order against the Company, or any of its assets or, to the knowledge of the Company, any of its managers, directors, officers, or employees (in their capacities as such or relating to their employment, services, or relationship with the Company). No event has occurred or circumstances exist that may constitute or result in (with or without notice or lapse of ti.me) a violation of any such Order.

2.7Restrictions on Business Activities. There is no Contract or Order binding upon the Company that restricts or prohibits, purports to restrict or prohibit, or has or would reasonably be expected to have, whether before or after consummation of the Merger, the effect of prohibiting, restricting, or impairing any current business practice of the Company, any acquisition of property by the Company or the conduct or operation of the Business as presently conducted or limiting the freedom of the Company or the Acquirer to (i) engage or participate, or compete with any other Person, in any line of business, market, or geographic area with respect to the Company Products or the Company Intellectual Property, or to make use of any Company Intellectual Property, including any grants by the Company of exclusive rights or licenses, (li) sell, distribute, or manufacture any products or services, (iii) solicit the services or business of any Person, or (iv) set prices freely for any products or services, including the Company Products (including any most favored pricing provisions).

2.8Compliance with Laws: Governmental Permits.

(a)The Company has at all times complied in all material respects with, and has not received any written or, to the knowledge of the Company, verbal, notice of violation with respect to, any Applicable Law.

(b)The Company holds, and has at all times held and maintained, each federal, state, county, local, or foreign governmental consent, license, permission, consent, permit, grant, or other authorization and approval of a Governmental Entity that is required to carry on the activities required for or in connection with the carrying on of the conduct of the Business as required by all Applicable Laws in the places and in the manner in which the Business of the Company is carried on or the holding of any such interest (all of the foregoing consents, licenses, permissions, consents, permits, grants, and other authorizations and approvals, collectively, the ***"Company Authorizations'),*** except where the failure to hold or maintain any such Company Authorization does not have a Material Adverse Effect, and all of the Company Authorizations are in full force and effect, are not limited in duration or subject to any conditions, and have been complied with in all material respects. Schedule 2.8(b) of the Company Disclosure Letter identifies each Company Authorization,

(c)The Company has not received any written or, to the knowledge of the Company, verbal, notice or other communication from any Governmental Entity regarding (i) any actual or alleged violation of any Company Authorization or (ii) any actual or alleged revocation, non renewal, withdrawal, suspension, cancellation, termination, or modification of any Company Authorization or any Company Authorization made subject to any restrictions, requirements, or conditions, or that may confer a right of revocation, and, to the knowledge of the Company, no such notice or other communication is forthcoming. The Company has complied in all material respects with all of the terms of the Company Authorizations and none of the Company Authorizations will be terminated, revoked, or impaired, or will become terminable, in whole or in part, as a result of the consummation of the Transactions.

2.9Title **to,** Condition and Sufficiency of, Assets; Real Property.

(a)The Company has good and marketable title to, or valid leasehold interest in all of the properties, and interests in properties and assets, real and personal, reflected on the Company Balance Sheet or acquired after the Company Balance Sheet Date (except properties and assets, or interests in properties and assets, sold or otherwise disposed of since the Company Balance Sheet Date in the ordinary course of business and consistent with past practice), or, with respect to leased properties and assets, valid leasehold interests in such properties and assets that afford the Company valid leasehold possession of the properties and assets that are the subject of such leases, in each case, free and clear of all Encumbrances, except Permitted Encumbrances.

(b)*To* the Company's Knowledge, the assets and properties owned by the Company constitute all of the assets and properties that are necessary for the Company to operate the Business as cU1-rently operated without (i) the need for the Acquirer to acquire or license, any other asset, property, or Intellectual Property or (ii) the breach or violation of any Contract.

(c)The Company does not own or lease any real property.

2.10Intellectual Property.

(a)As used herein, the following terms have the meanings indicated below:

(i)"Company Intellectual Property' means all Intellectual Property owned by Company that relates to the use of low-dose naltrexone for treating Complex Regional Pain Syndrome ("***CRPS')*** and that is used by the Company in the conduct of the Company's business as currently conducted.

(ii)"Company Products' means all products or services (including any websites and mobile applications) currently or previously developed, produced, manufactured, marketed, licensed, sublicensed, sold, distributed, or performed by or on behalf of the Company and all products or services currently under development by the Company.

(iii)"Intellectual Property' means (A) Intellectual Property Rights and
(B) Proprietary Information and Technology.

(iv)"Intellectual Property Rights' means any and all of the following and all rights in, arising out of, or associated therewith, throughout the world: patents, utility models, and applications therefor and all reissues, divisions, re-examinations, renewals, extensions, Provisionals, continuations, and continuations-in-part thereof and equivalent or similar rights in inventions and discoveries anywhere in the world, including invention disclosures, common law and statutory rights associated with trade secrets, confidential and proprietary information and know-how, industrial designs and any registrations and applications therefor, tradenames, logos, trade dress, trademarks and service marks, trademark and service mark registrations, trademark and service mark applications, and any and all goodwill associated with and symbolized by the foregoing items, Internet domain name applications and registrations, social media accounts, Internet and World Wide Web URLs or addresses, copyrights, copyright registrations and applications therefor, moral and economic rights of authors and inventors, however denominated, and any similar or equivalent rights to any of the foregoing, and all benefits, privileges, causes of action, and remedies relating to any of the foregoing.

(v)"Open Source Materials' means software or other material that is distributed as "free software," "open source software," or under similar licensing or distribution terms (including the GNU General Public License (GPL), GNU Lesser General Public License (LGPL), Mozilla Public License (MPL), BSD licenses, the Artistic License, the Netscape Public License, the Sun Community Source License (SCSL), the Sun Industry Standards License (SISL), and the Apache License).

(vi)"Proprietary Information and Technology' means any and all of the following: works of authorship, computer programs, source code, and executable code, whether embodied in software, firmware, or otherwise, assemblers, applets, compilers, user interfaces, application programming interfaces, protocols, architectures, documentation, annotations, comments, designs, files, records, schematics, test methodologies, test vectors, emulation and simulation tools and reports, hardware development tools, models, tooling, prototypes, breadboards and other devices, data, data structures, databases, data compilations and collections, inventions (whether or not patentable), invention disclosures, discoveries, improvements, technology, proprietary and confidential ideas and information, tools, concepts, techniques, methods, processes, formulae, patterns, algorithms and specifications, customer lists and supplier lists, and any and all instantiations or embodiments of the foregoing or any Intellectual Property Rights in any form and embodied in any media.

(vii)"Sensitive Data' means (a) individually identifiable Protected Health Information, as defined under the Health Insurance Portability and Accountability Act, as amended by the Health Infom1ation Technology for Economic and Clinical Health Act; (b)information required by any Applicable Law, Government Entity, or Governmental Order to be encrypted, masked, or otherwise protected from disclosure; (c) government identifiers that are not publicly available, such as Social Security or other individual tax identification numbers, driver's license numbers, and other government-issued identification numbers;
(d) bank accounts, credit or debit card numbers, with or without any required security code, access code, personal identification numbers or passwords, that in each case would permit access to an individual's financial account, and account information, including balances and transaction data; and (e) passwords or log-in credentials for accessing accounts.

(b)Company Intellectual Property. The execution and delivery of this Agreement by the Company and the consummation by the Company of the Merger will not result in the breach of, or create on behalf of any third party the right to terminate or modify, any of the Company's rights in any Company Intellectual Property. Section 2.10(6) of the Company Disclosure Letter sets forth a true, correct, and complete list of all patents, patent applications, copyright applications and registrations, domain name registrations, trademark applications, and registrations, and all other registered Intellectual Property included in the Company Intellectual Property (the ***"Registrations'),*** enumerating specifically the applicable filing or registration number, title, jurisdiction in which filing was made or from which the patent or other registration issued, date of filing, date of issuance, and names of all current applicant(s) and registered owner(s) (including any co-owners), as applicable. All assignments of Registrations to the Company have been properly executed and recorded (including, as applicable, any assignments from any author or inventor of any such Intellectual Property) to the extent necessary in all jurisdictions applicable to such Registrations. All issuance, renewal, maintenance, annuity, and other payments that have become, are, or will become due, and all filings and other actions (including responses to any office actions) required to maintain and enforce the Registrations (or, in the case of applications, required to prevent abandonment), within ninety (90) days after the Agreement Date and the Closing Date, as applicable, have been, as applicable, paid, made, and/or undertaken by or on behalf of the Company. All of the Registrations are subsisting and in full force and effect and are, to the Company's knowledge, valid and enforceable or, in the case of applications, are pending).

(c)Patents. The patents and non-provisional patent applications required to be identified in Section 2.10(6) of the Company Disclosure Letter (the ***"Scheduled Patent Rights')*** have not expired or been abandoned (or, in the case of patent applications, are pending). Except as has been previously disclosed to the Acquirer in writing, to the Company's knowledge, there are no grounds for invalidating any Scheduled Patent Right.

(d)Prosecution Matters. There are no inventorship challenges or opposition, reexamination, nullity, or interference proceedings or other written challenges to ownership, use, registrability, patentability, enforceability, or validity declared, commenced, or provoked or, to the Company's knowledge, threatened, with a Governmental Entity, with respect to any Company Intellectual Property. The Company has complied in all material respects with all of its obligations and duties to the respective patent, trademark, and copyright offices, including the duty of candor and disclosure to the U.S. Patent and Trademark Office, with respect to all patent, trademark, and copyright applications filed by or on behalf of the Company.

(e)Ownership. The Company has good, valid, and sufficient title to, free and clear of any Encumbrance (other than Permitted Encumbrances, and ownership of all Company

Intellectual Property used in the conduct of its business as now conducted. The Company does not have any obligation to disclose or otherwise share information related to its manufacturing processes with any third-party entity.

(f)In To the Company's knowledge, (i) since its inception and as currently conducted, the conduct of the business of the Company has not interfered with, infringed, violated, or constituted a misappropriation of any Intellectual Property of any third party and (ii) the conduct of the business of the Company as proposed to be conducted following regulatory approval to market and sell the Company's Products will not interfere with, infringe, violate, or constitute a misappropriation of any Intellectual Property of any third party. The Company has not received any written (or to the Company's knowledge, oral) notices or claims alleging that the Company has interfered with, infringed upon, violated, or misappropriated any of the Intellectual Property rights of any other Person (including any written (or to the Company's knowledge, oral) claim that the Company must license or refrain from using any Intellectual Property). As of the Agreement Date, no Company Intellectual Property is subject to any outstanding consent, settlement, decree, order, injunction, judgment, or ruling of a Governmental Entity, or any Contract that restricts or otherwise materially limits the Company's exploitation thereof in the conduct of its business as presently conducted. To the Company's knowledge, no other Person has misappropriated, infringed, or otherwise violated any Company Intellectual Property.

(g)Protection Measures. The Company has taken commercially reasonable measures to maintain and protect each item of Company Intellectual Property and to maintain in confidence all know-how, trade secrets, and other confidential information comprising a part thereof.

(h)Options or Licenses. The Company is not a party to any options, licenses, agreements, or covenants of any kind relating to the Company's right to use or exploit the Company Intellectual Property. Except as provided in the agreements identified in Section 2.16 of the Company Disclosure Letter, the Company is not obligated to indemnify any third party against a charge of infringement of Intellectual Property.

(i)Information Security. The Company complies in all material respects with all Applicable Laws, applicable Contract, and publicly published or posted Company policies, notices, and disclosures, in each case, governing the collection, sharing, processing, use, safeguarding, transmission, and destruction of Sensitive Data, and, as of the Agreement Date, has not received any written notice or claim alleging a breach or violation of the same. To the Company's knowledge, there have been no security breaches relating to, or any unauthorized access, loss, misappropriation, misuse, or acquisition of, any Sensitive Data maintained by the Company or by any third-party service provider on behalf of the Company, nor, to the Company's knowledge, has there been any security breach or unauthorized access or acquisition of any system operated by the Company or of any such third-party service provider on which such Sensitive Data resides or through which such Sensitive Data is processed. The Company has not provided, or been required by Applicable Law or Contract to provide, any notice of any security breach or unauthorized acquisition, access, or loss of Sensitive Data of the Company to any Person.

G) Activities with Governmental Entities or Universities. Except as provided in Section 2.100) of the Company Disclosure Letter, no academic institution, research center, or Governmental Entity (or any Person working for or on behalf of any such entity) has, or will be entitled to have, any right, title, or interest (including any "march-in" or co-ownership rights) in or to any Company Intellectual Property. Except as set forth in Section 2.1OG) of the Company Disclosure Letter, no funding, Intellectual Property, facilities, personnel, or other resources of any academic

institution, research center, Governmental Entity has been used in connection with the conception, reduction to practice, development, or other creation of any Company Intellectual Property, in each case in a manner that would cause such institution, center, or Governmental Entity to have or be entitled to have any right, title, or interest in or to any Company Intellectual Property.

2.11 Taxes.

(a) The Company has properly completed and timely filed all Tax Returns required to be filed by it prior to the Closing Date and has timely paid all Taxes required to be paid by it (whether or not shown on any Tax Return). All Tax Returns were complete and accurate in all material respects and have been prepared in compliance with Applicable Law. There is no claim for Taxes that has resulted in an Encumbrance (other than an Encumbrance for Taxes not yet due and payable) against any of the assets of the Company.

(b) The Company has delivered to the Acquirer true, correct, and complete copies of all of its Tax Returns, examination reports, and statements of deficiencies, adjustments, and proposed deficiencies and adjustments.

(c) The Company Balance Sheet reflects all Liabilities for unpaid Taxes of the Company for periods (or portions of periods) through the Company Balance Sheet Date. The Company does not have any Liability for unpaid Taxes accruing after the Company Balance Sheet Date except for Taxes arising in the ordinary course of business and consistent with past practice. The Company does not have any Liability for Taxes (whether outstanding, accrued for, contingent, or otherwise).

(d) There is (i) no past, pending, or, to the knowledge of the Company, threatened audit of, or Tax controversy associated with, any Tax Return of the Company that has been or is being conducted by a Tax Authority, (u) no other procedure, proceeding, or contest relating to any refund or deficiency in respect of Taxes pending or on appeal with any Governmental Entity, (iii) no extension of any statute of limitations on the assessment of any Taxes granted by the Company currently in effect, and (iv) no agreement to any extension of time for filing any Tax Return that has not been filed. No written claim has ever been made by any Governmental Entity in a jurisdiction where the Company does not file Tax Returns that the Company is or may be subject to taxation by that jurisdiction.

(e) The Company has collected and remitted all sales, use, value-added, *ad valore111,* personal property, and similar Taxes ("***Sales Taxes")*** with respect to sales made or services provided and, for all sales or provisions of services that are exempt from Sales Taxes and that were made without charging or remitting Sales Taxes, the Company has received and retained any required Tax exemption certificates or other documentation qualifying such sales or provisions of services as exempt.

(f) The Company is not a party to or bound by any Tax sharing, Tax indemnity, Tax allocation agreement, or advance pricing agreement (other than a commercial agreement not primarily related to Taxes), and the Company does not have any Liability or potential Liability to another party or to a Governmental Entity under any such agreement.

(g) The Company has not participated in, and is not currently participating in, a "Reportable Transaction" within the meaning of Section 6707A(c)(2) of the Code or Treasury Regulation Section 1.6011-4(6).

(h)The Company does not and has never been a member of a consolidated, combined, unitary, or aggregate group for Tax purposes (including, as the case may be, a tax consolidated group or fiscal unity for purposes of any corporate income tax or value-added tax) of which the Company was not the ultimate parent corporation.

(i)The Company does not have any Liability for the Taxes of any other Person under Treasury Regulations Section 1.1502-6 (or '<Illy similar provision of state, local, or foreign law), as a transferee or successor (including any successor Tax liability derived from an acquisition of an ongoing concern), by operation of Applicable Law, by Contract, or otherwise.

G) The Company will not be required to include any item of income in, or exclude any item of deduction from, Taxable income for any Taxable period (or portion thereof) ending after the Closing Date as a result of any (i) change in method of accounting or use of an improper method of accounting for a Taxable period ending on or prior to the Closing Date, (it) "closing agreement" described in Section 7121 of the Code (or any corresponding or similar provision of state, local, or foreign Tax law) executed on or prior to the Closing Date, (iii) intercompany transaction or excess loss account described in Treasury Regulations under Section 1502 of the Code (or any corresponding or similar provision of state, local, or foreign Tax law), (iv) installment sale or open transaction disposition made on or prior to the Closing Date, or (v) prepaid amount received or deferred revenue accrued on or prior to the Closing Date.

(k)The Company has not received any private letter ruling from the IRS (or any comparable Tax ruling, binding or not on the Company, from any other Governmental Entity).

(1)The Company is not subject to Tax in any country other than its country of incorporation, organization, or formation by virtue of having employees or a permanent establishment or any other place of business in such other country

(m)The Company is not and has never been a "United States real property holding corporation" within the meaning of Section 897(c)(2) of the Code.

(n)The Company has not constituted either a "distributing corporation" or a "controlled corporation" in a distribution of Equity Interests intended to qualify for Tax-free treatment under Section 355 of the Code (i) prior to the Agreement Date or (ii) in a distribution that could otherwise constitute part of a "plan" or "series of related transactions" (within the meaning of Section 355(e) of the Code) in conjunction with the Merger.. The Company has not distributed Equity Interests of another Person, or had its Equity Interests distributed by another Person, in a transaction that was purported or intended to be governed in whole or in part by Section 361 of the Code.

(o)The Company has (i) complied with all Applicable Law relating to the payment, reporting and withholding of Taxes (including withholding of Taxes pursuant to Sections 1441, 1442, 1445, 1446, 1471, 1472and 3406 of the Code or similar provisions under any foreign law), (ii) withheld (within the time and in the manner prescribed by Applicable Law) from employee wages or consulting compensation and paid over to the proper Governmental Entities (or is properly holding for such timely payment) all amounts required to be so withheld and paid over under all Applicable Law, including federal and state income Tax laws, the Federal Insurance Contribution Act, Medicare, Federal Unemployment Tax Act, relevant state income and employment Tax withholding laws, and
foreign Tax laws (as applicable), and (iii) timely filed all withholding Tax Returns, for all periods
through and including the Closing Date. The Company is eligible for any payroll tax credit or deferral

that it has claimed pursuant to the CARES Act. Schedule 2.11(o) of the Company Disclosure Letter sets forth any such tax credit or deferral that the Company has claimed.

(p)The Company does not own any interest in any "controlled foreign corporation" (as that item is defined in Section 957 of the Code), "passive foreign investment company" (as that term is defined in Section 1297 of the Code) or other entity the income of which is required to be included in the income of the Company.

(g)The Company is not a party to a "gain recognition agreement" within the meaning of the U.S. Treasury Regulations promulgated under Section 367 of the Code.

(r)The Company has made available to the Acquirer true, correct, and complete copies of all election statements under Section 83(6) of the Code, together with evidence of timely filing of such election statements with the appropriate Internal Revenue Service Center, with respect to any property issued by the Company or any BRISA Affiliate to any of their respective employees, non-employee directors, consultants, and other service providers.

(s)Schedule 2.11(s) of the Company Disclosure Letter lists all "nonqualified deferred compensation plans" (within the meaning of Section 409A of the Code) to which the Company is a party and which are not exempt from Section 409A of the Code. Each such nonqualified deferred compensation plan complies with the requirements of paragraphs (2), (3), and (4) of Section 409A(a) by its terms and has been operated in accordance with such requirements. No event has occurred that would be treated by Section 409A(b) as a transfer of property for purposes of Section 83 of the Code. The Company is under no obligation to gross up any Taxes or reimburse any Tax related payments to any Person under Section 409A of the Code or otherwise.

(t)The Company is in compliance with all applicable transfer pricing laws and regulations, including the execution and maintenance of contemporaneous documentation substantiating the transfer pricing practices and methodology of the Company. The prices for any property or services (or for the use of any property) provided by or to the Company are arm's length prices for purposes of all applicable transfer pricing laws, including the Treasury Regulations promulgated under Section 482 of the Code.

(u)Except as set forth on Schedule 2.11(u) of the Company Disclosure Letter, there is no agreement, plan, arrangement or other Contract covering any current or former employee or other service provider of the Company or any BRISA Affiliate to which the Company is a party or by which the Company or its assets are bound that, considered individually or considered collectively with any other agreement, plan, arrangement, or other Contract will, or would reasonably be expect to, as a result of the Transactions (whether alone or upon the occurrence of any additional or subsequent events) give rise directly or indirectly to the payment of any amount that would reasonably be characterized as a "parachute payment" within the meaning of Section 280G of the Code (or any corresponding or similar provision of state, local, or foreign Tax law). The Company does not have (nor have ever had) any obligation to report, withhold, gross up, indemnify, or otherwise provide any payment for any excise Taxes, including those incurred pursuant to Section 409A or Section 4999 of the Code or due to the failure of any payment to be deductible under of Section 280G of the Code.

(v)Schedule 2.11(v) of the Company Disclosure Letter lists each Person (whether or not a United States resident) who as of Closing will be, with respect to the Company, a "disqualified individual" (within the meaning of Section 280G of the Code and the regulations promulgated thereunder), as determined as of the Agreement Date.

(w)The Company is properly treated for federal and applicable state and local Tax purposes as an association taxable as a corporation.

(x)The Company operates at least one significant historic business line, or owns at least a significant portion of its historic business assets, in each case within the meaning of Treasury Regulations Section 1.368-1(d). Neither the Company nor any of its Affiliates has taken *oi* agreed to take any action, or is aware of any fact or circumstance, that would prevent the Merger from constituting a tax-free reorganization under Sections 368(a)(1)(A) and 368(a)(2)(E) of the Code.

2.12Employee Benefit Plans and Employee Matters. The Company has never had any employees, nor has the Company ever sponsored or maintained any employee benefit plans, whether insured or self-funded.

2.13Interested-Party Transactions. Except as set forth in Schedule 2.13 of the Company Disclosure Letter, none of the officers of the Company or, to the knowledge of the Company, any of the other employees of the Company or any holder of Company Membership Interests, or any of the immediate family members of any of the foregoing, (i) has any direct or indirect ownership, participation, royalty, or other interest in, or is a manager, officer, director, or employee of or a consultant or contractor for any firm, partnership, entity, or corporation that competes with, or does business with, or has any contractual arrangement with, the Company (except with respect to any interest in less than 5% of the stock of any corporation whose stock is publicly traded), (Ji) is a party to, or to the knowledge of the Company, otherwise directly or indirectly interested in, any Contract to which the Company is a party or by which the Company or any of its assets are bound, except for normal compensation for services as a manager, officer, director, or employee thereof, or (iii) has any interest in any property, real or personal, tangible or intangible (including any Intellectual Property) that is used in, or that relates to, the Business.

2.14Insurance. The Company maintains the policies of insurance set forth in Schedule 2.14 of the Company Disclosure Letter, including all legally required workers' compensation insurance and errors and omissions, casualty, fire, cybersecurity, and general liability insurance. Schedule 2.14 of the Company Disclosure Letter sets forth the name of the insurer under each such policy and bond, the type of policy or bond, the coverage amount, and any applicable deductible and any other material provisions, as well as all material claims made under such policies that are currently outstanding. The Company has made available to the Acquirer true, correct, and complete copies of all such policies of insurance issued at the request or for the benefit of the Company. There is no claim pending under any of such policies as to which coverage has been questioned, denied, or disputed by the underwriters of such policies. All premiums due and payable under all such policies and bonds have been timely paid and the Company is otherwise in compliance with the terms of such policies. All such policies remain in full force and effect, and the Company has no knowledge of any threatened termination of, or material premium increase with respect to, any of such policies.

2.15Books and Records. The Company has made available to the Acquirer true, correct, and complete copies of (i) all documents identified on the Company Disclosure Letter, (ii) the Governing Documents of the Company, each as currently in effect.

2.16Material Contracts.

(a)Schedule 2.16 of the Company Disclosure Letter set forth a list of each of all Contracts to which the Company is a party, that are material to the Company or the Business, and that are in effect and active on the Agreement Date (collectively, the ***"Material Contracts').***

(b)All Material Contracts are in written form. The Company has performed all of its obligations required to be performed by it, except where any such failure does not have a Material Adverse Effect, and the Company is entitled to all benefits under, and, to its knowledge, is not alleged to be in default in respect of, any Material Contract. Each of the Material Contracts is in full force and effect, subject only to the effect, if any, of applicable bankruptcy and other similar Applicable Law affecting the rights of creditors generally and rules of law governing specific performance, injunctive relief, and other equitable remedies. Neither the Company nor, to the knowledge of the Company, any other party to any Material Contract is in default or breach in any material respect under the terms of any Material Contract, and no event, occurrence, condition, or act has occurred, that, with the giving of notice, the lapse of time or the happening of any other event or condition, would reasonably be expected to (i) constitute an event of default under any Material Contract or (ii) give any third party
(A) the right to declare a default or exercise any remedy under any Material Contract, (B) the right to a rebate, chargeback, refund, credit, penalty, or change in delivery schedule under any Material Contract, (C) the right to accelerate the maturity or performance of any obligation of the Company under any Mate1ial Contract, or (D) the right to cancel, terminate, or modify any Material Contract. The Company has not received any written or, to the Company's knowledge, verbal, notice or other communication regarding any actual or possible violation or breach of, default under, or intention to cancel or modify any Material Contract (including under a *force111ajeure* or similar provision, including as a result of the COVID-19 Pandemic). The Company does not have any Liability for renegotiation of any Government Contract. True and complete copies of all Material Contracts have been made available to the Acquirer.

2.17Transaction Fees. No broker, finder, financial advisor, investment banker, or similar Person is entitled to any brokerage, finder's, or other fee or commission in connection with the origin, negotiation, or execution of this Agreement or in connection with the Transactions.

2.18FDA Matters.

(a)All Company Products that are subject to the jurisdiction of the United States Food and Drug Administration (the ***"FD ')*** are being developed, manufactured, used, processed, labeled, stored, tested, and imported or exported in compliance in all material respects with all Applicable Laws, including all applicable requirements under the federal Food and Drug and Cosmetic Act ***("FDC '),*** the Public Health Service Act and their applicable implementing regulations. All Company Products that are subject to the jurisdiction of any other Governmental Entity are being developed, manufactured, used, processed, labeled, stored, tested, imported, and exported in compliance in all material respects with all comparable Applicable Laws of such Governmental Entity.

(b)Neither the Company nor any representative of the Company nor, to the knowledge of the Company, any licensees or assignees of any Company Intellectual Property has received any written notice that the FDA or any other Governmental Entity has initiated, or threatened to initiate, any action to (i) suspend any clinical trial, (ii) withdraw approval of, or suspend or terminate, any Investigational New Drug Application, or any comparable foreign regulatory application, in each case sponsored by the Company with respect to any Company Product, or otherwise prevent or prohibit the preclinical research on or clinical study of any Company Products by or on behalf of the Company, or (ill) recall, or order to suspend the manufacture of, any Company Product.

(c)Neither the Company nor, to the knowledge of the Company, any of its officers, employees, or agents or clinical investigators acting for the Company, has committed any act, made any statement, or failed to make any statement that would reasonably be expected to provide a basis for the FDA to invoke its policy with respect to "Fraud, Untrue Statements of Material Facts,

Bribery, and Illegal Gratuities" set forth in 56 Fed. Reg. 46191 (September 10, 1991) and any amendments thereto. Additionally, neither the Company nor, to the knowledge of the Company, any officer, employee, or agent of the Company has been convicted of any crime or engaged in any conduct that would reasonably be expected to result in (i) debarment under 21 U.S.C. Section 335a or any similar applicable state or foreign Applicable Law or (ii) exclusion under 42 U.S.C. Section 1320a- 7 or any similar applicable state or foreign Applicable Law.

(d)Except as is not material to the Company in any case or in the aggregate, all animal studies or other preclinical tests performed by the Company, or by third-party vendors on the Company's behalf, in connection with or as the basis for any regulatory approval required for the Company Products either have been conducted in accordance, in all material respects, with applicable Law, including applicable Good Laboratory Practice regulations as described in 21 CPR Part 58 or comparable foreign Applicable Laws.

(e)The Company has delivered to the Acquirer copies of any and all written notices of inspectional observations, establishment inspection reports, and any other documents received by the Company from any Governmental Entity, including the FDA or any comparable foreign Governmental Entities, that identify lack of compliance by the Company \with Applicable Laws, including Applicable Laws of the FDA or comparable foreign Governmental Entities.

(f)True, complete, and correct copies of any and all of the Company's submissions to, or material correspondence with, the FDA or its comparable foreign Governmental Entity have been provided to the Acquirer by the Company.

(g)There is no Legal Proceeding pending or, to the knowledge of the Company, threatened, with respect to a violation by the Company of any Applicable Law, including the FDCA, FDA regulations adopted thereunder, or the Controlled Substance Act.

(h)The Company has not received from any Governmental Entity any
(i) inspection reports, (ii) notices of adverse :findings, warning or untitled letters, or minutes of meetings, or (iii) other correspondence concerning the Company Products, in each case in which any Governmental Entity asserted in writing that the operations of the Company may not be in compliance with Applicable Laws.

(i)The Company has not received written notice from any of its suppliers of any material interruption of supply or manufacturing capacity, shortage of raw materials, components, or other manufacturing problems that would have a material adverse effect on the subsequent development of the Company Products, nor, to the knowledge of the Company, do any conditions exist that reasonably would be expected to lead to such manufacturing problems.

G) All applications, notifications, submissions, information, claims, reports, and statistics and other data that have been utilized by the Company, or prepared with the intention to be utilized by the Company, as the basis for or submitted in connection with any regulatory notifications, submissions, applications, filings, or Company Authorizations to the FDA or any other Governmental Entity relating to the Company Products were true, complete, and correct in all material respects as of the date of preparation and submission, as applicable, and/or any necessary or required updates, changes, corrections, or modification to such applications, notifications, submissions, information, and data have been submitted to the FDA or other Governmental Entity.

(k) Neither the Company nor any of its employees or agents acting on the Company's behalf has (i) made any offer to, or used any funds for, unlawful contributions, loans,

donations, gifts, entertainment, bribe, rebate, payoff, influence payment, kickback, or other unlawful expenses, payments, or gifts of money or anything of value, in each case as prohibited under any Applicable Law; (.ii") made or agreed to make any unlawful payment to foreign or domestic government officials or employees or to foreign or domestic political parties or campaigns; (iii) taken any action that would constitute a violation of any provision of the Foreign Corrupt Practices Act of 1977, as amended, 15 U.S.C.§§78dd-1, *et seq,* or the Anti-Kickback Statute, 42 U.S.C.§1320a-7b, the Physician Self-Referral Law, 42 U.S.C. §1395nn, or their equivalent in any jurisdiction where the Company conducts business; or (iv) made or agreed to make any other unlawful payment.

Q.) Except as set forth in Section 2.18(1) of the Company Disclosure Letter, the Company has not conducted or sponsored, and is not currently conducting or sponsoring, any clinical trials, nor have any clinical trials been conducted or sponsored on the Company's behalf. Each of the clinical trials set forth in Section 2.18(1) of the Company Disclosure Letter, was conducted or *is* being conducted in compliance with all Applicable Laws. Except as set forth in Section 2.180) of the
Company Disclosure Letter, the Company has not filed any investigational new drug application, nor has any investigational new drug application been filed on the Company's behalf. No investigational new drug application filed by or on behalf of the Company with the FDA or any comparable foreign Governmental Entity has been te1minated or suspended by the FDA or such Governmental Entity, and neither the FDA nor such Governmental Entity has commenced, or threatened to initiate, any action to place a clinical hold order on, or otherwise terminate, delay, or suspend, any proposed or ongoing clinical investigation conducted or proposed to be conducted by the Company.

2.19No Other Representations or Warranties. Except for the representations and warranties of the Company and the Sole Owner set forth in this Agreement, the other Transaction Documents and any schedule, certificate, or other document delivered pursuant hereto or thereto or in connection with the Transactions, neither the Company nor the Sole Owner nor any of their Representatives makes any other representation or warranty, express or implied, either written or oral, regarding the Company or the Sole Owner or otherwise in connection with this Agreement and the Transactions.

ARTICLE III
representations and Warranties OF the acquirer and the merger SUB

Except as and to the extent disclosed in the Acquirer SEC Reports filed or furnished with the SEC on or after August 15, 2022 (the ***"Applicable Date')*** and publicly available as of the Agreement Date, the Acquirer and the Merger Sub, jointly and severally, represent and warrant to the Company and the Sole Owner as follows:

3.1Organization and Standing. Each of the Acquirer and the Merger Sub is a corporation duly organi2:ed, validly existing and in good standing under the laws of its jurisdiction of organization. Neither the Acquirer nor the Merger Sub is in violation of any of the provisions of its Articles of Incorporation or Certificate of Incorporation, as applicable, or Bylaws, or Governing Documents.

3.2Authority; Non-contravention,

(a)Each of the Acquirer and the Merger Sub has all requisite corporate power and authority to enter into this Agreement and to consummate the Transactions. The execution and delivery of this Agreement and the consummation of the Transactions have been duly authorized by all necessary corporate action on the part of the Acquirer and the Merger Sub. This Agreement has been duly executed

and delivered by each of the Acquirer and the Merger Sub and, assuming the due

execution and delivery of this Agreement by the other parties hereto, constitutes the valid and binding obligation of the Acquirer and the Merger Sub enforceable against each of them, respectively, in accordance with its terms, subject only to the effect, if any, of (i) applicable bankruptcy and other similar Applicable Law affecting the rights of creditors generally and (ii) rules of law governing specific performance, injunctive relief, and other equitable remedies.

(b)The execution and delivery of this Agreement by the Acquirer and the Merger Sub do not, and the consummation of the Transactions will not, conflict with, or result in any violation of, or default under (with or without notice or lapse of time, or both), or give rise to a right of termination, cancellation, or acceleration of any obligation or loss of a benefit under, or require any consent, approval, or waiver from any Person pursuant to, (i) any provision of the Articles of Incorporation or Certificate of Incorporation, as applicable, or Bylaws, or other Governing Documents of the Acquirer and the Merger Sub, in each case as amended to date or (ii) Applicable Law, except where such conflict, violation, default, termination, cancellation, or acceleration, individually or in the aggregate, would not be material to the Acquirer's or the Merger Sub's ability to consummate the Merger or to perform their respective obligations under this Agreement.

(c)No consent, approval, order, or authorization of, or registration, declaration, or filing with, any Governmental Entity or any other Person is required by or with respect to the Acquirer or the Merger Sub in connection with the execution and delivery of this Agreement or the consummation of the Transactions except for (i) such consents, waivers, approvals, Orders, authorizations, registrations, declarations, and filings as may be required under applicable securities laws and state "blue sky" laws, (ii) the filing of the Certificate of Merger with the Secretary of State of the State of Delaware, and (iii) those that, if not obtained or made, would not reasonably be expected to adversely affect the ability of the Acquirer or the Merger Sub to consummate the Transactions.

3.3Issuance of Shares. The Merger Consideration Shares, when issued by the Acquirer in accordance with this Agreement will be duly authorized and validly issued, fully paid, and non assessable, issued in compliance with Applicable Law, and will be free of restrictions on transfer other than restrictions on transfer under this Agreement, the Articles of Incorporation of the Acquirer (and the "Series S CoD" (as that term is defined in Section 4.12, below)), the Bylaws of the Acquirer, and Applicable Law.

3.4No Prior Merger Sub Operations. The Merger Sub is a direct, wholly owned subsidiary of the Acquirer. The Merger Sub was formed solely for the purpose of effecting the Merger and has not engaged in any business activities or conducted any operations other than in connection with the Transactions.

3.5Capitalization. The authorized share capital of the Acquirer consists of 200,000,000 shares of common stock and 2,000,000 shares of preferred stock. Of the 2,000,000 shares of authorized preferred stock, 259,729 shares are designated as Series A-1 Preferred Stock and 200,000 shares are designated as Series S Convertible Preferred Stock. As of the Agreement Date,"3,150,230 shares of the Acquirer Common Stock are issued and outstanding, 222,588 Series A-1 Preferred Stock are issued and outstanding, and O shares of Series S Convertible Preferred Stock are issued and outstanding. In addition, as of the Agreement Date, the Acquirer has issued and outstanding warrants to purchase an aggregate of O shares of the Acquirer Common Stock and options to purchase O shares of the Acquirer Common Stock..

3.6Acquirer SEC Reports: Financial Statements.

(a)Since the Applicable Date, the Acquirer has filed or furnished with the SEC, on a timely basis (after taking into account any applicable extensions), all forms, reports, certifications, schedules, statements, and documents required to be filed or furnished under the Securities Act or the Exchange Act, including all amendments thereto (such forms, reports, certifications, schedules, statements, documents, and amendments thereto, collectively, the ***"Acquirer SEC Reports").*** As of their respective dates, each of the Acquirer SEC Reports, as amended, complied with the applicable requirements of the Securities Act, the Exchange Act, and the Sarbanes-Oxley Act of 2002, as the case may be, and the rules and regulations of the SEC thereunder applicable to such the Acquirer SEC Reports, and none of the Acquirer SEC Reports contained, when filed (or, if amended prior to the Closing Date, as of the date of such amendment with respect to those disclosures that are amended), any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Notwithstanding the foregoing, until the Acquirer shall file a Current Report on Form 8_ in respect of the Transactions, the Acquirer's Registration Statement on Form S-3 filed with the SEC on December 23, 2020, and declared effective by the SEC on December 29, 2020, providing for the registration of securities offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, will not be current as a result of the Transactions.

(b)The financial statements of the Acquirer included in the Acquirer SEC Reports, including all notes and schedules thereto (the ***"Acquirer Financial Statement5'),*** complied in all material respects, when filed (or if amended prior to the Closing Date, as of the date of such amendment) with the rules and regulations of the SEC with respect thereto, were prepared in accordance with GAAP and such Acquirer Financial Statements present fairly, in all material respects, the financial position of the Acquirer and its consolidated Subsidiaries as of their respective dates and the results of operations and the cash flows of the Acquirer and its consolidated Subsidiaries for the periods presented therein.

3.7'Tax Treatment. Neither Acquirer nor any of its Affiliates has taken or agreed to take any action, or is aware of any fact or circumstance, that would prevent the Merger from constituting a tax-free reorganization under Sections 368(a)(1)(A) and 368(a)(2)(E) of the Code.

3.8Transaction Fees. There is no broker's, finder's, financial advisor's, or other similar fee or commission in connection with the Transactions based upon arrangements made by or on behalf of the Acquirer or the Merger Sub with respect to which the Sole Owner or the Company shall be liable.

3.9No Other Representations or Warranties. Except for the representations and warranties of the Acquirer and the Merger Sub set forth in this Agreement, the other Transaction Documents and any schedule, certificate, or other document delivered pursuant hereto or thereto or in connection with the Transactions, neither the Acquirer, the Merger Sub, nor any of their Representatives, makes any other representation or warranty, express or implied, either written or oral, regarding the Acquirer, the Merger Sub, or their Equity Interests or otherwise in connection with this Agreement and the Transactions. Acquirer and Merger Sub have conducted their own independent investigation, review and analysis of the Company and the Sole Owner and acknowledge that they have been provided adequate access to the Company and the Sole Owner for such purpose. Acquirer and Merger Sub acknowledge and agree that: (a) in making their decision to enter into this Agreement and to consummate the Transactions, Acquirer and Merger Sub have relied solely upon their own investigation and the express representations and warranties of the Company and the Sole Owner set forth in Article II of this Agreement (including related portions of the Company Disclosure Letter); and (b) neither the Company nor the Sole Owner nor any other Person has made any representation

or warranty as to the Company, the Sole Owner or this Agreement, except as expressly set forth in Article II of this Agreement (including the related portions of the Company Disclosure Letter).

ARTICLE IV
ADDITIONAL AGREEMENTS

4.1 Conduct of the Business. During the period from the Agreement Date and continuing until the earlier of the termination of this Agreement and the Effective Time (the ***"Pre-Closing Period'),*** unless the Acquirer otherwise agrees in writing, the Company shall conduct the Business in the ordinary course of business consistent with past practice and in accordance with Applicable Law, and the Company shall use commercially reasonable efforts to preserve intact its business organization, to keep available the services of its current respective employees, non-employee directors, consultants, and other service providers (except as otherwise set forth in this Agreement), and to preserve the current relationships of the Company with and the goodwill of suppliers and other Persons with which the Company has significant business relations. Without limiting the generality of the foregoing, unless the Acquirer otherwise agrees in writing, as required by Applicable Law, or as expressly contemplated by this Agreement, the Company shall not (and shall not permit any of its Representatives to), during the Pre-Closing Period:

(a) cause., propose, or permit any amendments to the Certificate of Formation or the Operating Agreement or equivalent organizational or Governing Documents of the Company;

(b) (i) issue, sell, promise, or contract to issue or sell, pledge, dispose of, grant, encumber, or authorize the issuance, sale, pledge, disposition, grant, or Encumbrance of any Company Equity Interests (including any phantom interest) or any revenue or profit-sharing interest in respect of the Company or (ii) approve, consent to, or otherwise authorize the sale or transfer of any Company Equity Interest from an existing holder to another Person;

(c) declare or pay any dividends on or make any other distributions (whether in cash, stock, or other property) in respect of the Company Membership Interests, or split, combine, or reclassify any Company Membership Interests or issue or authorize the issuance of any Equity Interests or other securities in respect of, in lieu of, or in substitution for any Equity Interests, or repurchase or otherwise acquire, directly or indirectly, any Equity Interests of the Company;

(d) acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial portion of the assets of, or by any other manner, any Person or division thereof, or otherwise acquire or agree to acquire any assets that are material, individually or in the aggregate, to the Company or the Business, or enter into any Contract with respect to a joint venture, strategic alliance, or partnership;

(e) sell, lease, license, or otherwise dispose of or permit to lapse any tangible or intangible assets of the Company, other than sales of the Company Products in the ordinary course of business consistent with past practice, or enter into any Contract with respect to the foregoing;

(£) incur any Company Debt (other than trade payables or accruals in the ordinary course of business and consistent with past practice), issue any debt securities or assume, guarantee, endorse, or otherwise become responsible for the obligations for borrowed money of any Person, or make any loans or advances;

(g)(i) enter into, amend, or modify any (A) Contract that would (if entered into, amended or modified prior to the Agreement Date) constitute a Material Contract without the consent of the Acquirer, (B) other material Contract, or (C) Contract requiring a novation or consent in connection with the Merger or the other Transactions, (ii) violate, terminate, amend, or modify (including by entering into a new Contract with such party or otherwise) or waive any of the terms of any of its Material Contracts, or (iii) enter into, amend, modify, or terminate any Contract or waive, release, or assign any rights or claims thereunder that, if so entered into, modified, amended, terminated, waived, released, or assigned would be reasonably likely to (A) adversely affect the Company (or, following consummation of the Merger, the Acquirer or any of its Affiliates) in any material respect, (B) impair the ability of the Company or the Merger Sub to perform their respective obligations under this Agreement, or (C) prevent or materially delay or impair the consummation of the Merger and the other Transactions;

(h)authorize, make, or agree to any single capital expenditure that is in excess of $2,000 or capital expenditures that are in the aggregate in excess of $5,000;

(i)(i) increase, defer, or fail to pay the compensation or other amounts payable or to become payable to its current, former, or prospective managers, employees, consultants, or other service providers, or grant any severance or termination pay, other than pursuant to any Company Employee Plan in effect as of the Agreement Date, to any current, former, or prospective managers, employee, consultant, or other service provider, or establish, adopt, enter into, amend, terminate, or fail to renew any Company Employee Plan, collective bargaining, or other Contract, trust, fund, or policy for the benefit of any manager, employee, consultant, or other service provider, (ii) make any equity awards to any Person, (fu) take any action to accelerate the vesting or payment, or fund or in any other way secure the payment, of compensation or benefits under any Company Employee Plan to the extent not required by this Agreement or such Company Employee Plan as in effect on the Agreement Date, (iv) hire or engage the services of any additional manager, employee, consultant or other service provider, or (v) terminate the employment or services, as applicable, of any manager, employee, consultant, or other service provider without cause;

G) (i) make any change with respect to accounting methods or practices or internal accounting control inventory, investment, credit, allowance, or Tax procedures or practices or (ii) increase or change any of the assumptions underlying, or methods of calculating, any bad debt, contingency, or other reserves;

(k) (i) make, revoke, or alter any Tax election, settle or compromise any Tax Liability or Tax contest, file any amended Tax Return, file any Tax Return being filed late or file any Tax Return that is not consistent with past practice or surrender any right to claim a Tax refund, offset, or other reduction in Tax Liability, (ii) extend any statute of limitations with respect to any Tax Return,
(iii) enter into any Tax sharing or similar agreement or closing agreement, (iv) assume any Liability for the Taxes of any other Person (whether by Contract or otherwise), or (v) consent to any extension or waiver of the limitation period applicable co any claim or assessment in respect of Taxes;

0) pay, discharge, or satisfy (i) any Liability to any Person who is a manager, officer, director, or member of the Company (other than compensation due for services as a manager, officer, or director) or (ii) any claim or Liability arising other than in the ordinary course of business consistent with past practice, other than the payment, discharge, or satisfaction of Liabilities reflected or reserved against in the Financial Statements, or defer payment of any accounts payable other than in the ordinary course of business consistent with past practice, or give any discount, accommodation, or other concession other than in the ordinary course of business consistent with past practice;

(m) forgive, release, cancel, subordinate, write off, or defer any Company Debt, or other obligations for borrowed money (including principal and accrued but unpaid .interest thereon) owed to the Company, or waive any claims or rights of material value;

(n) purchase or sell, transfer, license, lease, or otherwise dispose of any material properties or assets (real, personal, or mixed, tangible, or intangible), other than the purchase of inventory in the ordinary course of business and consistent with past practice;

(o) enter into any lease, tenancy, or license for real property;

(p) assign, forfeit, or permit to lapse, or instruct or consent to a future lapse of, any Company Intellectual Property;

(g) pay, lend, or advance any amount to, or sell, transfer, license, lease, or otherwise dispose of any properties or assets (real, personal, or mixed, tangible, or intangible) to, the Company's current or former securityholders, debtholders, employees, consultants, or other service providers, or any of their respective Affiliates, other than (i) cash compensation paid to employees, consultants, or other service providers at rates not exceeding the rates of compensation paid during the fiscal year last ended and (ii) advances for travel and other business-related expenses made in the ordinary course of business and consistent with past practice;

(r) take any action to induce or try to induce any employee, consultant, or other service provider to terminate his or her employment or services with the Company prior to the Closing;

(s) accelerate or delay the collection of, or discount, any accounts receivable, accelerate or delay the payment of accounts payable, accelerate or delay the incurrence of expenses, increase or decrease inventories, except in the ordinary course of business consistent with past practice, or otherwise alter the manner in the Company manages its working capital;

(t) incorporate a company, register a branch, or apply for any regulatory license in any jurisdiction (except for renewals of any Company permit in force as of the Agreement Date in the ordinary course of business consistent with past practice);

(u) change accounting methods or practices (including any change in depreciation or amortization policies) or revalue any of its assets (including writing down the value of inventory or writing off notes or accounts receivable otherwise than in the ordinary course of business consistent with past practice);

(v) commence a lawsuit other than (i) for the routine collection of bills or (ii) to settle or agree to settle any pending or threatened lawsuit or other dispute;

(w) materially change the manner in which it provides warranties, discounts, or credits to customers;

(x) materially change the amount of, or terminate, any insurance coverage; or

(y) agree or commit to do any of the foregoing.

4.2 Confidentiality: Public Disclosure.

(a) At no time shall any party hereto disclose any of the terms of this Agreement (including the economic terms) or any non-public information about a party hereto to any other Person without the prior written consent of the party hereto about which such non-public information relates. Notwithstanding anything t0 the contrary in the foregoing, a party hereto shall be permitted to disclose any and all terms to its financial, tax and legal advisors (each of whom is subject to a similar obligation of confidentiality), and to any Governmental Entity or administrative agency to the extent necessary or advisable in compliance with Applicable Law.

(b) Each of the Company and the Sole Owner shall not, and shall cause *its* Representatives not to, issue any press release or other public communications relating to the terms of this Agreement or the Transactions or use the Acquirer's name or refer to the Acquirer directly or indirectly in connection with the Acquirer's relationship with the Company in any media interview, advertisement, news release, press release, or professional or trade publication, or in any print media, whether or not in response to an inquiry, without the prior written approval of the Acquirer, (i) unless required by Applicable Law (in which event a satisfactory opinion of counsel to that effect shall be first delivered to the Acquir.er prior to any such disclosure) or (ii) except as reasonably necessary for the Company to obtain approvals contemplated by this Agreement; *provided,* that the prior written approval of the Acquirer shall not be required for the Company or its Representatives to make any press release, public announcement, or other public disclosure concerning the Transaction Documents or the Transactions following a similar disclosure by the Acquirer, except that any such disclosure shall not contain info1mation that was not previously publicly disclosed by the Acquirer.

4.3 Expenses. Except as otherwise set forth herein, all costs and expenses incurred in connection with this Agreement and the Transactions shall be paid by the party incurring such expense.

4.4 Tax Matters.

(a) Cooperation. After the Closing, each of the Acquirer, the Sole Owner, and the Company shall cooperate fully, as and to the extent reasonably requested by any of the other parties, in connection with the filing of Tax Returns of the Company and any Legal Proceeding with respect to Taxes of the Company. Such cooperation shall include the retention and (upon request therefor) the provision of records and information reasonably relevant to any such Legal Proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. The Acquire and the Company agree to retain all books and records with respect to Tax matters pertinent to the Company relating to any Taxable period beginning before the Closing Date until expiration of the statute of limitations of the respective taxable periods, and to abide by all applicable record retention laws, regulations, and agreements entered into with any Tax Authority.

(b) Tax Returns. The Company and the Sole Owner shall prepare and timely file, or cause to be prepared and timely filed, all Tax Returns of the Company that are due on or before the Closing Date, which Tax Returns shall be prepared in accordance with existing procedures, practices, and accounting metl1ods of the Company, unless otherwise required by Applicable Law. The Company and the Sole Owner shall provide such Tax Returns to the Acquirer at least 30 days (or as soon as reasonably practicable for Tax Returns other than income Tax Returns) before the due date for such Tax Returns, including any applicable extensions, for the Acquirer to review and comment, which comments the Company and the Sole Owner shall not unreasonably refuse to incorporate in the Tax Returns as filed. The Acquirer shall prepare and timely file, or cause to be prepared and timely filed, all Tax Returns of the Company that are due after the Closing Date, including for Taxable

periods ending on or before the Closing Date. The Acquirer shall provide income Tax Returns of the Company for any Taxable periods ending on or before the Closing Date to the Sole Owner at least 30 days before the due date for such Tax Returns, including any applicable extensions, for the Sole Owner to review and comment, which comments the Acquirer shall not unreasonably refuse to incorporate in the Tax Returns as filed.

(c)Preparation and of Audited Financial Statements. The Sole Owner shall cooperate in good faith with the Acquirer and shall provide Acquirer with such information as Acquirer may reasonably request in order for Acquirer to engage an independent public accounting firm selected by Acquirer that is registered with the Public Company Accounting Oversight Board to prepare audited financial statements of the Company for periods prior to the dosing Date, with such audited financial statements to be prepared not later than sixty (60) days following the Closing Date. The cost of preparing any such audited financial statements shall be borne solely by the Acquirer.

(d)Other Post-Closing Actions. Neither the Acquirer nor any of its Affiliates (including, after the Closing, the Company) shall (a) amend, refile, revoke, or otherwise modify any Tax Return or Tax election of the Company with respect to a Pre-Closing Tax Period, (b) extend or waive, or cause to be extended or waived, any statute of limitations or other period for the assessment of any Tax or deficiency related to any Pre-Closing Tax Period, or (c) make or change any Tax election or accounting method or practice with respect to, or that has retroactive effect to, any Pre-Closing Tax Period, in each case, without first consulting with the Sole Owner and considering its comments with respect to such action in good faith and obtaining the Sole Owner's written consent prior to making any change that would increase any Taxes or reduce any Tax refund or Tax benefit for a Pre Closing Tax Period. None of Acquirer, Merger Sub, the Company or the Representatives shall, and they shall not permit any of their respective affiliates to, take or fail to take any action (prior to or following the Closing) which action or failure to act would prevent the Transaction from qualifying
as a reorganization within the meaning of Section 368(a) *of* the Code. This Agreement is intended to constitute, and the parties hereto hereby adopt this Agreement as, a plan of reorganization within the
meaning of Treasury Regulations Sections 1.368-2(g) and 1.368-3(a). Acquirer, Merger Sub and the Company shall treat and report the Transaction as a reorganization within the meaning of Section 368(a) of the Code (and any comparable state or local tax statute) for all Tax purposes, unless otherwise required pursuant to a "determination" within the meaning of Section 1313(a) of the Code. The provisions of this Section 4.4(d) shall survive the Closing and are intended to be for the benefit of and shall be enforceable by the Sole Owner.

(e)Refunds and Credits. Any Tax refund received by the Company (or any of their respective Affiliates) that relates to a Pre-Closing Tax Period (net of any Taxes and reasonable expenses incurred in connection with the receipt thereof), shall be for the account of the Sole Owner and, provided that the underlying Taxes were paid by the Company prior to the Closing Date or were indemnified by the Sole Owner under this Agreement, the Acquirer shall apply, or cause to be paid to the Sole Owner an amount equal to such refund (net of any Taxes and reasonable expenses incurred in connection with the receipt thereof). Such amounts shall be paid by the Acquirer promptly after receipt or utilization thereof by bank wire transfer of immediately available funds to the accounts designated in writing by the Sole Owner to the Acquirer.

(f)Straddle Periods. With respect to Taxes of the Company relating to a Straddle Period, the portion of any Tax that is allocable to the Pre-Closing Tax Period shall be: (A) in the case of property Taxes, deemed to be the amount of such Taxes for the entire Straddle Period multiplied by a fraction, the numerator of which is the number of calendar days of such Straddle Period in the Pre-Closing Tax Period and the denominator of which is the number of calendar days in the entire

Straddle Period; provided, however, that the Sole Owner shall not be responsible for any Taxes resulting from Acquirer's or the Company's actions after the Closing on or subsequent to the Closing Date, and (B) in the case of all other Taxes, determined as though the taxable year of the Company terminated at the close of business on the date of the Effective Time. At the time that Acquirer and the Company provide a copy of the Tax Return for any Straddle Period to the Sole Owner pursuant to Section 4.4(b), they shall also provide a statement pursuant to this Section 4.4(£) calculating the amount of Taxes allocable to the portion of such taxable period ending on the Closing Date. Such statement shall be subject to the same review and dispute resolution procedures set forth in Section 4.4(b) for the Tax Return.

4.5Indemnification Until the sixth anniversary of the Closing Date, the Acquirer will cause the Surviving Company to fulfill and honor in all respects the obligations of the Company to its present and former members and officers determined as of immediately prior to the Effective Time (the ***"Company Indemnified Parties")*** pursuant to the Company's Governing Documents in effect on the Agreement Date (the ***"Company Indemnification Provisions"),*** with respect to claims relating to or arising out of acts or omissions occurring at or prior to the Effective Time that are asserted after the Effective Time; *provided* that the Acquirer's and the Surviving Company's obligations under this Section 4.4(£) shall not apply to (i) any claim or matter that relates to a willful or intentional breach of a representation, warranty, covenant, agreement, or obligation made by or of the Company in connection with this Agreement or the Transactions or (ii) any claim based on a claim for indemnification made by an Indemnified Person pursuant to Article VI.

4.6Further Action.

(a)Each party hereto shall take any actions reasonably necessary or appropriate to consummate the Transactions and fulfill the conditions to the Closing set forth herein as promptly as practicable following the Agreement Date. Each party hereto shall take any further actions reasonably necessary or desirable to carry out the purposes of this Agreement as may be reasonably requested by the other parties hereto.

(b)In furtherance and not in limitation of the terms of this Section 4.6, the Acquirer and the Company shall cooperate to file, or cause to be filed, any filings and apply for any approvals or consents that are required under any Applicable Law and each of the Acquirer and the Company shall, to the extent permitted under Applicable Law, (i) cooperate and coordinate, subject to all applicable privileges (including the attorney-client privilege), with the other in the making of any filings or submissions that are required to be made under any Applicable Law or requested to be made by any Governmental Entity in connection with the Transactions, (ii) supply the other or its outside counsel with any information that may be required or requested by any Governmental Entity in connection with such filings or submissions, and (iii) supply any additional information that may be required or requested by the Governmental Entities in which any such filings or submissions are made under any Applicable Law as promptly as practicable. Subject to Applicable Law relating to the exchange of information, the Acquirer shall have the right *(;y)* to direct all matters with any Governmental Entity relating to the Transactions and (z) to review in advance, and direct the revision of, any filing, application, notification, or other document to be submitted by the Company to any Governmental Entity under any Applicable Law; *provided,* that, to the extent practicable, the Acquirer shall consult with the Company and consider in good faith the views of the Company with respect to the information related to the Company that appears in any such filing, application, notification, or other document.

(c)Subject to the limitations set forth in this Section Error! Unknown **switch argument.,** if any objections are asserted with respect to the Transactions under any Applicable Law or if any Legal Proceeding is instituted (or threatened to be instituted) by any Governmental Entity challenging the Transactions or that would otherwise prohibit or materially impair or delay the consummation of the Transactions, the Company and the Acquirer shall use their respective reasonable best efforts to resolve any such objections or lawsuits or other proceedings (or threatened Legal Proceedings) so as to permit consummation of the Transactions. Notwithstanding anything to the contrary herein, neither the Acquirer nor any of its Affiliates shall be required, in order to resolve any such objections or Legal Proceedings (or threatened Legal Proceedings) or otherwise to (i) (A) sell, lease, license, transfer, dispose of, divest or otherwise encumber, or hold separate pending any such action or (B) propose, negotiate, or offer to effect, or consent or commit to, any such sale, lease, license, transfer, disposal, divestiture of, or other Encumbrance on, or holding separate of, before or after the Closing, any material assets, licenses, operations, rights, product lines, businesses, or interest therein of the Acquirer or the Company (or any of the.it; respective subsidiaries or other Affiliates), (ii) take or agree to take any other action or agree or consent to any material limitations or restrictions on freedom of actions with respect to, or its ability to retain, or make changes in, any such material assets, licenses, operations, rights, product lines, businesses, or interest therein of the Acquirer or the Company (or any of their respective subsidiaries or other Affiliates), (ill) take or agree to take any other action or agree or consent to the holding separate of the Equity Interests of the Company or any material limitation or regulation on the ability of the Acquirer or any of its Affiliates to exercise full rights of ownership of such Equity Interests, or (iv) take or agree to take any other material action that is not conditioned on the consummation of the Merger (any one or more of the foregoing actions, a ***"Restraint').*** The Acquirer may compel the Company to agree to any Restraint (or agree to take such Restraint) if such Restraint is effective only after the Closing. The Company may not agree to any Restraint without the prior written consent of the Acquirer.

4.7Access. The Company shall afford to the Acquirer and its Representatives reasonable access during normal business hours to all of the Company's properties, books, Contracts, records, and correspondence (in each case, whether in physical or electronic form) and senior management of the Company and the Company shall furnish promptly to the Acquirer all material information in the Company's possession concerning the Company's businesses, properties, and personnel as the Acquirer may reasonably request; *provided,* that such access does not unreasonably interfere with the normal operations of the Company.

4.8Third-Party Consents: Notices. Following consultation with the Acquirer, during the Pre-Closing Period, the Company shall use all reasonable efforts to obtain prior to the Closing, and deliver to the Acquirer at or prior to the Closing, all consents, waivers, and approvals under each Contract listed or described on Schedule 2.3(b) of the Company Disclosure Letter (and any Contract entered into after the Agreement Date that would have been required to be listed or described on Schedule 2.3(6) of the Company Disclosure Letter if entered into prior to the Agreement Date).

4.9Form 8832 Election. The Company has, prior to the Agreement Date, made a valid election on IRS Form 8832 to be classified for income tax purposes as an association taxable as a corporation.

4.10No Solicitation.

(a)During the Pre-Closing Period, the Company will not, and the Company will not authorize or permit any of its Representatives to, directly or indirectly, (i) solicit, initiate, seek, entertain, knowingly encourage, facilitate, support, or induce the making, submission, or

announcement of any inquiry, expression of interest, proposal, or offer that constitutes, or could reasonably be expected to lead to, an Acquisition Proposal, (ii) enter into, participate in, maintain, or continue any communications (except solely to provide written notice as to the existence of these provisions) or negotiations regarding, or deliver or make available to any Person any non-public information with respect to, or take any other action regarding, any inquiry, expression of interest, proposal, or offer that constitutes, or could reasonably be expected to lead to, an Acquisition Proposal, (ill) agree to, accept, approve, endorse, or recommend (or publicly propose or announce any intention or desire to agree to, accept, approve, endorse or recommend) any Acquisition Proposal, (iv) enter into any letter of intent or any other Contract contemplating or otherwise relating to any Acquisition Proposal, (v) submit any Acquisition Proposal to the vote of the Sole Owner, or (vi) enter into any other transaction or series of transactions the consummation of which would impede, interfere with, prevent, or delay, or would reasonably be expected to impede, interfere with, prevent, or delay, the consummation of the Merger or the Transactions. The Company will, and will cause its Representatives to, (y) immediately cease and cause to be terminated any and all existing activities, discussions or negotiations with any Persons conducted prior to or on the Agreement Date with respect to any Acquisition Proposal and (z) immediately revoke or withdraw access of any Person (other than the Acquirer and its Representatives) to any data room (virtual or actual) containing any non-public information with respect to the Company in connection with an Acquisition Proposal. If any of the Company's Representatives, whether in his or her capacity as such or in any other capacity, takes any action that the Company is obligated pursuant to this Section 4.10 not to authorize or permit such Representative to take, then the Company shall be deemed for all purposes of this Agreement to have breached this Section4.10.

"Acquisition Proposal' means, with respect to the Company, any agreement, offer, proposal, or *bona fide* indication of interest (other than this Agreement or any other offer, proposal or indication of interest by the Acquirer), or any public announcement of intention to enter into any such agreement or of (or intention to make) any offer, proposal or *bona fide* indication of interest, relating to, or involving: (A) any acquisition or purchase from the Company, or from the Sole Owner, by any Person or Group of any equity interest of the Company or any tender offer or exchange offer that if consummated would result in any Person or Group beneficially owning equity interests of the Company or any merger, consolidation, business combination, or similar transaction involving the Company, (B) any sale, lease, mortgage, pledge, exchange, transfer, license (other than in the ordinary course of business consistent with past practice), acquisition, or disposition of more than 10% of the assets of the Company in any single transaction or series of related transactions, (C) any liquidation, dissolution, recapitalization, or other significant corporate reorganization of the Company, or any extraordinary dividend, whether of cash or other property, or (D) any other transaction the consummation of which would impede, interfere with, prevent, or delay, or would reasonably be expected to impede, interfere with, prevent, or delay, the consummation of the Merger or the other Transactions.

(b)The Company shall promptly (but in any event, within 48 hours) notify the Acquirer orally and in writing after receipt by the Company (or, to the knowledge of the Company, by any of the Company's Representatives), of (i) any Acquisition Proposal, (ii) any inquiry, expression of interest, proposal or offer that constitutes, or would reasonably be expected to lead to, an Acquisition Proposal, (ill) any other notice that any Person is considering making an Acquisition Proposal, or (iv) any request for non-public information relating to the Company or for access to any of the properties, books, or records of the Company by any Person or Persons other than the Acquirer and its Representatives.

4.12 Certificate of Designation. The Acquirer shall file with the Secretary of the State of Nevada a Certificate of Designation in the form attached as Exhibit E (the ***"Series S Coll')*** that sets forth the voting powers, designations, preferences, limitations, restrictions, and relative rights of the Series S Convertible Preferred Stock.

4.13 Notificatio11.

(a) During the Pre-Closing Period, if the Company becomes aware of, or there occurs after the date of this Agreement, any fact or condition that constitutes a breach of any representation or warranty made by the Company or the Sole Owner in Article II or of any covenant that would cause the conditions set forth in Section 5.1(a) or Section 5.l(b), as applicable, not to be satisfied as of the Closing Date, the Company shall promptly disclose in writing to the Acquirer such breach.

(b) During the Pre-Closing Period, if the Acquirer becomes aware of, or there occurs after the date of this Agreement, any fact or condition that constitutes a breach of any representation or warranty made in ,Article III or any covenant that would cause the conditions set forth in Section 5.2(a) or Section 5.2(b), as applicable, not to be satisfied as of the Closing Date, the Acquirer shall promptly disclose in writing to the Company such breach.

4.14 Securities Filings. The Company shall use commercially reasonable efforts to: (i) upon the Acquirer's request, assist the Acquirer and its Representatives in the preparation of any audited historical and pro forma financial statements of the Company that may be required in connection with the Acquirer's SEC reporting obligations related to this Agreement or any of the Transactions and
(ii) promptly furnish such information as the Acquirer may reasonably request in connection with such financial statements or related to the performance of the Acquirer's SEC reporting obligations relating to this Agreement or any of the Transactions.

4.15 Post-Closing Activities of the Sole Owner. For not less than six months after the Closing, the Sole Owner will remain the Acquirer's Chief Medical Officer. Further, at no time thereafter will the Acquirer provide to the Sole Owner access to material, non-public information concerning the Acquirer during any period that the Sole Owner has the right to convert shares of Series S Convertible Preferred Stock into shares of Acquirer Common Stock. Finally, during the five year period that commences on the date that the Sole Owner is first eligible to convert any shares of Series S Convertible Preferred Stock into shares of Acquirer Common Stock, the Sole Owner will not dispose of any of such shares into the public markets in an amount that exceeds five percent of the daily trading volume of the Acquirer Common Stock during any trading day, as such daily volume is reported by the Nasdaq Stock Market (or other entity on which the shares of Acquirer Common Stock are then listed or quoted).

ARTICLEV
CONDITIONS PRECEDENT

5.1 Conditions Precedent to Obligations of the Acquirer and the Merger Sub to the Closing. The obligations of the Acquirer and Merger Sub to perform and observe the covenants, agreements, and conditions hereof to be performed and observed by the Acquirer and Merger Sub at, or in connection with, the Closing will be subject to the satisfaction (or waiver by the Acquirer) of the following conditions:

(a) Accuracy of Representations and Warranties. Each of the representations and warranties of the Company contained in this Agreement shall be (without giving effect to any qualifier

such as "material", "materiality", "in all material respects", "1fate.t:ial Adverse Effect", "material and adverse" or any similar term or phrase (other than 2.S(b)) true and correct in all material respects when made and as of the Closing Date as though made on and as of such date (other than representations and warranties that address matters only as of a certain date which shall be true and correct in all material respects as of such certain date)

(b)Performance of Agreements. The Company shall have performed and complied in all material respects with each of the covenants and agreements under this Agreement that are to be performed or complied with by Company prior to the Closing.

(c)Actions; Legality. There shall be no (i) Legal Proceeding of any kind or nature pending or t:h.t;eatened in writing by any Governmental Entity or (ii) material private Legal Proceeding pending, in either case against (A) the Acquirer or any of its Affiliates, or against the Company or any of its Affiliates, preventing or challenging the consummation of the Merger or the other Transactions, or (B) that is or may be otherwise material to the financial condition of the Company. The consummation of the Transactions shall be permitted by Applicable Law to which the Acquirer, the Merger Sub and the Company are subject.

(d)Material Adverse Effect. Since the Agreement Date, the Company shall not have experienced a Material Adverse Effect.

(e)Company Member Approval. The Company Member Approval shall have been duly and validly obtained, as required by the DLLC and the Governing Documents as in effect on the date of such approval.

(f)Receipt of Closing Deliverables. The Company shall have delivered to the Acquirer, at or prior to the Closing, each of the closing deliverables set forth in Section 1.2(a).

5.2Conditions Precedent to Obligations of the Company to the Closing. The obligations of the Company to perform and observe the covenants, agreements, and conditions hereof to be performed and observed by it at, or in connection with, the Closing shall be subject to the satisfaction (or waiver by the Company) of the following conditions:

(a)Accuracy of Representations and Warranties. Each of the representations and warranties of the Acquirer and the Merger Sub contained in this Agreement shall be (without giving effect to any qualifier such as "material", "materiality", "in all material respects", "Material Adverse Effect", "material and adverse" or any similar term or phrase) true and correct in all material respects when made and as of the Closing Date as though made on and as of such date (other than representations and warranties that address matters only as of a certain date which shall be true and correct in all material respects as of such certain date).

(b)Performance of Agreements. The Acquirer and the Merger Sub shall have performed and complied in all material respects with each of the covenants and agreements under this Agreement that are to be performed or complied with by Acquirer and the Merger Sub prior to the Closing.

(c)Actions; Legality. There shall be no (i) Legal Proceeding of any kind or nature pending or threatened in writing by any Governmental Entity or (ii) material private Legal Proceeding pending, in either case against (A) the Acquirer or any of its Affiliates or the Company or any of its Affiliates preventing or challenging the consummation of the Merger or the other Transactions or (B) that is or may be otherwise material to the financial condition of the Company. The consummation

of the Transactions shall be permitted by Applicable Law to which the Acquirer, the Merger Sub, and the Company is subject.

(d) Receipt of Closing Deliverables. The Acquirer and the Merger Sub shall have delivered to the Company, at or prior to the Closing, each of the closing deliverables set forth in Section 1.2(6).

ARTICLE VI
INDEMNIFICATION

6.1 Indemnification.

(a) Subject to the limitations set forth in this Article VI, from and after the Closing, the Sole Owner shall indemnify, defend, and hold harmless the Acquirer, the Merger Sub, and the Surviving Company and their respective, managers, officers, directors, agents, and employees and each Person, if any, who controls the Acquirer within the meaning of the Securities Act (each, an ***"Indemnified Person")*** from and against, and shall compensate and reimburse each Indemnified Person for, any and all actual or out-of-pocket losses, liabilities, damages, claims, fees, settlements, Taxes, interest, costs, and expenses, including penalties and costs of investigation, defense, and enforcement and reasonable fees and expenses of counsel, experts, and other professionals, directly or indirectly, whether or not due to a Third-Party Claim (collectively, ***"indemnifiable Damage"),*** related to or arising out of:

(i) any failure of any representation or warranty made by the Company or the Sole Own r herein to be true and correct (A) as of the Agreement Date (except in the case of representations and warranties that by their terms speak only as of a specified date or dates, which representations and warranties shall be true and correct as of such date or dates) or (B) as of the Closing Date as though such representation or warranty were made as of the Closing Date (except in the case of representations and warranties that by their terms speak only as of a specific date or dates, which representations and warranties shall be true and correct as of such date or dates);

(ii) any breach of, or default in connection with, any of the covenants, agreements, or obligations made by the Company or the Sole Owner herein or in any other agreements contemplated by the Transaction Documents or the Merger;

(iii) any Company debt;

(iv) any matter set forth on Schedule 2.6 of the Company Disclosure Letter or another schedule of the Company Disclosure Letter that is or would be an exception to the representations and warranties made in Section 2.6 (Litigation) as of the Agreement Date or the Closing;

(v) any inaccuracies in the Company Closing Financial Certificate;

(vi) any claims by (A) any then-current or former holder or alleged then- current or former holder of any Equity Interests of the Company, arising out of, resulting from or in connection with (1) the Transactions or this Agreement or (2) such Person's status or alleged status as a holder of Equity Interests of the Company at any time at or prior to the Closing, whether for breach of fiduciary duty or otherwise, (B) any Person to the effect that such Person is entitled to any Equity Interest of the Acquirer or the Company or any payment

in connection with the Transactions other than as specifically set forth herein, or (C) any Person with respect to any plan, policy, or Contract providing for compensation to any Person in the form of Equity Interests of the Company; or

(vii) any fraud by the Company or on behalf of the Company by the Sole Owner or any of the Company's managers, officers, directors, employees, or agents under the Merger Agreement ***("Fraud").***

6.2 Indemnifiable Damage Threshold; Other Limitations.

(a) Materiality standards or qualifications and qualifications by reference to the defined term "Material Adverse Effect" in any representation, warranty, covenant, agreement, or obligation (other than Section 2.4(a)) shall not be taken into account in determining whether a failure of such representation or warranty to be true or correct, or a breach of such covenant, agreement, or obligation, exists or taken into account in determining the amount of any Indemnifiable Damages with respect to such failure or breach.

(b) Except for Indemnifiable Damages relating to or arising out of (i) Fraud or (ii) any failure of the Fundamental Representations to be true and correct, the aggregate liability of the Sole Owner for any claims pursuant to Section 6.1(a)(1) shall be limited to an amount equal to $1,000,000 (the ***"Indemnity Cap Amount").***

(c) Notwithstanding anything to the contrary contained herein, (i) no Indemnified Person may make a claim in respect of any claim for Indemnifiable Damages relating to or arising out of the matters listed in Section 6.1(a)(i) (other than claims relating to or arising out of (y) Fraud or (z) any failure of the Fundamental Representations to be true and correct) unless and until a Claim Certificate (together with any other delivered Claim Certificates) describing Indemnifiable Damages in an aggregate amount greater than $100,000 (the ***"Basket")*** has been delivered, in which case the Acquirer may make claims for indemnification, compensation, and reimbursement and shall cancel shares of the Series S Convertible Preferred Stock issued to the Sole Owner in an amount equal to all such Indemnifiable Damages (subject to the Indemnity Cap Amount) for such matters, less the Basket amount, in each case pursuant to the order set forth in Section 6.7 below. The Basket shall not apply to any other Indemnifiable Damages.

(d) In the case of any claims for Indemnifiable Damages relating to or arising out of (i) any failure of the Fundamental Representations to be true or correct or (ii) Fraud (collectively, ***"Special Claims"),*** the aggregate liability for the Sole Owner shall be limited to $30,000,000 and shall be limited to cancellation of shares Series S Convertible Preferred Stock in accordance with Section 6.7.

(e) Subject to Section 8.9 and except in connection with any claim for Fraud, following the Closing, this Article VI shall be the sole and exclusive monetary remedy of the Indemnified Persons for any claims arising under this Agreement.

6.3 Period for Claims: Survival Period.

(a) The period (each, as applicable, a ***"Claims Period)*** during which claims may be made, and period for which the representations and warranties will survive (i) for Indemnifiable Damages relating to or arising out of the matters listed in Section 6.1(a)(i) (other than with respect to any of the Fundamental Representations or in the case of Fraud) shall commence at the Closing and terminate on the eighteen (18) month anniversary of the Closing Date, (ii) for Indemnifiable Damages

relating to or arising out of Fundamental Representation shall commence at the Closing and terminate on the six (6) year anniversary of the Closing Date, and (iii) for Indemnifiable Damages relating to or arising out of all other matters shall commence at the Closing and terminate on the date that is 60 days following the expiration of the applicable statute of limitations; *provided, ho111ever,* that (y) no right to indemnification pursuant to Article VI in respect of any claim that is set forth in a Claim Certificate delivered on or prior to the expiration of such representations and warranties shall be affected by such expiration and (z) that such expiration shall not affect the rights of any Indemnified Person under Article VI or otherwise to seek recove1y of Indemnifiable Damages relating to or arising out of Fraud.

(b)The representations and warranties made by the Acquirer and the Merger Sub herein shall survive for eighteen (18) months after Closing Date, other than with respect to the representations in Sections 3.1, 3.2, 3.3, 3.4, 3.5, 3.7 and 3.8 (the "Acquirer Fundamental Representations") or in the case of Fraud. The Acquirer Fundamental Representations shall survive for six (6) years after the Closing Date. After the applicable time period, such representations and warranties shall expire and be of no further force or effect

(c)All covenants, agreements, and obligations of the parties hereto shall expire and be of no further force or effect as of the Closing, except to the extent such covenants, agreements, and obligations provide that they are to be performed after the Closing.

6.4Claims.

(a)From time to time during the Claims Period, the Acquirer may assert a claim for indemnification under this Article VI (each, an ***"Indemnification Claim")*** by providing a written notice ("***Claim Certificate")*** to the Sole Owner:

(i) stating that an Indemnified Person has incurred, paid, reserved, or accrued, or in good faith believes that it will incur, pay, reserve, or accrue, Indemnifiable Damages;

(li) stating the amount of such Indemnifiable Damages (which, in the case of Indemnifiable Damages not yet incurred, paid, reserved, or accrued, may be the maximum amount believed by the Acquirer in good faith to be incurred, paid, reserved, accrued, or demanded by a third party); and

(iii)specifying in reasonable detail (based upon the information then possessed by the Acquirer) the individual items of such Indemnifiable Damages included in the amount so stated and the nature of the claim to which such Indemnifiable Damages are related *(e.g.,* the underlying representation or warranty alleged to have been untrue or incorrect or covenant or agreement alleged to have been breached).

(b)Such Claim Certificate (i) need only specify such information to the knowledge of the Acquirer as of the date thereof, (ii) shall not limit any of the rights or remedies of any Indemnified Person with respect to the underlying facts and circumstances specifically set forth in such Claim Certificate, and (iii) may be updated and amended from time to time by the Acquirer by delivering any updated or amended Claim Certificate; *provided,* that all claims for Indemnifiable Damages properly set forth in a Claim Certificate or any update or amendment thereto shall remain outstanding until such claims have been resolved or satisfied, notwithstanding the expiration of such Claims Period.

6.5 Resolution of Objections to Indemnification Claims.

(a) If the Sole Owner does not contest, by written notice to the Acquirer, any claim or claims by an Indemnified Person made in any Claim Certificate within the 30-day period following receipt of the Claim Certificate, then the Acquirer shall be allowed to cancel shares of the Series S Convertible Preferred Stock then registered in the name of the Sole Owner or any Affiliate, or any transferee thereof, all as provided in Section 6.7 below.

(b) If the Sole Owner objects in writing to any claim or claims by the Acquirer made in any Claim Certificate within the 30-day period set forth in Section 6.S(a), the Acquirer and the Sole Owner shall attempt in good faith for 45 days after the Acquirer's receipt of such written objection to resolve such objection.

(c) If no such agreement can be reached during the 45-day period for good faith negotiation set forth in Section 6.5(6), then, in any event upon the expiration of such 45-day period, either the Acquirer or the Sole Owner may file suit in accordance with the terms of Section 8.10 to resolve the matter.

6.6 Third-Party Claims.

(a) In the event the Acquirer becomes aware of a claim by a third party **(a "*Third- Party Claim")*** that the Acquirer in good faith believes may result in a claim for Indemnifiable Damages by or on behalf of an Indemnified Person, the Acquirer shall have the right in its sole and absolute discretion to conduct the defense of and to settle or resolve such Third-Party Claim. The costs and expenses incurred by the Acquirer in connection with such defense, settlement, enforcement, or resolution (including reasonable attorneys' fees, other professionals' and experts' fees, and court or arbitration costs) shall be included in the Indemnifiable Damages for which the Acquirer shall be entitled to receive indemnification pursuant to a claim made hereunder; *provided,* that any settlement of a Third-Party Claim (i) without the prior written consent of the Sole Owner (which consent shall not be unreasonably withheld, delayed, conditioned, or denied and which consent shall be deemed to have been given unless the Sole Owner shall have objected within 20 days after a written request therefor by the Acquirer) or (ii) absent an underlying breach by the Company of a representation, warranty, or covenant under this Agreement, shall not be determinative of the existence of a valid claim or the amount of Indemnifiable Damages.

(b) The Sole Owner shall have the right to receive copies of all pleadings, notices, and communications with respect to such Third-Party Claim, and be entitled, at its own cost and expense, to participate in the defense of any such Third-Party Claim, in each case to the extent that receipt of such documents and the participation in such defense does not affect any privilege relating to any Indemnified Person, subject to execution by the Sole Owner of the Acquirer's (and, if required, such third-party's) standard, non-disclosure agreement to the extent that such materials contain confidential or propriety information. However, the Acquirer shall have the right in its sole and absolute discretion to determine and conduct the defense of any Third-Party Claim and the settlement, adjustment, or compromise thereof.

(c) In the event that the Sole Owner has consented to the amount of any settlement or resolution by the Acquirer of any such claim (which consent shall not be unreasonably withheld, delayed, conditioned, or denied and which consent shall be deemed to have been given unless the Sole Owner shall have objected within 20 days after a written request therefor by the Acquirer), or if the Sole Owner shall have been determined to have unreasonably withheld, delayed,

conditioned, or denied its consent to the amount of any such settlement or resolution, the Sole Owner shall not have any power or authority to object under this Article VI to the amount of any claim by or on behalf of any Indemnified Person for indemnity with respect to such settlement or resolution.

(d)Notwithstanding anything to the contrary in this Agreement, the Acquirer will not be permitted to settle, take any corrective or remedial action, or enter into an agreed judgment or consent decree with respect to a Third-Party Claim that does not unconditionally release the Indemnified Persons from all liabilities and obligations with respect thereto.

6.7Payment of Indemnifiable Damages. Any Indemnifiable Damages payable to an Indemnified Person pursuant to this Article VI Error! Bookmark not defined. shall be satisfied by the cancellation of shares of Series S Convertible Preferred Stock. The Acquirer shall be allowed to cancel that number of shares of Series S Convertible Preferred Stock that has a total value equal to the amount of any Indemnifiable Damages corresponding to such claim or claims as set forth in the applicable Claim Certificate or such other amount as finally is determined as provided io Section 6.5 and Section *6.6;provided,* that the per-share value of any shares of Series S Convertible Preferred Stock canceled to satisfy any Indemnification Claim under this Article VI shall be the stated value thereof *(i.e.,* $300.00). Any such cancellation of shares of Series S Convertible Preferred Stock shall occur in the following order. (a) first, from shares of Series S Convertible Preferred Stock that are allocated to the $17 Million Tranche (as that term is defined io the Series S CoD) that, as of the first date on which the Acquirer may effectuate such cancellation, are then convertible but that have not been converted into shares of the Acquirer Common Stock; (b) second, from shares of Series S Convertible Preferred Stock that are allocated to the $10 Million Tranche (as that term is defined in the Series S CoD) that, as of the first date on which the Acquirer may effectuate such cancellation, are then convertible but that have not been converted into shares of the Acquirer Common Stock; and (c) third, from shares of the $3 Million Tranche (as that term is defined in the Series S CoD) that, as of the :first date on which the Acquirer may effectuate such cancellation, are then convertible but that have not been converted into shares of the Acquirer Common Stock.

6.8Treatment of Indemnification Payments. The Acquirer and the Sole Owner agree to treat (and cause their respective Affiliates to treat) any payment received by any Indemnified Person pursuant to this Article VI as an adjustment to the Total Merger Consideration for all Tax purposes to the maximum extent permitted by Applicable Law.

6.9Effect of Investigation. The representations, warranties, and covenants of the Sole Owner, and each Indemnified Person's right to indemnification with respect thereto, shall not be affected or deemed waived by reason of any investigation made by or on behalf of the Acquirer, the Merger Sub, or any Indemnified Person (including by any of their Representatives) or by reason of the fact that the Acquirer, the Merger Sub, or any Indemnified Person or any of their Representatives knew or should have known that any such representation or warranty is, was or might be inaccurate or by reason of the Indemnified Party's waiver of any condition set forth in **Error! Reference source not found.(a).**

ARTICLE VII
TERMINATION

7.1Termination. This Agreement may be terminated at any time prior to the Closing:

(a)by the mutual written consent of the Acquirer and the Company;

(b)by the Acquirer or the Company *if* the Closing has not occurred on or before the date that is 30 days after the Agreement *Date; provided* that, if either the Acquirer or the Company is then in breach of this Agreement and such breach shall have been the cause of the failure of the Closing to occur by such date, then the Acquirer or the Company, as the case may be, may not terminate this Agreement pursuant to this Section 7.1(b);

(c)by the Acquirer, by written notice to the Company, if there shall have been an inaccuracy in any representation or warranty made by, or a breach of any covenant, agreement, or obligation of, the Company or the Sole Owner herein and such inaccuracy or breach shall not have been cured within 30 days after receipt by the Company of written notice of such inaccuracy or breach and, *if* not cured within such 30-day period and at or prior to the Closing, such inaccuracy or breach would result in the failure of any of the conditions set forth in Section 5.1 to be satisfied; *provided,* that no such cure period shall be available or applicable to any such breach that by its nature cannot be cured; or

(cl) by the Company, by written notice to the Acquirer, if there shall have been an inaccuracy in any representation or warranty made by, or a breach of any covenant, agreement, or obligation of, the Acquirer herein and such inaccuracy or breach shall not have been cured within 30 days after receipt by the Acquirer of written notice of such inaccuracy or breach and, if not cured within such 30-day period and at or prior to the Closing, such breach would result in the failure of any of the conditions set forth in Section 5.2 to be satisfied; *provided,* that no such cure period shall be available or applicable to any such inaccuracy or breach that by its nature cannot be cured.

7.2Effect of Termination. In the event of termination of this Agreement pursuant to Section 7.1, written notice thereof shall forthwith begiven by the terminating party to the other parties, and this Agreement shall thereupon terminate and become void and have no further force or effect, and the Transactions shall be abandoned without further action by the parties hereto. Notwithstanding anything to the contrary herein, this Section 7.2 and Article VIII shall survive indefinitely, and nothing herein shall relieve any party hereto of any Liability for Fraud or any breach of this Agreement occurring prior to such termination.

ARTICLE VIII
GENERAL PROVISIONS

8.1Notices. All notices, requests, consents, claims, demands, waivers, and other communications hereunder shall be in writing and shall be deemed given if delivered personally or by commercial delivery service, or mailed by registered or certified mail (postage prepaid and return receipt requested) or sent via facsimile or electronic mail (in each case, as provided below and with automated or personal confirmation of receipt) to the parties hereto at their following address (or at such other address for a party as shall be specified by like notice):

(a)if to the Acquirer, the Company (post-closing), or the Merger Sub, to:

JanOne Inc.
325E. Wam1Springs Road, Suite 102 Las Vegas, Nevada 89119
Attention: Tony Isaac Telephone No.: 702-997-5968 E-mail:
tisaac@arcainc.com

with a mandatory copy (which shall not constitute notice) to:

Clark Hill PLC
555 South Flower Street, 24th Floor Los Angeles, California 90071 Attention: Randy Katz
Telephone No.: 213-417-5310
E-mail: rkatz@clarkhill.com

(b) If to the Company (pre-closing) or the Sole Owner, to: Amol Soin, M.D.
7076 Corporate Way #201
Dayton, Ohio 45459 Attention: Amol Soin Telephone No.: 937-434-2226 E-mail: drsoio@gmail.com

with a mandatory copy (which shall not constitute notice) to: Taft Stettinius & Hollister LLP
425 Walnut Street Suite 1800
Cincinnati, Ohio 45202-3957 Attention: Gregory W. Bee
Telephone No.: 513-357-9673 E-mail: bee@taftlaw.com
and
Attention: Tracey A. Puthoff Telephone No.: 513-357-9314 E-mail: puthoff@taftlaw.com

Any notice given as specified in this Section 8.1 (i) if delivered personally or electronic mail transmission (provided that the sender of such e-mail does not receive a written notification of delivery failure) shall conclusively be deemed to have been given or served at the time of dispatch *if* sent or delivered on a Business Day or, if not sent or delivered on a Business Day, on the next following Business Day, (ii) if sent by commercial delivery service shall conclusively be deemed to have been delivered in accordance with such services' usual delivery terms, but, in no event, later than two Business Days after tender to such commercial delivery service, and (ii) if sent by registered or certified mail (postage prepaid and return receipt requested) shall conclusively be deemed to have been delivered on the third Business Day after tender to the United States Postal Service.

8.2 Interpretation. When a reference is made herein to Articles, Sections, subsections, Schedules, or Exhibits, such reference shall be to an Article, Section, or subsection of, or a Schedule or an Exhibit to, this Agreement unless otherwise indicated. The headings contained herein are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. The words "include," "includes," and "including," when used herein, shall be deemed in each case to be followed by the words "without limitation." Where a reference is made to a Contract, instrument, or Applicable Law, such reference is to such Contract, instrument, or Applicable Law, as amended, modified, or supplemented, including (in the case of Contracts or instruments) by waiver or consent and (in the case of Applicable Law) by succession of comparable successor Applicable Law and references to all attachments thereto and instruments incorporated therein. Unless the context of this Agreement othe1wise requires: (i) words of any gender include each other gender and neutral

forms of such words, (ii) words using the singular or plural number also include the plural or singular number, respectively, (iii) the terms "hereof," "herein," "hereto," "hereunder," and derivative or similar words refer to this entire Agreement, (iv) references to clauses without a cross-reference to a Section or subsection are references to clauses within the same Section or, if more specific, subsection,
(v) references to a series of clauses are inclusive of the endpoint clauses (e.g., "clause (x) through (y)" is inclusive of clauses (x) and (y)), (vi) references to any Person include the predecessors, successors, and permitted assigns of that Person, (vii) references from or through any date shall mean, unless otherwise specified, from and including or through and including, respectively, and (viii) the phrases "provide to," "made available," and "deliver to" and phrases of similar import shall mean that a true, correct, and complete paper or electronic copy of the information or material referenced has been delivered to the party to whom such information or material is to be provided. The symbol "$" refers to United States Dollars. The word "extent" in the phrase "to the extent" means the degree to which a subject or other thing extends and such phrase shall not mean simply "if." All references to "days" shall be to calendar days unless otherwise indicated as a "Business Day." Any action otherwise required to be taken on a day that is not a Business Day shall instead be required to be taken on the next succeeding Business Day and, if the last day of a time period is a non-Business Day, such period shall be deemed to end on the next succeeding Business Day. Unless indicated otherwise, all mathematical calculations contemplated by this Agreement shall be rounded to the fifth decimal place, except in respect of payments, which shall be rounded to the nearest whole United States cent.

8.3 Amendment. Subject to Applicable Law, the parties hereto may amend this Agreement by authorized action at any time prior to the Closing pursuant to an instrument in writing signed on behalf of each of the parties hereto; *provided,* that, after the Company Member Approval is obtained, no amendment shall be made to this Agreement that by Applicable Law requires further approval by the Sole Member without such further approval.

8.4 Waiver. Any failure of the Acquirer or the Merger Sub, on the one hand, or the Company or the Sole Owner, on the other hand, to comply with any obligation, covenant, agreement, or condition herein may be waived by the Company or the Sole Owner (with respect to any failure by the Acquirer or the Merger Sub) or by the Acquirer or the Merger Sub (with respect to any failure by the Company or the Sole Owner), respectively, only by a written instrument signed by the party granting such waiver; but, such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement, or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

8.5 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same instrument and shall become effective when one or more counterparts have been signed by each of the parties hereto and delivered to the other parties hereto; it being understood and agreed that all parties hereto need not sign the same counterpart The delivery by facsimile or by electronic delivery in PDF format (including any electronic signature complying with the U.S. federal ESIGN Act of 2000, *e.g.,* www.docusign.com) of this Agreement with all executed signature pages (in counterparts or otherwise) shall be sufficient to bind the parties hereto to the terms and conditions set forth herein. All of the counterparts will together constitute one and the same instrument and each counterpart will constitute an original of this Agreement.

8.6 Entire Agreement.: Parties in Interest. This Agreement and the documents and instruments and other agreements specifically referred to herein or delivered pursuant hereto, including all the exhibits attached hereto, the Schedules, including the Company Disclosure Letter,
(a) constitute the entire agreement among the parties hereto with respect to the subject matter hereof and supersede all prior agreements and understandings, both written and oral, among the parties

hereto with respect to the subject matter hereof, except for the Confidentiality Agreement, which shall continue in full force and effect, and shall survive any termination of this Agreement in accordance with its terms and (b) are not intended to confer, and shall not be construed as conferring, upon any Person other than the parties hereto any rights or remedies hereunder (except that Article VI is intended to benefit the Indemnified Persons).

8.7 Assignment. Neither this Agreement nor any of the rights and obligations under th.is Agreement may be assigned or delegated, in whole or in part, by operation of law or otherwise by any of the parties hereto without the prior written consent of the other parties hereto, and any such assignment without such prior written consent shall be null and void, except that the Acquirer and the Merger Sub may assign their respective rights and delegate their respective obligations under this Agreement to any direct or indirect wholly owned subsidiary of the Acquirer without the prior consent of any other party hereto; *provided,* that, notwithstanding any such assignment, the Acquirer and/or the Merger Sub, as applicable, shall remain liable for all of its respective obligations under this Agreement. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the parties hereto and their respective successors and assigns.

8.8 Severability. In the event that any provision of this Agreement, or the application thereof, becomes or is declared by a court of competent jurisdiction to be illegal, void, or unenforceable, the remainder of this Agreement shall continue in full force and effect and shall be interpreted so as reasonably necessa1-y to effect the intent of the parties hereto. The parties hereto shall use all reasonable efforts to replace such void or unenforceable provision of this Agreement with a valid and enforceable provision that shall achieve, to the greatest extent possible, the economic, business, and other purposes of such void or unenforceable provision.

8.9 Remedies Cumulative; Specific Performance. Except as otherwise provided herein, any and all remedies herein expressly conferred upon a party hereto shall be deemed cumulative with, and not exclusive of, any other remedy conferred hereby, or by law or equity upon such party, and the exercise by a party hereto of any one remedy shall not preclude the exercise of any other remedy and nothing herein shall be deemed a waiver by any party hereto of any right to specific performance or injunctive relief. It is accordingly agreed that the parties hereto shall be entitled to one or more temporary restraining orders, injunctions, or other equitable relief to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof, this being in addition to any other remedy to which they are entitled at law or in equity, and the parties hereto hereby waive the requirement of any posting of a bond in connection with any of the remedies described herein.

8.10 Governing Law; Submission to Jurisdiction; Consent to Service of Process.

(a) This Agreement, all acts, and transactions pursuant hereto and all obligations of the parties hereto shall be governed by and construed in accordance with the laws of the State of Delaware without reference to such state's principles of conflicts of law that would refer a matter to a different jurisdiction.

(b) The parties hereto hereby irrevocably submit to the exclusive jurisdiction and venue of the Chancery Court of the State of Delaware and any state appellate com,: therefrom or, *if* (but only if) such court lacks subject matter jurisdiction, the United States District Court for the District of Delaware sitting in the City of Wilmington, New Castle County, State of Delaware and any appellate court therefrom (collectively, the ***"Delaware Court"),*** in respect of the interpretation and enforcement of the provisions of this Agreement and of the documents referred to herein and in respect of the Transactions, and hereby waive, and agree not to assert, as a defense in any action, suit,

or proceeding for the interpretation or enforcement hereof or thereof, that it is not subject thereto or that such action, suit, or proceeding may not be brought or is not maintainable in said courts or that the venue thereof may not be appropriate or that this Agreement or any such document may not be enforced in or by such courts. Further, the parties hereto irrevocably agree that all claims with respect to such action or proceeding shall be heard and determined in such Delaware Courts. The parties hereto hereby consent to and grant any such court jurisdiction over the person of such parties and over the subject matter of such dispute and agree that mailing of process or other papers in connection with any such action or proceeding in the manner provided in Section 8.1 or in such other manner as may be permitted by Applicable Law, shall be valid and sufficient service thereof. A party hereto may apply either to a court: of competent jurisdiction for prejudgment remedies and emergency relief pending final determination of a claim pursuant to this Section 8.10.

8.11 WAIVER OF JURY TRIAL. TO THE MAXIMUM EXTENT PERMISSIBLE, EACH PARTY HEREBY IRREVOCABLY WAIVES ALL RIGHTTO TRIAL BYJURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE ACTIONS OF THE PARTIES IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE, AND ENFORCEMENT HEREOF. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE,AGENT, OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THATSUCH OTHER *PARTY* WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER; (B) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE APPLICATION OF THIS WAIVER; (C) EACH PARTY MAKES THIS WAIVER VOLUNTARILY; AND (D) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WANERS AND CERTIFICATIONS IN THIS SECTION.

[SIGNATURE PAGES NEXT]

IN WTINESS WHEREOF, the Acquirer, the Merger Sub, the Company, and the Sole Owner have each caused this Agreement and Plan of Merger to be executed and delivered by thei.t respective managers, officers thereunto duly authorized or by an individual, as relevant, all as of the date first written above.

JANONEINC.

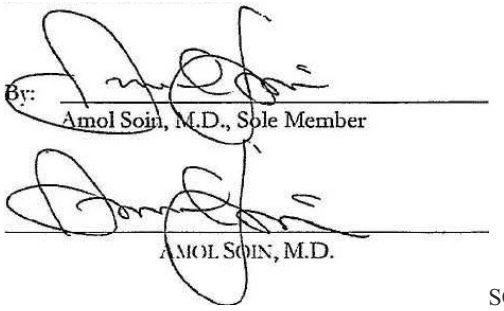
By: _..Tony Isaac, Chief Executive 0-cer"

STI MERGER SUB INC.

By,---?
Tony Isaac, Chief Executive Officer

[Signature Page to Agreement and Plan of Merger]

IN WITNESS WHEREOF, tl1e Acquirer, the Merger Sub, the Company, and the Sole Owner have each caused this Agreement and Plan of Merger to be executed and delivered by their respective managers or officers thereunto duly authorized or by an individual, as relevant, all as of the date first written above.



SOIN THERAPEUTICS, LLC

[Signature Page to Agreement and Plan of Merger]

EXHIBIT A

Definitions

As used herein, the following terms shall have the meanings indicated below:

"Acquirer Common Stock" means the shares of Common Stock, $0.001 par value per share, of the Acquirer.

"Affiliate' means, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such Person, including any general partner, managing member, officer or director of such Person or any venture capital fund now or hereafter existing that is controlled by one or more general partners or managing members of, or shares the same management company with, such Person, in each case as of the date on which, or at any time during the period for which, the determination of affiliation is being made. For purposes of this definition, the term "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of such Person, whether through the ownership of voting securities or by Contract or otherwise.

"Applicable Law' means, with respect to any Person, any federal, state, foreign, local, municipal or other law, statute, constitution, legislation, principle of common law, resolution, ordinance, code, edict, decree, rule, directive, guidance, license, permit, regulation, ruling or requirement issued, enacted, adopted, promulgated, implemented or otherwise put into effect by or under the authority of any Governmental Entity and any Orders applicable to such Person or such Person's Affiliates or to any of their respective assets, properties or businesses.

"Business" means the business of the Company as currently conducted, including the design, development, operation, production, marketing, sale, resale, licensing, and distribution of a low-dose naltrexone for treating chronic regional pain syndrome.

"Business Day' means a day (i) other than Saturday or Sunday and (ii) on which commercial banks are open for business in Las Vegas, Nevada or Dayton, Ohio.

"CARES Act' shall mean the Coronavirus Aid, Relief, and Economic Security Act.

"Code' means the United States Internal Revenue Code of 1986, as amended.

"Company Cash" means the aggregate amount of unrestricted cash and cash equivalents of the Company as of the Closing.

"Company Closing Financial Certificate' means a certificate, in the form attached hereto for informational purposes only as Exhibit C, executed and delivered by an officer of the Company and dated as of the Closing Date, certifying, as of the Closing, the amount of (i) Company Cash, and (ii) Company Debt, including an itemized list of each item of Company Debt with a description of the nature of such Company Debt and the Person to whom such Company Debt is owed.

"Company Debt" means, without duplication: (i) all obligations (including the principal amount thereof or, if applicable, the accreted amount thereof and the amount of accrued and unpaid interest thereon) of the Company, whether or not represented by bonds, debentures, notes, or other securities (whether or not convertible into any other security), for the repayment of money borrowed, whether owing to banks, financial institutions, on equipment leases, or otherwise, (ii) all deferred indebtedness of the Company for the payment of the purchase price of property or assets purchased (other than accounts payable incurred in the ordinary course of business), (iii) all obligations of the Company to pay rent or other payment amounts under a lease that is required to be classified as a capital lease or a liability on the face of a balance sheet prepared in accordance with GAAP, (iv) all outstanding reimbursement obligations of the Company with respect to letters of credit, bankers' acceptances, or similar facilities issued for the account of the Company, (v) all obligations of the Company under any interest rate swap agreement, forward rate agreement, interest rate cap or collar agreement, or other financial agreement or arrangement entered into for the purpose of limiting or managing interest rate risks, (vi) all obligations secured by any Encumbrance existing on property owned by the Company, whether or not indebtedness secured thereby will have been assumed, (vii) all premiums, penalties, fees, expenses, breakage costs, and change of control payments required to be paid or offered in respect of any of the foregoing on prepayment (regardless if any of such are actually paid), as a result of the consummation of the Transactions or in connection with any lender consent, (viii) all underfunded liabilities, assuming contingencies are satisfied, under any Company Employee Plans, including defined benefit plans, or due to the application of any terms contemplated or agreed upon with any labor organization or similar arrangement, including the employer portion of any related payroll taxes with respect thereto, (ix) all guaranties, endorsements, assumptions, and other contingent obligations of the Company in respect of, or to purchase or to otherwise acquire, any of the obligations and other matters of the kind described in any of the clauses (i) through (viii) appertaining to third parties, and (x) all Pre-Closing Taxes and any other liabilities for Taxes incurred through or in accordance with the Closing (including the employer portion of employment-related Taxes arising in connection with any payment required pursuant to, o:r arising as a result of, this Agreement or the Transactions, and including any such Taxes that have been deferred pursuant to the CARES Act and any related interest), whether or not such liabilities for Taxes would be then due.

"Company Membership Interests" means, collectively, the membership interests of the Company and any other Equity Interests of the Company.

"Company Transaction Documents" means, collectively, this Agreement and each other Transaction Document to which the Company is or will be a party.

"Contract" means any written or oral legally binding contract, agreement, instrument, commitment, or undertaking of any nature (including leases, subleases, licenses, mortgages, notes, guarantees, sublicenses, subcontracts, letters of intent, and purchase orders).

"COVID-19" means the novel coronavirus 2019 referred to as COVID-19 and all variants.

"COVID-19 Pandemic" means the epidemic, pandemic, or disease outbreak associated with COVID-19.

"DGCE" means the General Corporation Law of the State of Delaware.

"DLLC" means Delaware's Limited Liability Company Act, 6 Del.C. § 18-101, *et seq.*

"Encumbrance' means, with respect to any asset, any mortgage, easement, encroachment, equitable interest, right of way, deed of trust, lien (statutory or other), pledge, charge, security interest, title retention device, conditional sale or other security arrangement, or collateral assignment.

"Equity Interests' means, with respect to any Person, any capital stock of, or other ownership, membership, partnership, joint venture, or equity interest in, such Person or any indebtedness, securities, options, warrants, call, subscription, or other rights or entitlements of, or granted by, such Person or any of its Affiliates that are convertible into, or are exercisable or exchangeable for, or giving any Person any right or entitlement to acquire any such capital stock or other ownership, partnership, joint venture, or equity interest, in all cases, whether vested or unvested.

"Exchange Ad' means the Securities Exchange Act of 1934, as amended.

"Fundamental Representations' means the representations and warranties made by the Company in Section 2.1, but excluding the representations and warranties in the second sentence of Section 2.1 relating to foreign qualifications (Organization, Standing, Power, and Subsidiaries), Section 2.2(a) (Capital Structure), Section 2.3(a) (Authority), Section 2.9(a) (Title to, Condition and Sufficiency of, Assets; Real Property), and Section 2.17 (Transaction Fees) of this Agreement, including in any certificate delivered to the Acquirer pursuant to this Agreement that are within the scope of those covered by the foregoing Sections.

"Governing Documents" means, collectively, with respect to an entity, the entity's articles of incorporation, articles of organization, certificate of incorporation, certificate of formation, charter, bylaws, operating agreement, company agreement, or other certificates, instruments, documents, or agreements adopted to govern the formation or internal affairs of the entity, as applicable, including any and all amendments or restatements to such documents.

"Government Official' means (i) any official, employee, agent or representative of, or any Person acting in an official capacity for or on behalf of, any Governmental Entity, (ii) any political party, political party official, or candidate for political office, (iii) any official, employee, agent, or representative of, or any Person acting in an official capacity for or on behalf of, a company, business, enterprise, or other entity owned, in whole or in part, or controlled by any Governmental Entity or (iv) any official, employee, agent, or representative of, or any Person acting in an official capacity for or on behalf of, a public international organization.

"Governmental Entity' means any supranational, national, state, municipal, local, or foreign government, any court, tribunal, arbitrator, administrative agency, commission, regulatory authority, or other Government Official, authority, or instrumentality, in each case whether domestic or foreign, any stock exchange, local or supranational central bank or similar self-regulatory organization, or any quasi-governmental or private body exercising any executive, legislative, judicial, regulatory, Taxing, or other functions of, or pertaining to, government authority (including any governmental or political division, department, agency, commission, instrumentality, official, organization, unit, body or entity, and any court or other tribunal).

"Governmental Order' means any Order made, issued, or entered by or with any Governmental Entity.

"Group' has the meaning ascribed to such term under Section 13(cl) of the Exchange Act, the rules and regulations thereunder, and related case law.

"IRS" means the United States Internal Revenue Service.

"knowledge" or ***"Knowledge"*** means, with respect to any fact, circumstance, event, or other matter in question, the actual knowledge of such fact, circumstance, event, or other matter, after reasonable inquiry, of (i) an individual, if used in reference to an individual or (ii) with respect to any Person that is not an individual, the executive officers of such Person.

"Legal Proceeding" means any private or governmental action, inquiry, claim, counterclaim, proceeding, suit, hearing, litigation, audit, or investigation, in each case whether civil, criminal, administrative, judicial, or investigative, or any appeal therefrom.

"Liabilities" (and, with correlative meaning, ***"Liability")*** means all debts, liabilities, commitments, and obligations, whether accrued or fixed, absolute or contingent, matured or unmatured, determined or determinable, liquidated or unliquidated, asserted or unasserted, known or unknown, whenever or however arising, including those arising under Applicable Law or any Legal Proceeding or Order of a Governmental Entity and those arising under any Contract, regardless of whether such debt, liability, commitment, or obligation would be required to be reflected on a balance sheet prepared in accordance with GAAP or disclosed in the notes thereto.

"Material Adverse Effect" means, with respect to any Person, any change, event, violation, inaccuracy, circumstance, or effect (each, an ***"Effect")*** that, individually or taken together with all other Effects, and regardless of whether such Effect constitutes an inaccuracy in the representations or warranties made by, or a breach of the covenants, agreements, or obligations of, such Person herein, is, or would reasonably be likely to be or become, materially adverse in relation to the near-term or longer-term condition (financial or otherwise), assets (including intangible assets), liabilities, business, ope1-ati.ons, or results of operations of such Person and its subsidiaries (taken as a whole), except to the extent that any such Effect results from (i) any change, effect, or circumstance resulting from an action required or permitted by this Agreement, (ii) any change, effect, or circumstance resulting from the announcement of this Agreement, (ill) any change in general economic conditions, (iv) any change affecting the industry generally in which such Person operates,
(v) any change in Applicable Law, (vi) any condition caused by acts of terrorism or war (whether or
not declared) or any natural or man-made disaster or acts of God (including the COVID-19 Pandemic, any other pandemic, and any governmental response thereto); and (vii) any change in accounting principles; *provided,* that, in each case of clauses (i) - (vi), such changes do not affect such Person disproportionately as compared to such Person's competitors.

"Order" means any judgment, writ, decree, stipulation, determination, decision, award, rule, preliminary or permanent injunction, temporary restraining order, or other order.

"Permitted Encumbrances" means: (i) statutory liens for current Taxes that are not yet due and payable or liens for Taxes being contested in good faith by appropriate proceedings, (ii) statutory liens to secure obligations to landlords, lessors, or renters under leases or rental agreements, (iii) deposits or pledges made in connection with, or to secure payment of, workers' compensation, unemployment insurance, or similar programs mandated by Applicable Law, (iv) statutory liens in favor of carriers, warehousemen, mechanics, and materialmen, to secure claims for labor, materials or supplies, and other like liens, (v) liens in favor of customs and revenue authorities arising as a matter of Applicable Law to secure payments of customs duties in connection with the importation of goods,

and (vi) transfer restrictions encumbering the Company Membership Interests under any relevant agreements and under applicable securities laws.

"Person" means any natural person, company, corporation, limited liability company, general partnership, limited partnership, limited liability partnership, trust, estate, proprietorship, joint venture, business organization, Governmental Entity, or other entity.

"Personal Data" means any information that identifies, describes, relates to, is capable of being associated with, could reasonably be linked, directly or indirectly, with an identified or identifiable natural person or household, including a name, an identification number, unique personal identifier, biometric information, probabilistic identifier, location data, commercial information including products or services purchased, obtained, or considered, or other purchasing or consuming histories or tendencies, professional-, educational-, or employment-related information, inferences drawn from personal information and used to create a profile, Internet or other electronic network activity information, an online identifier, or to one or more factors specific to the physical, physiological, genetic, mental, economic, cultural, political, or social identity of that natural person, or any other piece of information that allows the identification of a natural person or is otherwise considered personally identifiable information, sensitive data, special categories of personal data, or personal information under Applicable Law, including Tracking Data.

" ***Pre-Closing Taxes'*** means any (i) Taxes of the Company for a Pre-Closing Tax Period, (ii) Taxes of the Sole Owner (including capital gains Taxes arising as a result of the Transactions) or any of their Affiliates (excluding the Company) for any Tax period, (iii) Taxes for which the Company (or any predecessor of the foregoing) is held liable under Treasury Regulations Section 1.1502-6 (or any similar provision of state, local, or foreign law) by reason of such entity being included in any consolidated, affiliated, combined, or unitary group at any time on or before the Closing Date, and (iv) Taxes of any other Person for which the Company is liable if the agreement, event, or occurrence giving rise to such Liability occurred on or before the Closing Date. Notwithstanding anything to this Agreement to the contrary, Pre-Closing Taxes includes any payroll taxes and other Taxes of the Company arising in connection with any payment required pursuant to, or arising as a result of, this Agreement or the Transactions, whether or not such Tues are due and payable as of the Closing Date (and, for the avoidance of doubt, shall include any such Taxes that were deferred pursuant to the CARES Act).

"Pre-Closing Tax Period' means any Taxable period (or portion thereof) ending on or prior to the Closing Date.

"Representatives' means, with respect to a Person, such Person's managers, members, officers, directors, Affiliates, equity holders, or employees, or any investment banker, attorney, accountant, auditor, or other advisor or representative retained by any of them.

"SEC" means the United States Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended.

"Tax" (and, with correlative meaning, ***"Taxes'*** and ***"Taxable")*** means (i) any net income, alternative, or add-on minimum tax, gross income, estimated, gross receipts, sales, use, *ad valorem,* value-added, transfer, franchise, fringe benefit, capital stock, profits, license, registration, withholding, payroll, social security (or equivalent), employment, unemployment, disability, excise, severance, stamp, occupation, premium, property (real, tangible, or intangible), environmental, or windfall profit tax, custom duty, imputed underpayment, or other tax, governmental fee, or other like

assessment or charge of any kind whatsoever, together with any interest or any penalty, addition to tax, or additional amount (whether disputed or not) imposed by any Governmental Entity having or purporting to have responsibility for the imposition of any such tax (domestic or foreign) (each, a ***"Tax Authority"),*** (ii) any Liability for the payment of any amounts of the type described in clause (i) of this sentence as a result of being a member of an affiliated, consolidated, combined, unitary or aggregate group for any Taxable period, and (iii) any Liability for the payment of any amounts of the type described in clauses Q) or (ii) of this sentence as a result of being a transferee of or successor to any Person or as a result of any express or implied obligation to assume such Taxes or to indemnify any other Person.

"Tax Deductions' means the aggregate amount of any income Tax deductions attributable to (i) the Transaction Expenses, (ii) any business interest deduction carryforward pursuant to Section 163Q)(2) of the Code, and (iii) any "net operating loss" within the meaning of Section 172(c) of the Code (or any similar provision of state, local, or foreign law) of the Company with respect to any Pre-Closing Tax Period that is not attributable to any of the other subclauses in this defined term and is available to be carried forward to any Tax year or period (or portion thereof) of the Acquirer or its Affiliates (including the Company after the Closing Date) beginning after the Closing Date.

"Tax Return' means any return, statement, report, or form (including estimated Tax returns and reports, withholding Tax returns and reports, any schedule or attachment, and information returns, and reports), including any amendment thereof, filed or required to be filed with respect to Truces.

"Tracking Data" means (i) any .information or data collected in relation to online, artificial intelligence, or machine model training, mobile, or other electronic activities or communications to the extent that it can reasonably be associated, directly or indirectly, with a particular Person, user, computer, mobile, or other device, or instance of any application or mobile application, (ii) any information or data collected in relation to off-line activities or communications that can reasonably be associated, directly or indirectly, with or that derives from a particular Person, user, computer, mobile, or other device or instance of any application or mobile application, or (iii) any device or network identifier (including IP address or MAC address), device activity data, or data collected from a networked physical object.

"Transaction Document ' means, collectively, this Agreement and each other agreement or document referred to in this Agreement or to be executed in connection with any of the Transactions.

"Transaction Expense5' means all third-party fees, costs, expenses, payments, and expenditures incurred by or on behalf of the Company in connection with this Agreement and the Transactions, whether or not .incurred, billed, or accrued, including (1) any fees, costs, expenses, payments, and expenditures of legal counsel and accountants, (ii) the maximum amount of fees, costs, expenses, payments, and expenditures payable to brokers, finders, financial advisors, investment bankers, or similar Persons notwithstanding any future conversion rights in respect of shares of the Series S Convertible Preferred Stock, or other contingencies, (iii) all bonuses, severance obligations, or other compensatory amounts owed by the Company to any of their respective members, directors, officers, employees, and/or consultants in connection with the Transactions, that are unpaid as of the Closing and the employer portion of any related payroll truces with respect thereto, and (iv) any such fees, costs, expenses, payments, and expenditures incurred by Company members paid for or to be paid for by the Company.

"Treasury Regulations" means the United States Treasury regulations promulgated under the Code.

EXHIBITB

Certificate of Merger

[Please see attached.]

EXHIBITC

[RESERVED]

EXHIBITD

Required Actions

Filing of IRS Form 8332

EXHIBITE

Certificate of Designation of Series S Convertible Preferred Stock

[Please see attached.]

Exhibit 21.1

Subsidiaries of Appliance Recycling Centers of America, Inc.

Name	Jurisdiction of Incorporation
JanOne Biotech Holdings Inc.	Nevada
ARCA Recycling, Inc. (1)	California
ARCA Canada Inc.	Ontario, Canada
Customer Connexx, LLC (1)	Nevada
GeoTraq Inc.	Nevada

_____

All subsidiaries are 100% owned by the Company.

(1) On February 19, 2021, JanOne Inc. (the "Company"), together with its subsidiaries ARCA Recycling, Inc. ("ARCA Recycling") and Customer Connexx LLC ("Connexx"), entered into an Asset Purchase Agreement with ARCA Affiliated Holdings Corporation, ARCA Services Inc., and Connexx Services Inc. (collectively, the "Buyers") pursuant to which the Buyers agreed to acquire substantially all of the assets, and assume certain liabilities, of ARCA Recycling and Connexx. See the Current Report on Form 8-K filed by the Company with the U.S. Securities and Exchange Commission on February 25, 2021.

Exhibit 23.1

JanOne, Inc.
Las Vegas, Nevada

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-251645) and Form S-8 (No. 333-226775 and 333-254873) of JanOne, Inc. of our report dated April 17, 2023, relating to the consolidated financial statements of JanOne, Inc. as of December 31, 2022 which appear in this Form 10-K.

/s/ Frazier & Deeter, LLC
Tampa, Florida
April 17, 2023

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-251645) and Form S-8 (Nos. 333-226775 and 333-254873) of our report dated April 1, 2022 (except for Note 26 to the consolidated financial statements, as to which the date is April 17, 2023), relating to the consolidated financial statements of JanOne Inc. which appear in this Annual Report on Form 10-K.

/s/ WSRP, LLC

Salt Lake City, Utah
April 17, 2023

Exhibit 31.1

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Tony Isaac, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended December 31, 2022 of JanOne Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Tony Isaac
Tony Isaac
President, Chief Executive Officer, and Secretary
(Principal Executive Officer)

Dated: April 17, 2023

Exhibit 31.2

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Virland A. Johnson, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended January December 31, 2022 of JanOne Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Virland A. Johnson
Virland A. Johnson
Chief Financial Officer
(Principal Financial Officer)

Dated: April 17, 2023

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of JanOne Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Tony Isaac, the President and Chief Executive Officer of the Company, to the best of my knowledge and belief, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Tony Isaac
Tony Isaac
President, Chief Executive Officer, and Secretary
(Principal Executive Officer)

Dated: April 17, 2023

The certification set forth above is being furnished as an exhibit solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the Report as a separate disclosure document of the Company or the certifying officers.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of JanOne Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Virland A. Johnson, the Chief Financial Officer (Principal Financial Officer) of the Company, to the best of my knowledge and belief, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ Virland A. Johnson
Virland A. Johnson
Chief Financial Officer
(Principal Financial Officer)

Dated: April 17, 2023

The certification set forth above is being furnished as an exhibit solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the Report as a separate disclosure document of the Company or the certifying officers.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.