

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

FORM 10-K/A
(Amendment No. 1)

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

For the fiscal year ended December 31, 2024

or

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

For the transition period from _____ to _____

Commission File Number: 001-39946



AGRIFY CORPORATION

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

30-0943453

(I.R.S. Employer
Identification No.)

2468 Industrial Row Dr.
Troy, Michigan 48084

(Address of principal executive offices, including zip code)

(855) 420-0020

(Registrant's telephone number, including area code)

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

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

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 Section 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 (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth 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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control 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 voting and non-voting common equity held by non-affiliates of the registrant, computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of June 30, 2024, was approximately \$6.3 million. Shares of the registrant's common stock held by each officer and director and each person known to the registrant to own 10% or more of the outstanding voting power of the registrant have been excluded in that such persons may be deemed affiliates. This determination of affiliate status is not a determination for other purposes.

There were a total of 1,952,032 shares of the registrant's common stock, par value \$0.001 per share, outstanding as of March 17, 2025.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement to be filed with the SEC pursuant to Regulation 14A in connection with the registrant's 2025 Annual Meeting of Stockholders, to be filed subsequent to the date hereof, are incorporated by reference into Part III of this Report. Such Definitive Proxy Statement will be filed with the SEC not later than 120 days after the conclusion of the registrant's fiscal year ended December 31, 2024. Except with respect to information specifically incorporated by reference in this Form 10-K, the Proxy Statement is not deemed to be filed as part of this Form 10-K.

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A (this “Amendment”) amends the Annual Report on Form 10-K of Agrify Corporation (“the Company”) for the year ended December 31, 2024, initially filed with the Securities and Exchange Commission on March 21, 2025 (the “Original Filing”).

The financial statement values and related footnotes have not changed from the Original Filing.

This Amendment No. 1 is being filed solely to update the audit reports and consents provided by the registrant’s current and former independent registered public accounting firms, as it relates to the 2023 retroactive application of the reverse stock split the Company completed on October 8, 2024 . The Company engaged GuzmanGray subsequent to the Original Filing to audit the 2023 retroactive application of this reverse stock split. Upon the completion of the work, GuzmanGray dual dated their audit opinion to cover the additional scope of work, which remains unqualified.

This Amendment does not reflect events occurring after the filing of the Original Filing, does not update disclosures contained in the Original Filing and does not modify or amend the Original Filing except as specifically described above.

Pursuant to Rule 12b-15 of the Securities Exchange Act of 1934, as amended, this Amendment contains the complete text of Item 15. Exhibits, Financial Statements and Schedules, and certifications of the Company’s principal executive officer and principal financial officer required under Items 302 and 906 of the Sarbanes-Oxley Act of 2002, as amended, dated as of the date of this Amendment, as well as updated inline XBRL exhibits.

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| <u>PART IV</u> | |
| Item 15. <u>Exhibits and Financial Statement Schedules</u> | 1 |
| <u>Signatures</u> | 6 |

PART IV

Item 15. Exhibits, Financial Statements and Schedules.

(a) Financial Statements:

(1) The consolidated financial statements required to be included in this report appear after the signature page to this report as a separate section beginning on page F-1.

(2) All supplemental schedules have been omitted since the information is either included in the consolidated financial statements or the notes thereto or they are not required or are not applicable.

(3) The Exhibit Index of this report appears below.

(b) Exhibits:

| Exhibit No. | Description |
|--------------------|---|
| 2.1± | <u>Plan of Merger and Equity Purchase Agreement, dated as of September 29, 2021, among the Registrant, Sinclair Scientific, LLC, Mass2Media, LLC dba PX2 Holdings, LLC, and each of the equity holders of Sinclair Scientific, LLC named therein (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 5, 2021)</u> |
| 2.2 | <u>Amendment to Plan of Merger and Equity Purchase Agreement, dated as of October 1, 2021, between the Registrant and Sinclair Scientific, LLC (incorporated by reference to Exhibit 2.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 4, 2021)</u> |
| 2.3± | <u>Membership Interest Purchase Agreement, dated as of December 31, 2021, among the Registrant, PurePressure, LLC, Benjamin Britton as Member Representative, and each of the equity holders of PurePressure, LLC named therein (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 5, 2022)</u> |
| 2.4± | <u>Merger Agreement, dated as of February 1, 2022, among the Registrant, LS Holdings Corp., Lab Society NewCo, LLC, Michael S. Maibach Jr. as Owner Representative, and each of the Owners named therein (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 2, 2022)</u> |
| 2.5 | <u>Asset Purchase Agreement, dated as of December 12, 2024, among the registrant, Double or North LLC, Joel Gott, and Charles Bieler (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 16, 2024)</u> |
| 3.1 | <u>Articles of Incorporation of the Registrant, as amended (incorporated by reference to Exhibit 3.1 to the Registrant's Amendment No. 1 to Registration Statement on Form S-1 filed with the Securities and Exchange Commission on January 13, 2021)</u> |
| 3.2 | <u>Certificate of Amendment to the Articles of Incorporation of the Registrant, filed July 11, 2022 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 14, 2022)</u> |
| 3.3 | <u>Certificate of Amendment to the Articles of Incorporation of the Registrant, filed October 17, 2022 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 17, 2022)</u> |
| 3.4 | <u>Certificate of Amendment to the Articles of Incorporation of the Registrant, filed March 1, 2023 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report filed with the Securities and Exchange Commission on March 3, 2023)</u> |
| 3.5 | <u>Certificate of Change to Articles of Incorporation of Agrify Corporation, filed June 30, 2023 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 3, 2023)</u> |
| 3.6 | <u>Certificate of Amendment to the Articles of Incorporation of the Registrant, filed January 22, 2024 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 25, 2024)</u> |
| 3.7 | <u>Articles of Amendment to Articles of Incorporation of Agrify Corporation, filed October 3, 2024 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 4, 2024)</u> |
| 3.8 | <u>Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.3 to the Registrant's Amendment No. 2 to Registration Statement on Form S-1 filed with the Securities and Exchange Commission on January 26, 2021)</u> |
| 3.9 | <u>Second Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 9, 2024)</u> |
| 3.10 | <u>Third Amended and Restated Certificate of Designations of the Series A Convertible Preferred Stock of the Registrant (incorporated by reference to Exhibit 3.2 to the Registrant's Amendment No. 1 to Registration Statement on Form S-1 filed with the Securities and Exchange Commission on January 13, 2021)</u> |

- 4.1 [Form of Common Stock Certificate \(incorporated by reference to Exhibit 4.1 to the Registrant's Amendment No. 2 to Registration Statement on Form S-1 filed with the Securities and Exchange Commission on January 26, 2021\)](#)
- 4.2 [Form of Representative's Warrant dated February 19, 2021 \(incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on February 11, 2021\)](#)
- 4.3 [Form of Representative's Warrant dated January 27, 2021 \(incorporated by reference to Exhibit 4.2 to the Registrant's Amendment No. 2 to Registration Statement on Form S-1 filed with the Securities and Exchange Commission on January 26, 2021\)](#)
- 4.4 [Form of Warrant issued to Noteholders \(incorporated by reference to Exhibit 4.3 to the Registrant's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on December 22, 2020\)](#)
- 4.5 [Description of Registrant's Securities \(incorporated by reference to Exhibit 4.5 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on April 2, 2021\)](#)
- 4.6 [Form of Common Stock Purchase Warrant dated January 28, 2022 \(incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 26, 2022\)](#)
- 4.7 [Form of Senior Secured Note \(incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 19, 2022\)](#)
- 4.8 [Form of Warrant Exchange Warrant \(incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 19, 2022\)](#)
- 4.9 [Form of Note Exchange Warrant \(incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 19, 2022\)](#)
- 4.10 [Form of Pre-Funded Warrant \(incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 16, 2022\)](#)
- 4.11 [Form of Common Warrant \(incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 16, 2022\)](#)
- 4.12 [Form of Senior Secured Convertible Note \(incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 9, 2023\)](#)
- 4.13 [Amendment to Senior Secured Note \(incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 9, 2023\)](#)
- 4.14 [Exchange Warrant, dated October 27, 2023 \(incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 30, 2023\)](#)
- 4.15 [Abeyance Warrant, dated October 27, 2023 \(incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 30, 2023\)](#)
- 4.16 [Common Stock Purchase Warrant, dated October 27, 2023 \(incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 30, 2023\)](#)
- 4.17 [Amended and Restated Junior Secured Promissory Note \(incorporated by reference to Exhibit 4.4 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 30, 2023\)](#)
- 4.18 [Junior Secured Promissory Note \(incorporated by reference to Exhibit 4.5 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 30, 2023\)](#)
- 4.19 [Amendment to Junior Secured Promissory Note, dated December 4, 2023, between Agrify Corporation and CP Acquisitions, LLC \(incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 6, 2023\)](#)
- 4.20 [Senior Secured Amended, Restated and Consolidated Convertible Promissory Note dated January 25, 2024 \(incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 25, 2024\)](#)

- 4.21 [Second Amended and Restated Junior Secured Promissory Note dated January 25, 2024 \(incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 25, 2024\).](#)
- 4.22 [Form of Pre-Funded Warrant \(incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 28, 2024\).](#)
- 4.23 [Form of Placement Agent Warrant \(incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 28, 2024\).](#)
- 4.24 [Amendment No. 1 to Senior Secured Amended, Restated and Consolidated Convertible Note between Agrify Corporation and CP Acquisitions, LLC \(incorporated by reference to Exhibit 4.1 to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 22, 2024\).](#)
- 4.25 [Form of Pre-Funded Warrant \(incorporated by reference to Exhibit 4.2 to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 22, 2024\).](#)
- 4.26 [Third Amended and Restated Junior Secured Convertible Promissory Note dated as of May 21, 2024 \(incorporated by reference to Exhibit 4.3 to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 22, 2024\).](#)
- 4.27 [Amendment to Pre-Funded Comon Stock Purchase Warrant between Agrify Corporation and CP Acquisitions, LLC dated as of June 30, 2024 \(incorporated by reference to Exhibit 4.1 to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 3, 2024\).](#)
- 4.28 [Amendment to Pre-Funded Comon Stock Purchase Warrant between Agrify Corporation and GIC Acquisitions, LLC dated as of June 30, 2024 \(incorporated by reference to Exhibit 4.2 to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 3, 2024\).](#)
- 4.29 [Junior Secured Convertible Promissory Note dated as of August 14, 2024 \(incorporated by reference to Exhibit 4.1 to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 14, 2024\).](#)
- 4.30 [Amendment No. 1 to Junior Secured Convertible Promissory Note, dated as of October 18, 2024 \(incorporated by reference to Exhibit 4.1 to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 22, 2024\).](#)
- 4.31 [Secured Amended, Restated and Consolidated Convertible Note \(incorporated by reference to Exhibit 4.1 to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 5, 2024\).](#)
- 4.32 [Form of Pre-Funded Warrant \(incorporated by reference to Exhibit 4.1 to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 21, 2024\).](#)
- 4.33 [Pre-Funded Warrant dated December 12, 2024 \(incorporated by reference to Exhibit 4.1 to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 16, 2024\).](#)
- 10.1 [Operating Agreement of Agrify-Valiant, LLC dated December 8, 2019 \(incorporated by reference to Exhibit 10.1 to the Registrant's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on December 22, 2020\).](#)
- 10.2 [Distribution Agreement dated June 7, 2019 between the Registrant and Bluezone Products, Inc.± \(incorporated by reference to Exhibit 10.2 to the Registrant's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on December 22, 2020\).](#)
- 10.3 [Distribution Agreement dated March 9, 2020 between the Registrant and Enozo Technologies Inc.± \(incorporated by reference to Exhibit 10.3 to the Registrant's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on December 22, 2020\).](#)
- 10.4 [Purchase Agreement dated as of July 28, 2020 between the Registrant and 4D Bios Inc.± \(incorporated by reference to Exhibit 10.4 to the Registrant's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on December 22, 2020\).](#)

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| 10.5† | <u>Employment Agreement dated as of January 4, 2021 between the Registrant and Raymond Chang (incorporated by reference to Exhibit 10.5 to the Registrant’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on April 2, 2021)</u> |
| 10.6± | <u>2020 Omnibus Equity Incentive Plan (incorporated by reference to Exhibit 10.13 to the Registrant’s Registration Statement on Form S-1 filed with the Securities and Exchange Commission on December 22, 2020)</u> |
| 10.7 | <u>Intellectual Property Assignment and Transfer Agreement by and among the Registrant, Agrify Brands, LLC and The Holden Company, effective as of January 1, 2020 (incorporated by reference to Exhibit 10.16 to the Registrant’s Registration Statement on Form S-1 filed with the Securities and Exchange Commission on December 22, 2020)</u> |
| 10.8 | <u>Supply Agreement by and among the Registrant and Mack Molding Co. dated December 7, 2020 ± (incorporated by reference to Exhibit 10.15 to the Registrant’s Amendment No. 1 to Registration Statement on Form S-1 filed with the Securities and Exchange Commission on January 13, 2021)</u> |
| 10.9 | <u>Amended and Restated Operating Agreement of Agrify Brands, LLC effective as of August 12, 2020 (incorporated by reference to Exhibit 10.18 to the Registrant’s Registration Statement on Form S-1 filed with the Securities and Exchange Commission on December 22, 2020)</u> |
| 10.10 | <u>Form of Indemnification Agreement with directors and executive officers (incorporated by reference to Exhibit 10.18 to the Registrant’s Registration Statement on Form S-1 filed with the Securities and Exchange Commission on February 11, 2021)</u> |
| 10.11† | <u>Employment Agreement, dated as of November 10, 2021, between the Registrant and Timothy Oakes † (incorporated by reference to Exhibit 10.2 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on November 15, 2021)</u> |
| 10.12± | <u>Form of Securities Purchase Agreement, dated as of January 25, 2022, between the Registrant and the Purchasers party thereto (incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 26, 2022)</u> |
| 10.13± | <u>Form of Securities Purchase Agreement, dated as of March 14, 2022, between the Registrant and High Trail Special Situations LLC (incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 18, 2022)</u> |
| 10.14† | <u>Agrify Corporation 2022 Omnibus Equity Incentive Plan (incorporated by reference to Appendix A to the Registrant’s Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on April 29, 2022)</u> |
| 10.15† | <u>Agrify Corporation 2022 Employee Stock Purchase Plan (incorporated by reference to Appendix B to the Registrant’s Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on April 29, 2022)</u> |
| 10.16† | <u>Separation Agreement of Thomas Massie, dated as of July 8, 2022 (incorporated by reference to Exhibit 10.2 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on July 14, 2022)</u> |
| 10.17† | <u>Employment Agreement, dated as of July 14, 2022, between the Registrant and Stuart Wilcox (incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on July 14, 2022)</u> |
| 10.18± | <u>Exchange Agreement, dated as of August 18, 2022, between the Registrant and High Trail Special Situations LLC (incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on August 19, 2022)</u> |
| 10.19± | <u>Equity Distribution Agreement, dated as of October 18, 2022, between the Registrant and Canaccord Genuity LLC (incorporated by reference to Exhibit 1.1 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 18, 2022)</u> |
| 10.20† | <u>Employment Agreement, dated as of July 25, 2022, between the Registrant and Timothy Hayden (incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 24, 2023)</u> |
| 10.21± | <u>Exchange Agreement, dated as of March 8, 2023, between the Registrant and High Trail Special Situations LLC (incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 9, 2023)</u> |
| 10.22 | <u>Company and Investor Acknowledgment, dated as of October 27, 2023, between the Registrant and CP acquisitions LLC (incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 30, 2023)</u> |
| 10.23 | <u>Letter Agreement, dated as of October 27, 2023, between the Registrant and High Trail Special Situations LLC (incorporated by reference to Exhibit 10.2 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 30, 2023)</u> |
| 10.24± | <u>Modification Agreement, effective as of October 18, 2023, between the Registrant and Mack Molding Company (incorporated by reference to Exhibit 10.3 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 30, 2023)</u> |
| 10.25± | <u>Purchase Agreement, dated as of August 28, 2024, by and between Agrify Corporation and Ionic Ventures, LLC (incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on August 29, 2024)</u> |

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| 10.26 | Registration Rights Agreement, dated as of August 28, 2024, by and between Agrify Corporation and Ionic Ventures, LLC (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 29, 2024) |
| 10.27 | Amendment to Pre-Funded Common Stock Purchase Warrant, dated as of August 28, 2024, by and between Agrify Corporation and CP Acquisitions, LLC (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 29, 2024) |
| 10.28 | Amendment to Pre-Funded Common Stock Purchase Warrant, dated as of August 28, 2024, by and between Agrify Corporation and GIC Acquisition LLC (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 29, 2024) |
| 10.29 | First Amendment to Modification and Settlement Agreement, dated as of August 30, 2024, by and between Agrify Corporation and Mack Molding Company, (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 4, 2024) |
| 10.30 | Amendment to Pre-Funded Common Stock Purchase Warrant, dated as of September 27, 2024, by and between Agrify Corporation and CP Acquisitions, LLC (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 1, 2024) |
| 10.31 | Amendment to Pre-Funded Common Stock Purchase Warrant, dated as of September 27, 2024, by and between Agrify Corporation and GIC Acquisition LLC (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 1, 2024) |
| 10.32 | Severance Agreement, dated November 5, 2024, between Agrify Corporation and Raymond Chang (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 5, 2024) |
| 10.33 | Form of Securities Purchase Agreement (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 21, 2024) |
| 10.34 | Form of Registration Rights Agreement (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 21, 2024) |
| 14.1 | Code of Ethics of Agrify Corporation Applicable To Directors, Officers And Employees (incorporated by reference to Exhibit 14.1 to the Registrant's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on December 22, 2020) |
| 16.1 | Letter from MATSUURA regarding change in certifying accountant (incorporated by reference to Exhibit 16.1 to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 22, 2024) |
| 19.1 | Insider Trading Policy (incorporated by reference to Exhibit 19.1 to the Registrant's Current Report on Form 10-K filed with the Securities and Exchange Commission on March 21, 2025) |
| 21.1 | Subsidiaries of the Registrant (incorporated by reference to Exhibit 21.1 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 21, 2025) |
| 23.1* | Consent of GuzmanGray, Independent Registered Public Accounting Firm |
| 23.2** | Consent of Marcum LLP, Independent Registered Public Accounting Firm |
| 31.1* | Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2* | Certification of Principal Financial and Accounting Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1** | Certification of Principal 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 of Principal Financial and Accounting Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 97.1 | Agrify Corporation Clawback policy (incorporated by reference to Exhibit 97.1 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on April 4, 2024, as amended on April 29, 2024) |
| 101.INS | Inline XBRL Instance Document |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document. |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document. |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document. |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101). |

± Certain information has been omitted from this exhibit in reliance upon Item 601(a)(5) of Regulation S-K.

† Indicates a management contract, compensatory plan, or arrangement.

Certain confidential portions of this exhibit were omitted pursuant to Item 601(b)(2)(ii) of Regulation S-K because the identified confidential portions (i) are not material and (ii) are customarily and actually treated as private or confidential by the Company.

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K/A to be signed on its behalf by the undersigned, thereunto duly authorized.

AGRIFY CORPORATION

Date: March 27, 2025

By: /s/ Benjamin Kovler
Benjamin Kovler
Chairman and Interim Chief Executive Officer
(Principal Executive Officer)

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

| <u>Signature</u> | <u>Title</u> | <u>Date</u> |
|---|--|----------------|
| <u>/s/ Benjamin Kovler</u> Benjamin Kovler | Chairman and Interim Chief Executive Officer and Director (Principal Executive Officer) | March 27, 2025 |
| <u>/s/ Brad Asher</u> Brad Asher | Chief Financial Officer (Principal Financial and Accounting Officer) | March 27, 2025 |
| <u>/s/ Krishnan Varier</u> Krishnan Varier | Director | March 27, 2025 |
| <u>/s/ Timothy Mahoney</u> Timothy Mahoney | Director | March 27, 2025 |
| <u>/s/ Max Holtzman</u> Max Holtzman | Director | March 27, 2025 |
| <u>/s/ Armon Vakili</u> Armon Vakili | Director | March 27, 2025 |
| <u>/s/ Peter Shapiro</u> Peter Shapiro | Director | March 27, 2025 |
| <u>/s/ Sanjay Tolia</u> Sanjay Tolia | Director | March 27, 2025 |

AGRIFY CORPORATION

Index to Consolidated Financial Statements

Fiscal Years Ended December 31, 2024 and 2023:

| | |
|---|------------|
| Independent Auditors' Report (PCAOB ID # 7143) | F-2 |
| Independent Auditors' Report (PCAOB ID # 688) | F-3 |
| Consolidated Financial Statements | |
| Consolidated Balance Sheets | F-4 |
| Consolidated Statements of Operations | F-5 |
| Consolidated Statements of Stockholders' Equity (Deficit) | F-6 |
| Consolidated Statements of Cash Flows | F-8 |
| Notes to Consolidated Financial Statements | F-9 - F-46 |

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Agrify Corporation and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Agrify Corporation (the “Company”) as of December 31, 2024, and the related consolidated statements of operations, stockholders’ equity (deficit), and cash flows for the year then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The consolidated financial statements of the Company as of December 31, 2023, before the retrospective adjustments described in Notes 1 and 6, were audited by other auditors whose report, dated April 15, 2024, expressed an unqualified opinion on those statements. We have audited those retrospective adjustments to the 2023 consolidated financial statements, as reported in the financial statements as of and for the year ended December 31, 2024, related to discontinued operations and the reverse stock split on October 8, 2024, as described in Notes 1 and 6. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures related to the Company’s 2023 consolidated financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2023 consolidated financial statements as a whole.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s 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 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 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 financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ GuzmanGray

We have served as the Company’s auditor since 2024.

Costa Mesa, California

March 21, 2025, except for the retroactive adjustments of the reverse stock split referenced above, which is dated March 27, 2025

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Agrify Corporation and Subsidiaries

Opinion on the Financial Statements

We have audited, before the effects of the discontinued operations discussed in Note 1 and Note 6 and a reverse stock split discussed in Note 1, the accompanying consolidated balance sheet of Agrify Corporation and Subsidiaries (the "Company") as of December 31, 2023 and the related consolidated statements of operations, stockholders' (deficit) equity and cash flows for the year ended December 31, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, before the effects of the discontinued operations discussed in Note 1 and Note 6 and a reverse stock split discussed in Note 1, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

We were not engaged to audit, review, or apply any procedures to the effects of the discontinued operations discussed in Note 1 and Note 6 or the reverse stock split discussed in Note 1 to the consolidated financial statements, and accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by other auditors.

Explanatory Paragraph – Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 1, the Company has a significant working capital deficiency, has incurred significant losses and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's 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 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 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 financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Marcum LLP

Marcum LLP

We have served as the Company's auditor from 2019 to 2024.

Melville, NY

April 15, 2024

Item 1. Financial Statements

AGRIFY CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

| | As of December 31, | |
|--|---------------------------|-------------|
| | 2024 | 2023 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 31,170 | \$ 434 |
| Accounts receivable, net of allowance for credit losses of \$1,702 and \$1,766 at December 31, 2024 and 2023, respectively | 348 | 855 |
| Inventory, net | 1,579 | 4,976 |
| Prepaid expenses and other current assets | 1,597 | 1,890 |
| Current assets of discontinued operations | — | 15,854 |
| Total current assets | 34,694 | 24,009 |
| Property and equipment, net | 186 | 595 |
| Operating lease right-of-use assets | 504 | 520 |
| Goodwill | 9,713 | — |
| Intangible assets | 8,900 | — |
| Other non-current assets | 25 | 28 |
| Non-current assets of discontinued operations | — | 20,118 |
| Total assets | \$ 54,022 | \$ 45,270 |
| Liabilities and Stockholders' Equity (Deficit) | | |
| Current liabilities: | | |
| Accounts payable | \$ 2,074 | \$ 4,388 |
| Accrued expenses and other current liabilities | 9,297 | 8,259 |
| Operating lease liabilities, current | 261 | 207 |
| Long-term debt, current | 522 | 766 |
| Related party debt, current | 10,000 | 4,444 |
| Contract liabilities | 2,525 | 3,008 |
| Current liabilities of discontinued operations | — | 20,177 |
| Total current liabilities | 24,679 | 41,249 |
| Warrant liabilities | 996 | 1,290 |
| Operating lease liabilities, net of current | 257 | 331 |
| Long-term debt, net of current | 1 | 16,047 |
| Non-current liabilities of discontinued operations | — | 1,063 |
| Total liabilities | 25,933 | 59,980 |
| Commitments and contingencies (Note 18) | | |
| Stockholders' equity (deficit): | | |
| Common Stock, \$0.001 par value per share, 35,000,000 and 10,000,000 shares authorized at December 31, 2024 and 2023, respectively, 1,952,032 and 113,416 shares issued and outstanding at December 31, 2024 and 2023, respectively ⁽¹⁾ | 2 | — |
| Preferred Stock, \$0.001 par value per share, 2,895,000 shares authorized, no shares issued or outstanding | — | — |
| Preferred A Stock, \$0.001 par value per share, 105,000 shares authorized, no shares issued or outstanding | — | — |
| Additional paid-in capital | 335,400 | 250,857 |
| Accumulated deficit | (307,543) | (265,797) |
| Total stockholders' equity (deficit) attributable to Agrify Corporation | 27,859 | (14,940) |
| Non-controlling interests | 230 | 230 |
| Total stockholders' equity (deficit) | 28,089 | (14,710) |
| Total liabilities and stockholders' equity (deficit) | \$ 54,022 | \$ 45,270 |

(1) Periods presented have been adjusted to retroactively reflect the 1-for-20 reverse stock split on July 5, 2023, and for the 1-for-15 reverse stock split on October 8, 2024. Additional information regarding the reverse stock splits may be found in Note 1 - Overview, Basis of Presentation, and Significant Accounting Policies, included in the notes to the consolidated financial statements.

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

AGRIFY CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share data)

| | Year Ended December 31, | |
|--|--------------------------------|-------------|
| | 2024 | 2023 |
| Revenue | \$ 9,680 | \$ 15,142 |
| Cost of goods sold | 9,015 | 11,124 |
| Gross profit | 665 | 4,018 |
| Selling, general and administrative | 12,305 | 16,057 |
| Research and development | 743 | 2,295 |
| Change in contingent consideration | (2,180) | (1,322) |
| Gain on early termination of lease | (39) | — |
| Loss on disposal on property and equipment | 51 | 12 |
| Total operating expenses | 10,880 | 17,042 |
| Operating loss from continuing operations | (10,215) | (13,024) |
| Interest expense, net | (256) | (2,145) |
| Change in fair value of warrant liabilities | (17,902) | 4,695 |
| Loss on extinguishment of long-term debt, net | — | (4,311) |
| Other income, net | 19 | 1,358 |
| Total other expense, net | (18,139) | (403) |
| Loss from continuing operations before income taxes | (28,354) | (13,427) |
| Income tax (expense) benefit | 2 | (2) |
| Loss from continuing operations, net of income taxes | (28,352) | (13,429) |
| Loss from discontinued operations | (1,501) | (5,221) |
| Loss on disposal of Cultivation business | (11,893) | — |
| Income tax effect on discontinued operations | — | — |
| Loss from discontinued operations, net of income taxes | (13,394) | (5,221) |
| Net loss | (41,746) | (18,650) |
| Income attributable to non-controlling interest | — | 1 |
| Net loss attributable to Agrify Corporation | \$ (41,746) | \$ (18,649) |
| Net loss per share: | | |
| Basic and diluted | | |
| Continuing operations | \$ (27.79) | \$ (135.11) |
| Discontinued operations | \$ (13.13) | \$ (52.53) |
| Net loss per share attributable to Common Stockholders – basic and diluted (1) | \$ (40.92) | \$ (187.64) |
| Weighted average common shares outstanding - basic and diluted (1) | 1,020,185 | 99,391 |

(1) Periods presented have been adjusted to retroactively reflect the 1-for-20 reverse stock split on July 5, 2023, and for the 1-for-15 reverse stock split on October 8, 2024. Additional information regarding reverse stock splits may be found in Note 1 - Overview, Basis of Presentation, and Significant Accounting Policies, included elsewhere in the notes to the consolidated financial statements.

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

AGRIFY CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(In thousands, except share and per share data)

| | Common Stock | | Preferred Stock | | Preferred A Stock | | Additional Paid-In-Capital | Accumulated Deficit | Total Stockholders' Equity (Deficit) attributable to Agrify | Non-Controlling Interests | Total Stockholders' Equity (Deficit) |
|---|----------------|-------------|-----------------|-------------|-------------------|-------------|----------------------------|---------------------|---|---------------------------|--------------------------------------|
| | Shares | Amount | Shares | Amount | Shares | Amount | | | | | |
| Balance at January 1, 2023 | 69,220 | \$ — | — | \$ — | — | \$ — | \$ 237,876 | \$ (247,148) | \$ (9,272) | \$ 231 | \$ (9,041) |
| Stock-based compensation | — | — | — | — | — | — | 2,662 | — | 2,662 | — | 2,662 |
| Issuance of Common Stock through an "at the market" offering, net of fees | 21,539 | — | — | — | — | — | 1,545 | — | 1,545 | — | 1,545 |
| Issuance of held-back shares to Lab Society | 33 | — | — | — | — | — | — | — | — | — | — |
| Issuance of Common Stock to Pure Pressure | 24 | — | — | — | — | — | — | — | — | — | — |
| Vesting of restricted stock units | 1 | — | — | — | — | — | — | — | — | — | — |
| Exercise of prefunded warrants in private placement | 5,664 | — | — | — | — | — | — | — | — | — | — |
| Issuance of equity classified warrants | — | — | — | — | — | — | 1,554 | — | 1,554 | — | 1,554 |
| Exchange of private placement debt into equity classified warrants | — | — | — | — | — | — | 3,877 | — | 3,877 | — | 3,877 |
| Conversion of Exchange Note | 4,638 | — | — | — | — | — | 2,146 | — | 2,146 | — | 2,146 |
| Conversion of Convertible Note | 10,241 | — | — | — | — | — | 1,172 | — | 1,172 | — | 1,172 |
| Proceeds from Employee Stock Purchase Plan Shares | 167 | — | — | — | — | — | 25 | — | 25 | — | 25 |
| Reverse stock split fractional share settlement | 1,889 | — | — | — | — | — | — | — | — | — | — |
| Net loss | — | — | — | — | — | — | — | (18,649) | (18,649) | (1) | (18,650) |
| Balance December 31, 2023 | 113,416 | \$ — | — | \$ — | — | \$ — | \$ 250,857 | \$ (265,797) | \$ (14,940) | \$ 230 | \$ (14,710) |

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

| | Common Stock | | Preferred Stock | | Preferred A Stock | | Additional Paid-in-Capital | Accumulated Deficit | Total Stockholders' Equity (Deficit) attributable to Agrify | Non-Controlling Interests | Total Stockholders' Equity (Deficit) |
|--|------------------|-------------|-----------------|-------------|-------------------|-------------|----------------------------|---------------------|---|---------------------------|--------------------------------------|
| | Shares | Amount | Shares | Amount | Shares | Amount | | | | | |
| | | \$ | | \$ | | \$ | | | | | |
| Balance at January 1, 2024 | 113,416 | \$ — | — | \$ — | — | \$ — | \$ 250,857 | \$ (265,797) | \$ (14,940) | \$ 230 | \$ (14,710) |
| Stock-based compensation | — | — | — | — | — | — | 1,165 | — | 1,165 | — | 1,165 |
| Issuance of Common Stock and Pre-Funded Warrants through public offering | 184,000 | — | — | — | — | — | 2,123 | — | 2,123 | — | 2,123 |
| Issuance of held-back shares from Sinclair acquisition | 39 | — | — | — | — | — | — | — | — | — | — |
| Cashless exercise of High Trail Warrants | 208,814 | — | — | — | — | — | — | — | — | — | — |
| Issuance of vested RSUs, net of shares held back to offset tax | 71 | — | — | — | — | — | — | — | — | — | — |
| Exercise of Pre-Funded Warrants | 647,373 | — | — | — | — | — | 1,355 | — | 1,355 | — | 1,355 |
| Issuance of common shares (IONIC Stock Subscription Payable) | 189,645 | — | — | — | — | — | 345 | — | 345 | — | 345 |
| Exercise of liability classified warrants, net of forfeitures | 52,681 | — | — | — | — | — | 1,680 | — | 1,680 | — | 1,680 |
| Exercise of Placement Agent Warrants | 4,482 | — | — | — | — | — | 26 | — | 26 | — | 26 |
| Issuance of Common Stock in connection with private placement, net | 203,988 | 1 | — | — | — | — | 25,792 | — | 25,793 | — | 25,793 |
| Senorita Acquisition | 97,300 | — | — | — | — | — | 18,836 | — | 18,836 | — | 18,836 |
| Issuance of vested RSUs | 72,397 | — | — | — | — | — | — | — | — | — | — |
| Stock split share adjustment | (283) | 1 | — | — | — | — | (1) | — | — | — | — |
| Deemed Contribution from troubled debt restructuring with related party | — | — | — | — | — | — | 676 | — | 676 | — | 676 |
| Issuance of equity classified Pre-Funded Warrants | — | — | — | — | — | — | 6,791 | — | 6,791 | — | 6,791 |
| Excess of related party debt and Pre-Funded Warrants conversion | — | — | — | — | — | — | 10,044 | — | 10,044 | — | 10,044 |
| Conversion of related party debt into Pre-Funded Warrants | — | — | — | — | — | — | 13,980 | — | 13,980 | — | 13,980 |
| Conversion of Convertible Note | 178,109 | — | — | — | — | — | 1,731 | — | 1,731 | — | 1,731 |
| Net loss | — | — | — | — | — | — | — | (41,746) | (41,746) | — | (41,746) |
| Balance December 31, 2024 | 1,952,032 | \$ 2 | — | \$ — | — | \$ — | \$ 335,400 | \$ (307,543) | \$ 27,859 | \$ 230 | \$ 28,089 |

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

AGRIFY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

| | Year Ended December 31, | |
|---|--------------------------------|-----------------|
| | 2024 | 2023 |
| Cash flows from operating activities: | | |
| Net loss attributable to Agrify Corporation | \$ (41,746) | \$ (18,649) |
| Adjustments to reconcile net loss attributable to Agrify Corporation to net cash and cash equivalents used in operating activities: | | |
| Depreciation and amortization | 1,421 | 1,896 |
| Amortization of debt premium | (47) | (109) |
| Amortization of debt issuance costs | — | 24 |
| Stock-based compensation expense | 1,165 | 2,662 |
| Change in fair value of warrant liabilities | 17,902 | (4,695) |
| Loss on extinguishment of long-term debt, net | — | 4,311 |
| Change in provision for credit losses, net | (336) | (15,261) |
| Change in provision for inventory | (747) | (14,823) |
| Loss on abandonment of CIP projects | 31 | — |
| (Gain) loss on disposal of property and equipment | 14 | (63) |
| Gain on early termination of lease | (50) | — |
| Gain on settlement of contingent liability | (5,935) | — |
| Loss on disposal of Cultivation business | 11,893 | — |
| Change in contingent consideration | (2,180) | — |
| Income attributable to non-controlling interests | — | (1) |
| Changes in operating assets and liabilities, net of acquisitions: | | |
| Accounts receivable | 646 | 1,347 |
| Inventory | 8,341 | 17,158 |
| Prepaid expenses and other current assets | 1,872 | (566) |
| Operating lease right-of-use assets | 528 | 954 |
| Other non-current assets | 46 | 170 |
| Accounts payable | (4,562) | 108 |
| Accrued expenses and other current liabilities | 1,258 | (4,473) |
| Operating lease liabilities | (519) | (872) |
| Contract liabilities | (578) | (93) |
| Net cash and cash equivalents used in operating activities | (11,583) | (30,975) |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (4) | (59) |
| Proceeds from disposal of property and equipment | 20 | 311 |
| Proceeds from sale of marketable securities | — | 10,461 |
| Issuance of loans receivable | (400) | (591) |
| Proceeds from repayment of loan receivable | 330 | 15,057 |
| Net cash and cash equivalents (used in) provided by investing activities | (54) | 25,179 |
| Cash flows from financing activities: | | |
| Proceeds from issuance of Common Stock through an S-1 and Pre-Funded Warrants offering | 2,123 | — |
| Proceeds from issuance of Common Stock through an “at the market” offering, net of fees | — | 1,545 |
| Proceeds from issuance of Common Stock through IONIC Stock Subscription | 345 | — |
| Proceeds from the issuance of Common Stock in connection with private placement, net | 25,793 | — |
| Proceeds from Employee Stock Purchase Plan Shares | — | 25 |
| Proceeds from exercise of Pre-Funded Warrants | 36 | — |
| Proceeds from issuance of warrants in settlement agreement | — | 1,554 |
| Proceeds from issuance of related party notes | 14,453 | 4,444 |
| Repayments of notes payable, other | — | (71) |
| Repayment of debt in private placement | — | (10,307) |
| Payments on other financing loans | — | (5) |
| Payments on insurance financing loans | (377) | (1,332) |
| Payments of financing leases | — | (80) |
| Net cash and cash equivalents provided by (used in) financing activities continuing operations | 42,373 | (4,227) |
| Net increase (decrease) in cash and cash equivalents | 30,736 | (10,023) |
| Cash and cash equivalents at the beginning of period | 434 | 10,457 |
| Cash and cash equivalents of discontinued operations, beginning of period | — | — |
| Cash and cash equivalents of discontinued operations, end of period | — | — |
| Cash and cash equivalents at the end of period | \$ 31,170 | \$ 434 |

Supplemental disclosures

Cash paid for interest \$ — \$ 76

Supplemental disclosure of non-cash investing and financing activities

Fair value of warrants in connection with reclassification and issuance \$ 6,791 \$ 5,432

Financing of prepaid insurance \$ 14 \$ 1,694

Cashless exercise of liability classified warrants \$ 1,680 \$ —

Conversion of related party debt to equity \$ 10,044 \$ —

Transfer of property and equipment to inventory \$ — \$ 33

| | | | | |
|---|----|--------|----|-------|
| Conversion of liability classified pre-funded warrants to equity | \$ | 20,771 | \$ | — |
| Deemed contribution from troubled debt restructuring with related party | \$ | 676 | \$ | — |
| Stock and warrants issued in connection with business combination | \$ | 18,836 | \$ | — |
| Conversion of convertible notes into equity | \$ | 1,731 | \$ | 3,306 |

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Overview, Basis of Presentation and Significant Accounting Policies

Description of Business

Agrify is a developer of branded innovative solutions for the cannabis and hemp industries. Our Señorita brand offers consumers hemp-derived tetrahydrocannabinol (“THC”) beverages that mirror well-known cocktails like a margarita – in three flavors – classic Lime Jalapeño Margarita, Mango Margarita, and Paloma. Known for its clean, fresh taste and commitment to high-quality, natural ingredients, Señorita offers a low-sugar, low-calorie alternative to alcoholic beverages and is available at top retailers including Total Wine, ABC Fine Wine & Spirits, and Binny’s in nine U.S. states and Canada, with plans for expansion and future availability in premier on-premises destinations.

In addition to beverages, Agrify has also historically been a leading provider of innovative cultivation and extraction solutions for the cannabis industry. The Company’s comprehensive extraction product line, which includes hydrocarbon, alcohol, solventless, post-processing, and lab equipment, empowers producers to maximize the quantity and quality of extract required for premium concentrates. Additionally, prior to its sale on December 31, 2024, our proprietary micro-environment-controlled Agrify Vertical Farming Units (“VFUs”) enabled cultivators to produce high quality products for the cannabis industry.

The Company was formed in the State of Nevada on June 6, 2016 as Agrinamics, Inc., and subsequently changed its name to Agrify Corporation. The Company is sometimes referred to herein by the words “we,” “us,” “our,” and similar terminology.

The Company has ten wholly-owned consolidated subsidiaries, which are collectively referred to as the “Subsidiaries” and the Company also has ownership interests in certain companies.

On December 12, 2024, the Company acquired certain assets from Double or Nothing, LLC (“Double or Nothing”), the owner and creator of the Señorita brand of hemp-derived drinks as part of the Company’s strategic plan to reposition itself as a distributor of hemp-derived beverages (and similar products).

On December 31, 2024, the Company entered into an Asset Purchase Agreement (the “Purchase Agreement”) with CP Acquisitions, LLC (“CP”), an entity affiliated with Raymond Chang, the Company’s former Chairman and Chief Executive Officer. Under the Purchase Agreement, CP acquired assets from the Company relating to the Company’s Vertical Farming Units (“VFUs”), including the related Agrify total-turnkey (“TTK”) solution assets and Agrify InsightsTM software solutions (collectively the “Cultivation Business”). The sale of the Cultivation Business occurred following signing on December 31, 2024. The results of the Cultivation Business is presented as discontinued operations in the Consolidated Statements of Operations and, as such, have been excluded from continuing operations. Further, the Company reclassified the assets and liabilities of the Cultivation Business to discontinued operations in the Consolidated Balance Sheet as of December 31, 2023. For further discussion on the discontinued operations, refer to Note 6.

Reverse Stock Splits

On July 5, 2023, the Company effected a 1-for-20 reverse stock split of its Common Stock. All share and per share information has been retroactively adjusted to give effect to the reverse stock split for all periods presented unless otherwise indicated.

On October 8, 2024, the Company effected a 1-for-15 reverse stock split of its Common Stock. All share and per share information has been retroactively adjusted to give effect to the reverse stock splits for all periods presented unless otherwise indicated.

No fractional shares of Common Stock were issued as a result of these reverse stock splits. Any fractional shares in connection with these reverse stock splits were rounded up to the nearest whole share and no stockholders received cash in lieu of fractional shares. The reverse stock splits had no impact on the number of shares of Common Stock that the Company is authorized to issue pursuant to its articles of incorporation or on the par value per share of the Common Stock. Proportional adjustments were made to the number of shares of Common Stock issuable upon exercise or conversion of the Company’s outstanding stock options and warrants, the exercise price or conversion price (as applicable) of the Company’s outstanding stock options and warrants, and the number of shares reserved for issuance under the Company’s equity incentive plan. All share and per share information included in this Annual Report on Form 10-K has been retroactively adjusted to reflect the impact of these reverse stock splits.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nasdaq Deficiency Notice

On January 19, 2023, the Company received a deficiency letter from the Listing Qualifications Department (the “Staff”) of The Nasdaq Stock Market, LLC (“Nasdaq”) notifying the Company that, for the previous 30 consecutive business days, the bid price for its Common Stock had closed below \$1.00 per share, which is the minimum closing price required to maintain a continued listing on The Nasdaq Capital Market under the Minimum Bid Requirement. In accordance with Nasdaq Listing Rule 5810(c)(3)(A), the Company had 180 calendar days to regain compliance with the Minimum Bid Requirement. To regain compliance with the Minimum Bid Requirement, the closing bid price of the Company’s Common Stock must be at least \$1.00 per share for a minimum of 10 consecutive trading days during this 180-day compliance period, unless the Staff exercises its discretion to extend the minimum trading day period pursuant to Nasdaq Listing Rule 5810(c)(3)(G). On July 19, 2023, the Company received a notice from Nasdaq confirming its compliance with the minimum bid price rule.

As disclosed in the Current Report on Form 8-K filed on April 17, 2023, the audit committee (the “Audit Committee”) of the Company’s Board of Directors (the “Board”) concluded that, as a result of inadvertent errors in the accounting for warrants previously issued by the Company, it was appropriate to restate the Company’s previously issued unaudited consolidated interim financial statements as of and for the quarterly periods ended March 31, 2022, June 30, 2022 and September 30, 2022 included in the Company’s Quarterly Reports on Form 10-Q for such periods in amended quarterly reports for the affected periods. As a result of such restatements, the Company was unable to timely file the 2022 Form 10-K, the First Quarter 2023 Form 10-Q and the Second Quarter 2023 Form 10-Q without unreasonable effort or expense.

On April 18, 2023, the Company received a notice from Nasdaq (the “April Nasdaq Notice”) that it was noncompliant with Nasdaq Listing Rule 5250(c)(1) as a result of its failure to file its Annual Report on Form 10-K (the “Form 10-K”) with the SEC by the required due date.

On May 17, 2023, the Company received a second notice from Nasdaq (the “May Nasdaq Notice”) that it remained noncompliant with Nasdaq Listing Rule 5250(c)(1) as a result of its failure to file its Quarterly Report on Form 10-Q for the quarter ended March 31, 2023 (the “First Quarter Form 10-Q”) with the SEC by the required due date.

On August 16, 2023, the Company received a third notice from Nasdaq that it remain noncompliant with Nasdaq Listing Rule 5250(c)(1) as a result of its failure to file its Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2023 (the “Second Quarter Form 10-Q”) with the SEC by the required filing date (the “August Nasdaq Notice” and, together with the April Nasdaq Notice and the May Nasdaq Notice, the “Nasdaq Notices”).

The Nasdaq granted the Company an exception until October 16, 2023, to file its 2022 Form 10-K and First and Second Quarter 2023 Forms 10-Q. The Nasdaq Notice had no immediate effect on the listing of the Company’s Common Stock on The Nasdaq Stock Market LLC.

On October 17, 2023, the Company received a Staff Delisting Determination (the “Staff Determination”) from the Listing Qualifications Department of Nasdaq notifying the Company that it was not in compliance with Nasdaq’s continued listing requirements under the Listing Rule as a result of its failure to file the First Quarter Form 10-Q, the Second Quarter Form 10-Q and the Form 10-K for 2023 (collectively, the “Delinquent Reports”) in a timely manner.

On November 16, 2023, the Company received a notice from Nasdaq that the Company remains noncompliant with the Listing Rule as a result of its failure to file its Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2023 with the SEC by the required filing date (the “November Nasdaq Notice” and, together with the April Nasdaq Notice, the May Nasdaq Notice, and the August Nasdaq Notice, the “Nasdaq Notices”).

On December 1, 2023, the Company received a notice from Nasdaq stating that because the Company reported stockholders’ equity of \$(17.17) million in its Form 10-Q for the quarter ended March 30, 2023, the Company was no longer in compliance with Nasdaq Listing Rule 5550(b)(1) (the “Primary Equity Listing Rule”), which requires that listed companies maintain a minimum of \$2.5 million in stockholders’ equity. In response, the Company timely requested a hearing before a Nasdaq Hearings Panel (the “Panel”), which stayed any further action by the Listing Qualifications Staff. The hearing was held on January 11, 2024. The Company arrived at the hearing having previously cured any additional grounds for delisting as a result of delinquent periodic filings during 2023 that were filed prior to the hearing.

On January 30, 2024, the Company received formal notice that the Panel had granted the Company’s request for an exception through April 15, 2024 to evidence compliance with the Listing Rule. The compliance date of April 15, 2024 represents the full extent of the Panel’s discretion to grant continued listing while the Company is non-compliant with Nasdaq Listing Rules. Accordingly, there can be no assurance that the Company will be able to regain compliance with the Nasdaq listing rules or maintain its listing on the Nasdaq Capital Market. If the Company’s Common Stock is delisted, it could be more difficult to buy or sell the Company’s Common Stock or to obtain accurate quotations, and the price of the Company’s Common Stock could suffer a material decline. Delisting could also impair the Company’s ability to raise capital.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On March 5, 2024, the Company received a deficiency letter from the Staff notifying the Company that, for the last 30 consecutive business days, the bid price for the Company's Common Stock had closed below \$1.00 per share, which is the minimum closing price required to maintain continued listing on the Nasdaq Stock Market under Nasdaq Listing Rule 5550(a)(2) (the "Minimum Bid Requirement"). The Notice had no immediate effect on the listing of the Company's Common Stock on Nasdaq. In accordance with Nasdaq Listing Rule 5810(c)(3)(A), the Company has 180 calendar days to regain compliance with the Minimum Bid Requirement. The compliance period for the Company expired on September 3, 2024. On September 4, 2024, the Staff notified the company in writing that it was eligible for an additional 180-day compliance period, or until March 3, 2025, to regain compliance with the Minimum Bid Requirement. On October 8, 2024, the Company completed a 1-for-15 reverse stock split of our Common Stock, in which each fifteen shares of Common Stock issued and outstanding was combined and converted into one share of Common Stock to regain compliance with the Minimum Bid Requirement. On October 22, 2024, the Staff notified the Company that it had regained compliance with the Minimum Bid Requirement.

Basis of Presentation and Principles of Consolidation

Accounting for Wholly-Owned Subsidiaries

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and include the accounts of Agrify Corporation and its wholly-owned subsidiaries, as described above, in accordance with the provisions required by the Consolidation Topic 810 ("ASC 810") of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). The Company includes results of operations of acquired companies from the date of acquisition. All significant intercompany transactions and balances are eliminated.

Accounting for Less Than Wholly-Owned Subsidiaries

For the Company's less than wholly-owned subsidiary, Agrify Brands, LLC ("Agrify Brands"), the Company first analyzes whether this entity is a variable interest entity (a "VIE") in accordance with ASC 810, and if so, whether the Company is the primary beneficiary requiring consolidation. The Company continuously re-assesses (i) whether the joint-venture is a VIE, and (ii) if the Company is the primary beneficiary of the VIE. If it is determined that Agrify Brands qualifies as a VIE and the Company is the primary beneficiary, the Company's financial interest in the VIE is consolidated.

Based on the Company's analysis of this entity, the Company has determined that Agrify Brands is a VIE, and that the Company is the primary beneficiary. While the Company owns 75% of Agrify Brand's equity interests, the remaining equity interests in Agrify Brands are owned by unrelated third parties, and the agreement with these third parties provides the Company with greater voting power as the majority owner. Accordingly, the Company consolidates its interest in the financial statements of Agrify Brands under the VIE rules and reflects the third parties' interests in the condensed consolidated financial statements as a non-controlling interest. The Company records this non-controlling interest at its initial fair value, adjusting the basis prospectively for the third parties' share of the respective consolidated investments' net income or loss or equity contributions and distributions. These non-controlling interests are not redeemable by the equity holders and are presented as part of permanent equity. Income and losses are allocated to the non-controlling interest holders based on its economic ownership percentage.

Use of Estimates

The preparation of the Company's consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of expenses during the reporting period. On an ongoing basis, the Company evaluates estimates, which include estimates related to accruals, stock-based compensation expense, reported amounts of revenues during the reported period, fair value of warrant liabilities, sales tax liabilities, valuation of deferred tax assets, net realizable value of inventory and collectability of trade accounts, intangible assets, goodwill, and litigation. The Company bases their estimates on historical experience and other market-specific or other relevant assumptions that they believe to be reasonable under the circumstances. Actual results may differ materially from those estimates or assumptions.

The Company regularly evaluates its assets, including asset groups or reporting units, for impairment in accordance with GAAP. The Company is aware of the impact that prolonged net losses can have on the fair value of underlying assets and the overall company. The Company is committed to ensuring that the carrying amounts of its assets are appropriately assessed and adjusted for any impairment, reflecting a true and fair view of its financial position.

Reclassifications

The Company effected a 1-for-20 reverse stock split of its Common Stock on July 5, 2023 and a 1-for-15 reverse stock split of its Common Stock on October 8, 2024. All share and per share information has been retroactively adjusted to give effect to the reverse stock split for all periods presented unless otherwise indicated. The shares of Common Stock retained a par value of \$0.001 per share. Accordingly, the Stockholders' equity (deficit) section of the consolidated balance sheets reflects the reverse stock split by reclassifying from "Common Stock" to "Additional paid-in capital" an amount equal to the par value of the decreased shares resulting from the reverse stock split.

Certain amounts in the consolidated financial statements related to the prior years have been reclassified to conform to the current year's presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Discontinued Operations

On December 31, 2024, the Company entered into and closed a Purchase Agreement with CP. Under the Purchase Agreement, CP acquired assets from the Company relating to the Cultivation Business.

As the sale of the Cultivation Business represented a strategic shift that will have a major effect on the Company’s operations and financial results, they have been presented in discontinued operations in accordance with ASC 205, Presentation of Financial Statements, separate from continuing operations for the years ended December 31, 2024 and 2023, as applicable. For further discussion, refer to Note 6.

Cash and Cash Equivalents

Cash and cash equivalents consist principally of cash and deposits with maturities of three months or less as of December 31, 2024 and December 31, 2023. All cash equivalents are carried at cost, which approximates fair value.

Marketable Securities

The Company’s marketable security investments primarily include investments held in mutual funds, municipal bonds, and corporate bonds. The mutual funds are recorded at fair value in the accompanying consolidated balance sheets as part of cash and cash equivalents. The municipal and corporate bonds are considered to be held-to-maturity securities and are recorded at amortized cost in the accompanying consolidated balance sheets. The fair value of these investments was estimated using recently executed transactions and market price quotations. The Company considers current assets to be those investments that will mature within the next 12 months, including interest receivable on long-term bonds.

Accounts Receivable, Net

Accounts receivable, net, primarily consists of amounts for goods and services that are billed and currently due from customers. In accordance with the current expect credited loss (“CECL”) impairment model under ASU 2016-13, Financial Instruments - Credit Losses (Topic 326), accounts receivable balances are presented net of an allowance for credit losses, which are an estimate of billed or borrowed amounts that may not be collectible. In determining the amount of the allowance at each reporting date, management makes judgments about general economic conditions, historical write-off experience, and any specific risks identified in customer or borrower collection matters, including the aging of unpaid accounts receivable and changes in customer or borrower financial conditions. Accounts receivable balances are written off after all means of collection are exhausted and the potential for non-recovery is determined to be probable. Adjustments to the allowance for credit losses are recorded as general and administrative expenses in the consolidated statements of operations.

Concentration of Credit Risk and Significant Customer

Financial instruments that potentially subject the Company to a concentration of credit risk primarily consist of cash, cash equivalents, marketable securities, and accounts receivable. Cash equivalents primarily consist of money market funds with original maturities of three months or less, which are invested primarily with U.S. financial institutions. Cash deposits with financial institutions generally exceed federally insured limits. Management believes minimal credit risk exists with respect to these financial institutions and the Company has not experienced any losses on such amounts.

The tables below show customers who account for 10% or more of the Company’s total revenues and 10% or more of the Company’s accounts receivable for the periods presented.

For the years ended December 31, 2024 and 2023, the Company did not have any customers that accounted for 10% or more of total revenue.

As of December 31, 2024 and 2023, the Company’s customers that accounted for 10% or more of the total accounts receivable, net, were as follows:

| (In thousands) | 2024 | | 2023 | |
|---------------------------------|--------|--------------------------------|--------|--------------------------------|
| | Amount | % of Total Accounts Receivable | Amount | % of Total Accounts Receivable |
| Company Customer Number – 15095 | * | * | \$ 712 | 62.0% |
| Company Customer Number – 10888 | \$ 173 | 54.4% | \$ 251 | 21.8% |
| Company Customer Number – 9142 | \$ 49 | 15.6% | * | * |

* Customer accounts receivable, as a percentage of total accounts receivable, was less than 10%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Inventories

The Company values all its inventories, which consist primarily of significant raw material hardware components, at the lower of cost or net realizable value, with cost principally determined by the weighted-average cost method on a first-in, first-out basis. Write-offs of potentially slow-moving or damaged inventory are recorded through specific identification of obsolete or damaged material.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization expenses are recognized using the straight-line method over the estimated useful life of each asset, as follows:

| | Estimated Useful Life (Years) |
|--|--|
| Computer and office equipment | 2 to 3 |
| Furniture and fixtures | 2 |
| Software | 3 |
| Vehicles | 5 |
| Research and development of laboratory equipment | 5 |
| Machinery and equipment | 3 to 5 |
| Trade show assets | 3 to 5 |
| Leasehold improvements | Lower of estimated useful life or remaining lease term |

The estimated useful lives of the Company’s property and equipment are periodically assessed to determine if changes are appropriate. The Company charges maintenance and repairs to expense as incurred. When the Company retires or disposes of assets, the carrying cost of these assets and related accumulated depreciation or amortization are eliminated from the consolidated balance sheets and any resulting gain or loss is included in the consolidated statements of operations in the period of retirement or disposal.

Costs for capital assets not yet placed into service are capitalized as construction-in-progress and depreciated once placed into service. During construction, costs are accumulated in a construction-in-progress account, with no depreciation. Upon completion, costs are transferred to the appropriate asset account, and depreciation begins when the asset is placed into service.

Goodwill

Goodwill is defined as the excess of cost over the fair value of assets acquired and liabilities assumed in a business combination. Goodwill is tested for impairment annually, and more frequently if events and circumstances indicate that the asset might be impaired. A goodwill impairment charge is recorded if the amount by which the Company’s carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. Factors that could lead to a future impairment include material uncertainties such as a significant reduction in projected revenues, a deterioration of projected financial performance, future acquisitions and/or mergers, and/or a decline in the Company’s market value as a result of a significant sustained decline in the Company’s stock price.

Goodwill is not subject to amortization and is tested annually for impairment, or more frequently if events or changes in circumstances indicate there might be an impairment. An impaired asset is written down to its estimated fair value based upon the most recent information.

During the year ended December 31, 2024, the Company performed a qualitative analysis for its goodwill impairment test. The Company applies the guidance in *ASU 2011-08 Intangibles-Goodwill and Other-Testing Goodwill for Impairment*, which provides entities with an option to perform a qualitative assessment (commonly referred to as “Step Zero”) to determine whether further quantitative analysis for impairment of goodwill is necessary. A goodwill impairment charge is recorded if the amount by which our carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. Factors that could lead to a future impairment include material uncertainties such as a significant reduction in projected revenues, a deterioration of projected financial performance, future acquisitions and/or mergers, and a decline in our market value as a result of a significant sustained decline in our stock price. As a result of the Company’s Step Zero analysis, no further quantitative impairment test was deemed necessary.

Warrant Liabilities

The Company evaluates all its financial instruments, including issued private placement stock purchase warrants, to determine if such instruments are derivatives or contain features that qualify as embedded derivatives, pursuant to ASC Topic 480, Distinguishing Liabilities from Equity (“ASC 480”) and ASC Topic 815, Derivatives and Hedging (“ASC 815”). The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant’s specific terms and applicable authoritative guidance in ASC 480 and ASC 815. Management’s assessment considers whether the warrants are freestanding financial instruments pursuant to ASC 480, whether they meet the definition of a liability pursuant to ASC 480, and whether the warrants meet all of the requirements for equity classification under ASC 815, including whether the warrants are indexed to the Company’s own Common Stock among other conditions for equity classification.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For issued or modified warrants that meet all of the criteria for equity classification, they are recorded as a component of additional paid-in capital at the time of issuance. For issued or modified warrants that are precluded from equity classification, they are recorded as a liability at their initial fair value on the date of issuance and subject to remeasurement on each balance sheet date with changes in the estimated fair value of the warrants to be recognized as an unrealized gain or loss in the consolidated statements of operations.

Convertible Notes Payable

The Company evaluates its convertible instruments to determine if those contracts or embedded components of those contracts qualify as derivative financial instruments to be separately accounted for in accordance with ASC 815. The accounting treatment of derivative financial instruments requires that the Company identify and record certain embedded conversion options (“ECOs”), certain variable-share settlement features, and any related freestanding instruments at their fair values as of the inception date of the agreement and at fair value as of each subsequent balance sheet date. Any change in fair value is recorded as an unrealized non-operating, non-cash income or expense for each reporting period at each balance sheet date. The Company reassesses the classification of its derivative instruments at each balance sheet date. If the classification changes as a result of events during the period, the contract is reclassified as of the date of the event that caused the reclassification. Bifurcated embedded conversion options, variable-share settlement features, and any related freestanding instruments are recorded as a discount to the host instrument which is amortized to interest expense over the life of the respective note using the effective interest method.

Debt Issuance Costs and Debt Discount

The Company may record debt issuance costs and/or debt discounts in connection with the issuance of debt. The Company may cover these costs by paying cash or issuing warrants. These costs are amortized to interest expense over the expected life of the debt. If a conversion of the underlying debt occurs, a proportionate share of the unamortized amounts is immediately expensed.

Original Issue Discount

Certain convertible debt issued by the Company, may provide the debt holder with an original issue discount. The Company would record the original issue discount to debt discount, reducing the face amount of the note, and is then amortized to interest expense over the life of the debt.

Leases

The Company determines at the inception of an asset contract if such arrangement is or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company classifies leases at the lease commencement date as operating or finance leases and records a right-of-use asset and a lease liability on its consolidated balance sheet for all leases with an initial lease term of greater than 12 months. A lease with an initial term of 12 months or less is not recorded on the balance sheet, but related payments are recognized as an expense on a straight-line basis over the lease term.

The Company’s asset contracts may contain both lease and non-lease components. Non-lease components may include maintenance, utilities, and other operating costs. The Company combines the lease and non-lease components of fixed costs in its lease arrangements as a single lease component. Variable costs, such as utilities or maintenance costs, are not included in the measurement of right-of-use assets and lease liabilities, but rather are expensed when the event determining the amount of variable consideration to be paid occurs.

Lease liabilities and their corresponding right-of-use assets are recorded based on the present value of future lease payments over the expected lease term. The Company determines the present value of future lease payments by using its estimated secured incremental borrowing rate for that lease term as the interest rate implicit in the lease is not readily determinable. The Company estimates its secured incremental borrowing rate for each lease based on the rate of interest that the Company would have to pay to borrow an amount equal to the lease payments on a collateralized basis over a similar term.

Certain of the Company’s leases include options to extend or terminate the lease. The amounts determined for the Company’s right-of-use assets and lease liabilities generally do not assume that renewal options or early-termination provisions, if any, are exercised unless it is reasonably certain that the Company will exercise such options.

Contract Liabilities

Contract Liabilities includes amounts collected, billed in excess of revenue or customer deposits that the Company can recognize. The Company recognizes contract liabilities and non-current contract liabilities as revenue as the related performance obligation is satisfied. The Company records contract liabilities that will be recognized during the succeeding twelve-month period as a current liability on the consolidated balance sheets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, marketable securities, accounts receivable, contingent considerations, long-term debt, related party debt, and warrant liabilities. Refer to Note 4 - Fair Value Measures, included elsewhere in the notes to the consolidated financial statements for details of the Company's financial instruments.

Stock-Based Compensation

The Company measures all stock options and other stock-based awards granted to employees, directors and consultants based on the fair value on the date of the grant and recognizes compensation expense of those awards over the requisite service period, which is generally the vesting period of the respective award. Forfeitures are recognized as incurred. Historically, the Company has issued stock options to employees, directors and consultants with only service-based vesting conditions and records the expense for these awards using the straight-line method.

The Company classifies stock-based compensation expense in its consolidated statements of operations in the same manner in which the award recipient's payroll costs are classified.

The Company estimates the fair value of each stock option grant on the date of the grant using the Black-Scholes option-pricing model. The expected term of the Company's stock options has been determined utilizing the "simplified" method for awards that qualify as "plain-vanilla" options. The risk-free interest rate is determined by reference to the U.S. Treasury yield curve in effect at the time of grant of the award for time periods approximately equal to the expected term of the award. The expected dividend yield is based on the fact that the Company has never paid cash dividends and does not expect to pay any cash dividends in the foreseeable future.

Business Combinations

The Company accounts for business acquisitions using the acquisition method of accounting, in accordance with which assets acquired and liabilities assumed are recorded at their respective fair values at the acquisition date. The fair value of the consideration paid is assigned to the assets acquired and liabilities assumed based on their respective fair values. Goodwill represents the excess of the purchase price over the estimated fair values of the assets acquired and liabilities assumed.

The Company's management exercises significant judgments in determining the fair value of assets acquired and liabilities assumed, as well as intangibles and their estimated useful lives. Fair value and useful life determinations are based on, among other factors, estimates of future expected cash flows, royalty cost savings and appropriate discount rates used in computing present values. These judgments may materially impact the estimates used in allocating acquisition date fair values to assets acquired and liabilities assumed, as well as the Company's current and future operating results. Actual results may vary from these estimates which may result in adjustments to goodwill and acquisition date fair values of assets and liabilities during a measurement period or upon a final determination of asset and liability fair values, whichever occurs first. Adjustments to the fair value of assets and liabilities made after the end of the measurement period are recorded within the Company's operating results.

Revenue Recognition

Overview

We generate revenue from equipment sales and hemp-derived beverage sales.

In accordance with ASC Topic 606, Revenue Recognition ("ASC 606"), we recognize revenue from contracts with customers using a five-step model, which is described below:

- identify the customer contract;
- identify performance obligations that are distinct;
- determine the transaction price;
- allocate the transaction price to the distinct performance obligations; and
- recognize revenue as the performance obligations are satisfied.

Revenue is recognized when, or as, performance obligations are satisfied by transferring control of a promised product or service to a customer. The Company satisfies its performance obligation upon transferring goods or services to a customer and transfers control upon the customer taking possession.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Judgments

The Company enters into contracts that may include various combinations of equipment and, services which are generally capable of being distinct and accounted for as separate performance obligations. Contracts with customers often include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. Once the Company determines the performance obligations, it determines the transaction price, which includes estimating the amount of variable consideration to be included in the transaction price, if any. The Company then allocates the transaction price to each performance obligation in the contract based on the standalone selling price (“SSP”). The corresponding revenue is recognized as the related performance obligations are satisfied.

Judgment is required to determine the SSP for each distinct performance obligation. The Company determines SSP based on the price at which the performance obligation is sold separately and the methods of estimating SSP under the guidance of ASC 606. If the SSP is not observable through past transactions, the Company estimates the SSP, taking into account available information such as market conditions, expected margins, and internally approved pricing guidelines related to the performance obligations. The Company typically satisfies its performance obligations for equipment sales when equipment is made available for shipment to the customer; for services sales as services are rendered to the customer.

The Company utilizes the cost-plus margin method to determine the SSP for equipment and services. This method is based on the cost of the services from third parties, plus a reasonable markup that the Company believes is reflective of a market-based reseller margin.

The Company determines the SSP for services in time and materials contracts by observable prices in standalone services arrangements.

Payment terms with customers typically require payment 30 days from the invoice date. The Company’s agreements with its customers do not provide for any refunds for services or products and therefore no specific reserve for such is maintained. In the infrequent instances where customers raise concern over delivered products or services, the Company has endeavored to remedy the concern and all costs related to such matters have been insignificant in all periods presented.

The Company has elected to treat shipping and handling activities after the customer obtains control of the goods as a fulfillment cost and not as a promised good or service. Accordingly, the Company will accrue all fulfillment costs related to the shipping and handling of consumer goods at the time of shipment. The Company has payment terms with its customers of one year or less and has elected the practical expedient applicable to such contracts not to consider the time value of money. Sales, value add, and other taxes the Company collects concurrent with revenue-producing activities are excluded from revenue.

The Company receives payment from customers based on specified terms that are generally less than 30 days from the satisfaction of performance obligations. There are no contract assets related to performance under the contract. The difference in the opening and closing balances of the Company’s contract liabilities primarily results from the timing difference between the Company’s performance and the customer’s payment. The Company fulfills obligations under a contract with a customer by transferring products and services in exchange for consideration from the customer. Accounts receivable are recorded when the customer has been billed or the right to consideration is unconditional. The Company recognizes a contract liability when consideration has been received and the Company has a future obligation to transfer certain proprietary products.

In accordance with ASC 606, the Company is required to include disclosure on its remaining performance obligations as of the end of the current reporting period. Due to the nature of the Company’s contracts, these reporting requirements are not applicable. The majority of the Company’s remaining contracts meet certain exemptions as defined in ASC 606, including (i) performance obligation is part of a contract that has an original expected duration of one year or less and (ii) the right to invoice practical expedient.

The Company generally provides a one-year warranty on its products for materials and workmanship but may provide multiple-year warranties as negotiated, and generally transfers to its customers the warranties it receives from its vendors, if any, which generally cover this one-year period. In accordance with ASC Topic 450, Accounting for Contingencies, (“ASC 450”) the Company accrues for product warranties when the loss is probable and can be reasonably estimated. The Company maintained a reserve for warranty returns of \$47,000 and \$0.1 million as of December 31, 2024 and December 31, 2023, respectively. The Company’s reserve for warranty returns is included in accrued expenses and other current liabilities in its consolidated balance sheets. Additional information regarding the Company’s warranty reserve may be found in Note 3 – Supplemental Consolidated Balance Sheet Information, included elsewhere in the notes to the consolidated financial statements.

Research and Development Costs

The Company expenses research and development costs as incurred. Research and development expenses include payroll, employee benefits and other expenses associated with product development. The Company incurs research and development costs associated with the development and enhancement of both hardware and software products associated with its extraction equipment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Income Taxes

The Company accounts for income taxes pursuant to the provisions of ASC Topic 740, Income Taxes (“ASC 740”), which requires, among other things, an asset and liability approach to calculating deferred income taxes. The asset and liability approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. A valuation allowance is provided to offset any net deferred tax assets for which management believes it is more likely than not that the net deferred tax asset will not be realized.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. In accordance with the guidance of ASC 740, the benefit of a tax position is recognized in the consolidated financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above should be reflected as a liability for unrecognized tax benefits in the accompanying balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. The Company believes its tax positions are all highly certain of being upheld upon examination. As such, the Company has not recorded a liability for unrecognized tax benefits.

The Company recognizes the benefit of a tax position when it is effectively settled. ASC 740, provides guidance on how an entity should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. ASC 740 clarifies that a tax position can be effectively settled upon the completion of an examination by a taxing authority. For tax positions considered effectively settled, the Company recognizes the full amount of the tax benefit.

The Company’s provision for income taxes is measured using an annual effective tax rate, adjusted for discrete items within the period presented. To determine the annual effective tax rate, the Company estimates both the total income (loss) before income taxes for the full year and the jurisdictions in which that income (loss) is subject to tax. The actual effective tax rate for the full year may differ from these estimates if income (loss) before income taxes is greater than or less than what was estimated or if the allocation of income (loss) to jurisdictions in which it is taxed is different from the estimated allocations.

The provision for income taxes represents Federal, state and local income taxes. The effective rate differs from statutory rates due to the effect of certain nondeductible expenses. Our effective tax rate will change from quarter to quarter based on recurring and non-recurring factors including, but not limited to, the geographical mix of earnings, enacted tax legislation, and state and local income taxes. In addition, changes in judgment from the evaluation of new information resulting in the recognition, derecognition or re-measurement of a tax position taken in a prior annual period is recognized separately in the quarter of the change.

Tax contingencies are recorded, if needed, to address potential exposure involving tax positions the Company has taken that could be challenged by tax authorities. These potential exposures could result from applications of various statutes, rules, regulations and interpretations. Any estimates of tax contingencies contain assumptions and judgments about potential actions by taxing jurisdictions. Any interest and penalties related to uncertain tax positions would be included as part of the income tax provision. The Company’s conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based upon ongoing analysis of or changes in tax laws, regulations and interpretations thereof as well as other factors.

Net Loss Per Share

The Company presents basic and diluted net loss per share attributable to holders of the Company’s Common Stock in conformity with the one-class method. The Company computes basic loss per share by dividing net loss available to Common Stockholders by the weighted-average number of Common Stock outstanding. Diluted loss/income per share adjusts basic loss per share for the potentially dilutive impact of convertible notes, stock options, restricted stock units and warrants. As the Company has reported losses for the years ended December 31, 2024 and 2023, all potentially dilutive securities including convertible notes, stock options, restricted stock units and warrants, are anti-dilutive, and accordingly, basic net loss per share equals diluted net loss per share for those periods.

Net loss per share calculations for all periods have been adjusted to reflect the reverse stock splits effected on July 5, 2023 and October 8, 2024.

Recently Adopted Accounting Pronouncements

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280) - Improvements to Reportable Segment Disclosures, to provide enhanced segment disclosures. The standard will require disclosures about significant segment expense categories and amounts for each reportable segment, for all periods presented. Additionally, the standard requires public entities to disclose the title and position of the Chief Operating Decision Maker (“CODM”) in the consolidated financial statements. These enhanced disclosures are required for all entities on an interim and annual basis, effective for fiscal years beginning after December 15, 2023, and interim periods within annual periods beginning after December 15, 2024. The adoption of this standard did not have a material impact on the Company’s consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Recently Announced Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09, Improvements to Income Tax Disclosures, a final standard on improvements to income tax disclosures. The standard requires disaggregated information about a reporting entity’s effective tax rate reconciliation as well as information on income taxes paid. The standard applies to all entities subject to income taxes and is intended to benefit investors by providing more detailed income tax disclosures that would be useful in making capital allocation decisions. For public business entities (PBEs), the new requirements will be effective for annual periods beginning after December 15, 2024. The guidance will be applied on a prospective basis with the option to apply the standard retrospectively. The Company is currently in the process of evaluating the effect of this guidance on its financial statements.

In November 2024, the FASB issued ASU 2024-03, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Topic 220): Disaggregation of Income Statement Expenses. This guidance requires additional disclosure of certain amounts included in the expense captions presented on the Statement of Operations as well as disclosures about selling expenses. The ASU is effective on a prospective basis, with the option for retrospective application, for annual periods beginning after December 15, 2026 and interim reporting periods beginning after December 15, 2027. Early adoption is permitted for annual financial statements that have not yet been issued. The Company is currently evaluating the impact of this ASU on its consolidated financial statements and related disclosures.

In November 2024, the FASB issued ASU 2024-04, Debt with Conversion and Other Options (“ASU 2024-04”), which clarifies the requirements for determining whether certain settlements of convertible debt instruments should be accounted for as an induced conversion. ASU 2024-04 is effective for annual periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods. Early adoption is permitted for all entities that have adopted the amendments in Update 2020-06. Adoption can be on a prospective or retrospective basis. The Company is currently evaluating the disclosure impact that ASU 2024-04 may have on its financial statement presentation and disclosures.

Other recent accounting pronouncements did not or are not believed by management to have a material impact on the Company’s present or future consolidated financial statements.

Note 2 — Revenue and Contract Liabilities

Revenue

We generate revenue from equipment sales and hemp-derived beverage sales. The Company enters into time-and-materials contracts for equipment sales under which the Company is paid for labor and equipment at negotiated hourly billing rates and other expenses, including materials, as incurred at rates agreed to in the contract.

The following table provides the Company’s revenue from continuing operations disaggregated by the timing of revenue recognition:

| (In thousands) | Year Ended December 31, | |
|--------------------------------|--------------------------------|------------------|
| | 2024 | 2023 |
| Transferred at a point-in-time | \$ 9,348 | \$ 14,241 |
| Transferred over-time | 332 | 901 |
| Total revenue | \$ 9,680 | \$ 15,142 |

The following table provides the Company’s revenue from continuing operations disaggregated by revenue type:

| (In thousands) | Year Ended December 31, | |
|---------------------------------|--------------------------------|------------------|
| | 2024 | 2023 |
| Ancillary products and services | \$ 55 | \$ 444 |
| Extraction solutions | \$ 9,607 | \$ 14,698 |
| Hemp-derived beverages | 18 | — |
| Total revenue | \$ 9,680 | \$ 15,142 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In accordance with ASC 606, the Company is required to include disclosure on its remaining performance obligations as of the end of the current reporting period. Due to the nature of the Company's contracts, these reporting requirements are not applicable because the majority of the Company's remaining contracts meet certain exemptions as defined in ASC 606 through 606, including (i) performance obligation is part of a contract that has an original expected duration of one year or less and (ii) the right to invoice practical expedient.

Contract Liabilities

Changes in the Company's current contract liability balance for the years ended December 31, 2024 and 2023 were as follows:

| (In thousands) | Year Ended December 31, | |
|--|--------------------------------|-----------------|
| | 2024 | 2023 |
| Contract liabilities – beginning of period | \$ 3,008 | \$ 3,619 |
| Additions | 4,161 | 4,189 |
| Recognized | (4,644) | (4,800) |
| Contract liabilities – end of period | <u>\$ 2,525</u> | <u>\$ 3,008</u> |

Contract liabilities balances primarily consist of customer deposits on the Company's extraction solutions equipment. As of December 31, 2024 and December 31, 2023, all of the Company's contract liabilities balances were reported as current liabilities in the accompanying consolidated balance sheets.

Note 3 — Supplemental Consolidated Balance Sheet Information

Accounts Receivable, Net

Accounts receivable consisted of the following as of December 31, 2024 and December 31, 2023:

| (In thousands) | Year Ended December 31, | |
|----------------------------------|--------------------------------|---------------|
| | 2024 | 2023 |
| Accounts receivable, gross | \$ 2,050 | \$ 2,621 |
| Less allowance for credit losses | (1,702) | (1,766) |
| Accounts receivable, net | <u>\$ 348</u> | <u>\$ 855</u> |

The changes in the allowance for credit losses accounts consisted of the following:

| (In thousands) | Year Ended December 31, | |
|---|--------------------------------|-----------------|
| | 2024 | 2023 |
| Allowance for credit losses - beginning of period | \$ 1,766 | \$ 4,018 |
| (Recovery of) allowance for credit losses | 620 | (1,385) |
| Write-offs of uncollectible accounts | (684) | (867) |
| Allowance for credit losses - end of period | <u>\$ 1,702</u> | <u>\$ 1,766</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following as of December 31, 2024 and December 31, 2023:

| (In thousands) | Year Ended December 31, | |
|---|-------------------------|-----------------|
| | 2024 | 2023 |
| Prepaid insurance | \$ 86 | \$ 454 |
| Prepaid expenses, other | 218 | 82 |
| Prepaid software | 16 | 70 |
| Other receivables | 237 | 347 |
| Prepaid materials | 1,040 | 937 |
| Total prepaid expenses and other current assets | <u>\$ 1,597</u> | <u>\$ 1,890</u> |

Property and Equipment, Net

Property and equipment, net consisted of the following as of December 31, 2024 and December 31, 2023:

| (In thousands) | December 31, | December 31, |
|---|---------------|---------------|
| | 2024 | 2023 |
| Machinery and equipment | \$ 251 | \$ 286 |
| Software | 598 | 606 |
| Computer and office equipment | 534 | 588 |
| Leasehold improvements | — | 502 |
| Research and development laboratory equipment | 174 | 183 |
| Furniture and fixtures | 27 | 29 |
| Trade show assets | 28 | 78 |
| Vehicles | 43 | 43 |
| Total property and equipment, gross | 1,655 | 2,315 |
| Accumulated depreciation | (1,469) | (1,751) |
| Construction in progress | — | 31 |
| Total property and equipment, net | <u>\$ 186</u> | <u>\$ 595</u> |

Depreciation expense for the years ended December 31, 2024 and 2023 was \$0.3 million and \$0.7 million, respectively. Depreciation expense is recorded within selling, general and administrative, and research and development depending on the nature of the related property and equipment.

Construction in Progress (“CIP”) includes all direct and indirect costs related to the construction, development, or acquisition of tangible property and equipment that is not yet ready for use. All costs incurred during the construction phase are accumulated in the CIP account. Costs remain in the CIP account until the asset is substantially complete and ready for its intended use. Once the asset is ready for use, the total accumulated costs are transferred from the CIP account to the appropriate property and equipment account. The asset is then depreciated over its estimated useful life from the date it is placed into service. CIP is reviewed regularly to ensure that all costs are accurate and that the project is progressing as planned. Any indication of impairment is assessed, and if the carrying amount exceeds the recoverable amount, an impairment loss is recognized.

During the year ended December 31, 2024, the Company sold property and equipment with a cost basis of \$0.02 million in exchange for proceeds of \$0.02 million, resulting in a loss of \$0.003 million. During the year ended December 31, 2024, the Company disposed certain property and equipment for a loss of \$0.02 million, including \$0.01 million of research and development laboratory equipment recorded as research and development expense on the statements of operations. During the year ended December 31, 2024, the Company retired certain fully depreciated property and equipment which had an original cost of \$0.5 million, respectively.

During the year ended December 31, 2023, the Company sold Cultivation property and equipment in exchange for proceeds of \$0.07 million, resulting in a gain of \$0.1 million. During the year ended December 31, 2023, the Company retired certain fully depreciated property and equipment which had an original cost of \$0.1 million.

Other Non-Current Assets

Other non-current assets consists only of security deposits as of December 31, 2024 and December 31, 2023.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following as of December 31, 2024 and December 31, 2023:

| (In thousands) | Year Ended December 31, | |
|--|-------------------------|-----------------|
| | 2024 | 2023 |
| Sales tax payable | \$ 4,869 | \$ 4,813 |
| Litigation reserve | 1,669 | 110 |
| Accrued professional fees | 827 | 315 |
| Compensation related fees | 1,293 | 371 |
| Accrued warranty expenses | 47 | 104 |
| Accrued interest expense | 161 | 321 |
| Accrued consulting fees | 383 | 35 |
| Accrued inventory purchases | 48 | 10 |
| Accrued acquisition liabilities | — | 2,180 |
| Total accrued expenses and other current liabilities | <u>\$ 9,297</u> | <u>\$ 8,259</u> |

Accrued acquisition liabilities

Resulting from the 2021 acquisitions of Precision and Cascade from Sinclair (“Precision and Cascade”), the Company withheld from the transaction shares issuable to Precision and Cascade for the purpose of securing any post-closing adjustment owed to the Company and any claim for indemnification or payment of damages to which the Company may be entitled under the purchase agreement. The accrued acquisition liabilities as of December 31, 2023 represent the value of this held back Common Stock at the price per share at the time of the transaction.

On June 15, 2023, the Company and its wholly-owned subsidiary, Precision, filed an Amended Verified Complaint in the Court of Chancery of the State of Delaware against Sinclair and certain individual defendants (the “Delaware Action”). The claims filed in the Delaware Action concern various breaches of the plan of merger and equity purchase agreement dated September 29, 2021, by and between the Company, Sinclair, Mass2Media, LLC, and certain of their members (the “Merger Agreement”). In response to the Delaware Action, certain of the defendants filed counterclaims for breach of contract and declaratory judgment against the Company and Precision alleging breach of the Merger Agreement. Pursuant to a Settlement and Release Agreement, dated December 14, 2023, the Company and Sinclair dismissed all legal claims and entered into a settlement for an undisclosed amount. As a result of this settlement, the Company derecognized the accrued acquisition liability and issued the held back Common Stock in the first quarter of 2024 at Agrify’s price per share at the time of issuance. The difference between the value of the shares at issuance and the derecognized liabilities was recorded as a gain within change in contingent consideration within the Company’s consolidated statement of operations for the year ended December 31, 2024.

Accrued Warranty Expenses

The following table summarizes the activity related to the Company’s accrued liability for estimated future warranty costs:

| (In thousands) | Year Ended December 31, | |
|---|-------------------------|---------------|
| | 2024 | 2023 |
| Warranty accrual – beginning of period | \$ 104 | \$ 310 |
| Liabilities accrued for warranties issued during the period | — | 86 |
| Warranty accruals paid during the period | 118 | (292) |
| Assumed in Cultivation Sale | (175) | — |
| Warranty accrual – end of period | <u>\$ 47</u> | <u>\$ 104</u> |

Note 4 — Fair Value Measures

Fair Values of Assets and Liabilities

In accordance with ASC Topic 820, Fair Value Measurement, the Company measures fair value at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the assumptions that market participants would use in pricing an asset or liability (the inputs) are based on a tiered fair value hierarchy consisting of three levels, as follows:

Level 1: Observable inputs such as quoted prices for identical assets or liabilities in active markets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Level 2: Other inputs that are observable directly or indirectly, such as quoted prices for similar instruments in active markets or for similar markets that are not active.

Level 3: Unobservable inputs for which there is little or no market data which require the Company to develop its own assumptions about how market participants would price the asset or liability.

Valuation techniques for assets and liabilities include methodologies such as the market approach, the income approach or the cost approach, and may use unobservable inputs such as projections, estimates and management’s interpretation of current market data. These unobservable inputs are only utilized to the extent that observable inputs are not available or cost-effective to obtain.

At December 31, 2024 and December 31, 2023, the Company’s assets and liabilities measured at fair value on a recurring basis were as follows:

| (In thousands) | December 31, 2024 | | | | December 31, 2023 | | | |
|--|---|---------|---------|--------|---|---------|----------|----------|
| | Fair Value Measurements Using Input Types | | | | Fair Value Measurements Using Input Types | | | |
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | | | | | |
| Money market funds | \$ — | — | — | \$ — | \$ — | — | — | \$ — |
| Total assets | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| Liabilities: | | | | | | | | |
| Warrant liabilities - January 2022 warrants | \$ — | \$ — | \$ 1 | \$ 1 | \$ — | \$ — | \$ 1 | \$ 1 |
| Warrant liabilities - March 2022 warrants | — | — | 15 | 15 | — | — | 7 | 7 |
| Warrant liabilities - August 2022 warrants | — | — | 46 | 46 | — | — | 18 | 18 |
| Warrant liabilities - December 2022 warrants | — | — | 934 | 934 | — | — | 1,264 | 1,264 |
| Total liabilities | \$ — | \$ — | \$ 996 | \$ 996 | \$ — | \$ — | \$ 1,290 | \$ 1,290 |

Fair Value of Financial Instruments

The Company has certain financial instruments which consist of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, contingent consideration, operating lease liabilities, long-term debt, related party debt, and warrant liabilities. Fair value information for each of these instruments as well as other balances of the Company are as follows:

- Cash and cash equivalents, accounts payable, and accrued expenses approximate their fair value based on the short-term nature of these instruments.
- Accounts receivable are presented net of an allowance for estimated credit losses, which approximates fair value.
- The carrying value of lease liabilities approximates fair value due to the implicit discount rates used in the determination of the lease liabilities being consistent with the Company’s incremental borrowing rates at the time of lease inception and accounting for the duration of the leases.
- Long-term debt and related party debt, including the debt that has undergone troubled debt restructuring, is carried at amortized cost, dictated by the prevailing market interest rates at the time of each transaction in accordance with ASC Topic 470, Debt (“ASC 470”).
- The Company’s warrant liabilities are marked-to-market each reporting period with the changes in fair value of warrant liabilities recorded in other income (expense), net in the accompanying consolidated statements of operations until the warrants are exercised. The fair value of the warrant liabilities are estimated using a Black-Scholes option-pricing model.
- As detailed in Note 12 - Stockholders’ Equity (Deficit), during the year ended December 31, 2024, the Company amended Pre-Funded Warrants that had been issued to a related party such that they again became liability classified. These warrants were marked to fair value upon the execution of this amendment in August 2024. Through an additional amendment executed as of December 31, 2024, the warrants again met the requirements for equity classification and were marked to fair value at the moment of the amendment and then reclassified from liability to equity. The warrants will not be marked to fair value on a recurring basis.

AGRIFY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Warrant Liabilities

The estimated fair value of the warrant liabilities as of December 31, 2024 and 2023 is determined using Level 3 inputs. Inherent in a Black-Scholes option-pricing model are assumptions used in calculating the estimated fair values that represent the Company's best estimate. The volatility rate is determined utilizing the Company's own share price and the share price of competitors over time.

However, inherent uncertainties are involved. If factors or assumptions change, the estimated fair values could be materially different.

The following table summarizes the Company's assumptions used in the valuations as of December 31, 2024 and 2023:

| | <i>January 2022 Warrants</i> | <i>March 2022 Warrants</i> | <i>August 2022 Warrants</i> | <i>December 2022 Warrants</i> |
|--------------------------------|----------------------------------|--------------------------------|---------------------------------|---------------------------------------|
| | December 31, 2024 | | | |
| Stock price | \$ 28.99 | \$ 28.99 | \$ 28.99 | \$ 28.99 |
| Exercise price | \$ 22,440.00 | \$ 6,450.00 | \$ 3,690.00 | \$ 0.14 |
| Expected term (in Years) | 2.08 | 2.73 | 3.14 | 2.97 |
| Volatility | 171.00% | 171.00% | 171.00% | 171.00% |
| Discount rate - treasury yield | 4.27% | 4.27% | 4.27% | 4.27% |

| | <i>January 2022 Warrants</i> | <i>March 2022 Warrants</i> | <i>August 2022 Warrants</i> | <i>December 2022 Warrants</i> |
|--------------------------------|----------------------------------|--------------------------------|---------------------------------|---------------------------------------|
| | December 31, 2023 | | | |
| Stock price | \$ 1.26 | \$ 1.26 | \$ 1.26 | \$ 1.26 |
| Exercise price | \$ 1,496.00 | \$ 430.00 | \$ 246.00 | \$ 3.45 |
| Expected term (in Years) | 3.57 | 4.13 | 4.13 | 4.13 |
| Volatility | 138.00% | 136.00% | 136.00% | 136.00% |
| Discount rate - treasury yield | 3.96% | 3.91% | 3.91% | 3.91% |

The following table sets forth a summary of the changes in the fair value of the Level 3 warrant liabilities for the years ended December 31, 2024 and 2023:

| | <u>2024</u> | <u>2023</u> |
|---|---------------|-----------------|
| Warrant liabilities - beginning of period | \$ 1,290 | \$ 5,985 |
| Initial fair value of warrant liabilities | 5,601 | — |
| Exercise of warrants | (3,026) | — |
| Reclassification of warrant liabilities to equity | (20,771) | — |
| Change in estimated fair value | 17,902 | (4,695) |
| Warrant liabilities end of period | <u>\$ 996</u> | <u>\$ 1,290</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 — Inventory

Inventories are stated at the lower of cost or net realizable value, with cost principally determined by the weighted-average cost method on a first-in, first-out basis. Such costs include the acquisition cost for raw materials and operating supplies.

Inventory consisted of the following as of December 31, 2024 and December 31, 2023:

| (In thousands) | Year Ended December 31, | |
|-----------------------|--------------------------------|-------------|
| | 2024 | 2023 |
| Finished goods | \$ 845 | \$ 627 |
| Inventory for resale | 1,763 | 2,600 |
| Raw materials | 4,498 | 6,620 |
| Inventory, gross | 7,106 | 9,847 |
| Inventory reserves | (5,527) | (4,871) |
| Total inventory, net | \$ 1,579 | \$ 4,976 |

Inventory Reserves

The Company establishes an inventory reserve for obsolete, slow moving, and defective inventory. The Company calculates inventory reserves for obsolete, slow moving, or defective items as the difference between the cost of inventory and its estimated net realizable value. The reserves are based upon management's expected method of disposition.

Changes in the Company's inventory reserve are as follows:

| (In thousands) | Year Ended December 31, | |
|---|--------------------------------|-------------|
| | 2024 | 2023 |
| Inventory reserves – beginning of period | \$ 4,871 | \$ 7,051 |
| (Decrease) increase in inventory reserves | 656 | (2,180) |
| Inventory reserves – end of period | \$ 5,527 | \$ 4,871 |

Note 6 — Discontinued Operations

Cultivation Business Discontinued Operations

On December 31, 2024, the Company executed and closed the Purchase Agreement with CP for the sale of assets relating to the Company's Cultivation Business. The consideration for the sale of the Cultivation Business consisted of the assumption by CP of all the Company's secured indebtedness currently held by CP with an aggregate amount of principal and accrued interest of approximately \$7 million, as well as certain other liabilities related to the Cultivation Business. The sale represents efforts to strategically shift the Company's direction to focus on its hemp-related business operations. As a result, the Cultivation Business has been presented as discontinued operations in the consolidated financial statements for all periods presented.

The disposition resulted in a loss on sale of \$11.9 million along with a loss from discontinued operations of \$1.5 million for a total loss of \$13.4 million, which was recorded in net loss from discontinued operations in the consolidated statement of operations for the period ended December 31, 2024. The operating results of the Cultivation Business were reported as a net loss from discontinued operations in the consolidated statements of operations through December 31, 2024, the date of disposition, and were considered material. The net loss from discontinued operations for the period ended December 31, 2023 represents the Cultivation Business' operating results from the prior year. The assets and liabilities related to the Cultivation Business have been separately classified in the accompanying consolidated balance sheet as of December 31, 2023.

AGRIFY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The assets and liabilities associated with discontinued operations consisted of the following as of December 31, 2024 and 2023, respectively:

Carrying amounts of assets and liabilities associated with Cultivation Business included as part of discontinued operations:

| | December 31, 2024 | December 31, 2023 |
|---|------------------------------|------------------------------|
| Assets | | |
| Current assets: | | |
| Accounts receivable, net | \$ — | \$ 294 |
| Inventory, net | — | 13,194 |
| Prepaid expenses and other current assets | — | 2,366 |
| Current assets of discontinued operations | — | 15,854 |
| Loan receivable, net | — | 11,583 |
| Operating lease right-of-use assets | — | 1,283 |
| Property and equipment, net | — | 7,139 |
| Other non-current assets | — | 113 |
| Non-current assets of discontinued operations | — | 20,118 |
| Total assets of discontinued operations | <u>\$ —</u> | <u>\$ 35,972</u> |
| Carrying amounts of liabilities associated with Cultivation Business included as part of discontinued operations: | | |
| Current liabilities: | | |
| Accounts payable | \$ — | \$ 16,378 |
| Accrued expenses and other current liabilities | — | 2,396 |
| Operating lease liabilities, current | — | 392 |
| Contract liabilities | — | 1,011 |
| Current liabilities of discontinued operations | — | 20,177 |
| Operating lease liabilities, net of current | — | 1,063 |
| Non-current liabilities of discontinued operations | — | 1,063 |
| Total liabilities | <u>\$ —</u> | <u>\$ 21,240</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes the Company's loss from discontinued operations for the years ended December 31, 2024 and 2023, respectively:

| | For the year ended December 31, | |
|--|------------------------------------|----------------|
| | 2024 | 2023 |
| Income and expense line items related to Cultivation Business: | | |
| Revenue | \$ 550 | \$ 1,726 |
| Cost of goods sold | 4,562 | 466 |
| Gross profit (loss) | (4,012) | 1,260 |
| Selling, general and administrative | 3,624 | 7,082 |
| Gain on settlement of contingent liabilities | (5,935) | — |
| Gain on disposal on property and equipment | (50) | 132 |
| Total operating expenses | (2,361) | 7,214 |
| Operating loss from discontinued operations | (1,651) | (5,954) |
| Other Income (Expense) | | |
| Interest income, net | — | 292 |
| Loss on disposal of Cultivation business | (11,893) | — |
| Other income, net | 150 | 441 |
| Total other income (expense) | (11,743) | 733 |
| Net loss from discontinued operations | (13,394) | (5,221) |
| Income tax effect on discontinued operations | — | — |
| Loss from discontinued operations, net of income taxes | \$ (13,394) | \$ (5,221) |

The consolidated statements of cash flows includes continuing operations and discontinued operations. The following table summarizes the depreciation of long-lived assets, amortization of long-lived assets, provisions for credit losses and adjustments to net realizable value of inventories, and capital expenditures and disposals of discontinued operations for the years ended December 31:

| | 2024 | 2023 |
|---|----------|----------|
| Depreciation and amortization | \$ 1,073 | \$ 1,178 |
| (Recovery of) provision for credit losses | (270) | 144 |
| (Recovery of) provision for slow-moving inventory | 272 | (1,180) |
| Proceeds from disposal of property and equipment | — | 75 |

Note 7 — Business Combinations

The Company has determined that the below acquisition is a business combination under ASC 805, *Business Combinations*. It is accounted for by applying the acquisition method, whereby the assets acquired, and the liabilities assumed are recorded at their fair values with any excess of the aggregate consideration over the fair values of the identifiable net assets allocated to goodwill. Operating results have been included in these consolidated financial statements from the date of the acquisition, December 12, 2024. The resulting goodwill recorded primarily includes the expected synergies resulting from combining the operations of the acquired entity with those of the Company. Supplemental pro forma financial information has not been presented as the impact was not material to the Company's consolidated financial statements.

Acquisition of Señorita

On December 12, 2024, the Company acquired certain assets from Double or Nothing, the owner and creator of the Señorita brand of hemp-derived THC drinks as part of the Company's strategic plan to reposition itself as a distributor of hemp-derived THC beverages and similar products. The aggregate consideration exchanged for those assets consisted of 97,300 in Common Stock of Agrify as well as 432,700 pre-funded warrants (collectively the "Shares") for total non-cash consideration of approximately \$18.8 million. In addition, Agrify forgave \$0.4 million of debt as part of the consideration exchanged. The fair value of the Shares was based upon the closing price of Agrify's Common Stock as traded on Nasdaq on the date of the transaction.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company prepared a preliminary purchase price allocation for the business combination. The preliminary valuation was based on management's estimates and assumptions which are subject to change within the purchase price allocation period (generally not more than one year from the acquisition date). The primary areas of the purchase price allocation that are not yet finalized relate to the valuation of the intangible assets acquired and the residual goodwill. Due to the acquisition occurring within close proximity to year-end, access to GAAP financial data and future forecasts were not able to be obtained to complete a final valuation analysis. As such, the intangible and goodwill values are subject to change once additional data becomes available as the values were based on preliminary financial information. The following table summarizes the initial accounting estimates:

Allocation of Purchase Price (in thousands)

| | |
|------------------------|------------------|
| Tradenames | \$ 6,100 |
| Customer Relationships | 2,800 |
| Deposits | 123 |
| Inventory | 500 |
| Goodwill | 9,713 |
| Total purchase price | <u>\$ 19,236</u> |

As part of the preliminary purchase accounting, the Company recorded intangible assets of \$8.9 million. The preliminary estimates for useful lives of the identified intangibles are 7 years for Tradenames and 10 years for Customer Relationships with a weighted average useful life of 7.94 years.

The Company recorded \$18,000 of revenue within the Company's Consolidated Statements of Operations for the period December 12, 2024, the date of acquisition, through December 31, 2024.

Transaction and related costs, consisting primarily of professional fees, related to the acquisition, totaled approximately \$0.3 million for the year ended December 31, 2024. All transaction and related costs were expensed as incurred and are included in general and administrative expense.

Note 8 — Intangible Assets

As of December 31, 2024, intangible assets were comprised of the following:

| | Estimated Useful Life in Years | Net Book Value at December 31, 2024 |
|------------------------|--------------------------------------|--|
| Customer Relationships | 10 | \$ 2,800 |
| Tradenames | 7 | 6,100 |
| | | <u>\$ 8,900</u> |

As of December 31, 2023, the Company did not have any intangible assets.

The estimated future amortization expense for the next five years and thereafter based on the preliminary purchase price allocation is as follows:

| Years ending December 31 (In thousands) | Future Amortization Expense |
|---|-----------------------------------|
| 2025 | \$ 1,151 |
| 2026 | 1,151 |
| 2027 | 1,151 |
| 2028 | 1,151 |
| 2029 | 1,151 |
| Thereafter | 3,145 |
| Total | <u>\$ 8,900</u> |

Amortization expense recorded in general and administrative expense in the consolidated statements of operations was immaterial for the years ended December 31, 2024, and 2023.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 — Goodwill

In connection with the acquisition of certain assets from Double or Nothing, the excess of the purchase price over the estimated fair value of the net assets assumed of \$9,713 thousand was recognized as goodwill.

The following is a roll forward of goodwill based upon the preliminary purchase price allocations (\$ in thousands):

| (In thousands) | Year Ended December 31, | |
|--|----------------------------|------|
| | 2024 | 2023 |
| Goodwill - beginning of period | \$ — | \$ — |
| Goodwill acquired during period (Note 7) | 9,713 | — |
| Goodwill - end of period | \$ 9,713 | \$ — |

Note 10 — Debt

The Company's debt consisted of:

| (In thousands) | December 31, | |
|-------------------------------------|--------------|-----------|
| | 2024 | 2023 |
| Related party debt: | | |
| CP Acquisitions Junior Secured Note | \$ — | \$ 3,799 |
| GIC Acquisition Note | — | 645 |
| Green Thumb Note | 10,000 | — |
| Total related party debt | 10,000 | 4,444 |
| Less: current portion | (10,000) | (4,444) |
| Related party debt, net of current | \$ — | \$ — |
| Short-term debt: | | |
| PPP Loan | 518 | — |
| Other Notes Payable - Current | 4 | — |
| Total short-term debt | \$ 522 | \$ — |
| Long-term debt: | | |
| PPP Loan | \$ — | \$ 518 |
| Other notes payable | 1 | 367 |
| Exchange Note | — | 6,669 |
| Convertible Note | — | 7,840 |
| Unamortized debt premium | — | 1,419 |
| Total long-term debt | 1 | 16,813 |
| Less: current portion | — | (766) |
| Long-term debt, net of current | \$ 1 | \$ 16,047 |

Exchange Note

On August 18, 2022, the Company issued a promissory note with an original principal amount of \$35.0 million (the "Exchange Note") to High Trail Special Situations LLC (the "Original Lender"). The Exchange Note was a senior secured obligation of the Company and ranked senior to all indebtedness of the Company. The Exchange Note had an original maturity date of August 18, 2025 (the "Original Maturity Date") and contained a 9.0% annualized interest rate, with interest to be paid monthly, in cash, beginning September 1, 2022. The principal amount of the Exchange Note would be payable on the Original Maturity Date, provided that the Original Lender was entitled to a cash sweep of 20% of the proceeds received by the Company in connection with any equity financing, which will reduce the outstanding principal amount under the Exchange Note.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On March 8, 2023, the Company entered into a Securities Exchange Agreement (the “Exchange Agreement”) with the Original Lender. Pursuant to the Exchange Agreement, at closing the Company prepaid approximately \$10.3 million in principal amount under the Exchange Note and exchanged \$10.0 million of the remaining principal balance of the Exchange Note for a new senior secured convertible note (the “Convertible Note”) with an original principal amount of \$10.0 million. After the closing of the Exchange Agreement, the August 18, 2022 Exchange Note had a remaining balance of \$11.7 million. Refer to “Consolidated CP Acquisitions Note” below for subsequent activity related to the balance originating from this note. The following amendments have all been included in the sale of the Cultivation Business. Refer to Note 6 - Discontinued Operations below for subsequent activity related to these amendments.

Convertible Note

In connection with the Exchange Agreement the Company issued the Convertible Note, which bore a 9.0% annualized interest rate, with interest to be paid monthly, in cash, beginning April 1, 2023. The principal amount of the Convertible Note would be payable on the Original Maturity Date, provided that the Original Lender was entitled to a cash sweep of 30% of the proceeds of any at-the-market equity offering and 20% of the proceeds received by the Company in connection with any other equity financing, which would reduce the outstanding principal amount under the Exchange Note or the Convertible Note.

At any time, the Company would prepay all of the Convertible Note by redemption at a price equal to 102.5% of the then-outstanding principal amount under the Convertible Note plus accrued but unpaid interest. The Original Lender had the option of requiring the Company to redeem the Convertible Note (i) on August 19, 2023 or August 19, 2024 at a price equal to the then-outstanding principal amount under the Convertible Note plus accrued but unpaid interest, provided that the redemption right on August 19, 2023 would not be exercisable if the Company raised at least \$8.0 million in gross proceeds from equity offerings prior to such date, or (ii) if the Company undergoes a fundamental change (as defined below) at a price equal to 102.5% of the then-outstanding principal amount under the Convertible Note plus accrued but unpaid interest.

The Convertible Note imposed certain customary affirmative and negative covenants upon the Company, as well as covenants that would (i) restrict the Company and its subsidiaries from incurring any additional indebtedness or suffering any liens, subject to specified exceptions, (ii) restrict the ability of the Company and its subsidiaries from making certain investments, subject to specified exceptions, and (iii) restrict the declaration of any dividends or other distributions, subject to specified exceptions. If an event of default under the Convertible Note occurred, the Original Lender can elect to redeem the Convertible Note for cash equal to (A) 115% of the then-outstanding principal amount of the Convertible Note (or such lesser principal amount accelerated by the Original Lender), plus accrued and unpaid interest, including default interest, which accrues at a rate per annum equal to 15% from the date of a default or event of default, or, only in connection with certain events of default, (B) the greater of the amount under clause (A) or the sum of (i) 115% of the product of (a) the conversion rate in effect as of the trading day immediately preceding the date that the Original Lender delivers a notice of acceleration; (b) the total then outstanding principal amount under the Convertible Note (in thousands); and (c) the greater of (1) the highest daily volume weighted average price (“VWAP”) per share of Common Stock occurring during the fifteen consecutive trading days ending on, and including, the trading day immediately before the date the Original Lender delivers such notice and (2) the highest daily VWAP per share of Common Stock occurring during the fifteen consecutive trading days ending on, and including, the trading immediately before the date the applicable event of default occurred and (ii) the accrued and unpaid interest on the Convertible Note.

Until the date the Convertible Note was fully repaid, the Original Lender had, subject to certain exceptions, the right to participate for up to 30% of any offering of debt, equity (other than an offering of solely Common Stock), or equity-linked securities, including without limitation any debt, preferred stock or other instrument or security, of the Company or its subsidiaries.

If the Original Lender elected to convert the Convertible Note, the conversion price per share would be \$114.60, subject to customary adjustments for certain corporate events. The conversion of the Convertible Note would be subject to certain customary conditions. The Convertible Note could not be converted into shares of Common Stock if such conversion would result in the Original Lender and its affiliates owning an aggregate of in excess of 4.99% of the then-outstanding shares of Common Stock, provided that upon 61 days’ notice, such ownership limitation may be adjusted by the Original Lender, but in any case, no greater than 9.99%.

The Company evaluated the embedded features in accordance with ASC 815 and determined that the embedded features are not required to be bifurcated and separately measured at fair value.

On April 26, 2023, the Original Lender elected to convert \$1.6 million of the remaining outstanding principal amount on the Convertible Note for 10,241 shares of Common Stock of the Company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On May 1, 2023, the Company entered into a letter agreement with the Original Lender, pursuant to which the Company and the Original Lender agreed to exchange or redeem \$2.0 million of the remaining outstanding principal amount under the Exchange Note for a total of 29,679 shares of Common Stock of the Company, subject to a Beneficial Ownership Limitation of 4.99% of the Company's Common Stock. Due to the Beneficial Ownership Limitation of 4.99%, a total of 4,638 shares of Common Stock of the Company were issued to the Original Lender, with the remaining 25,042 shares held in abeyance until the balance (or portion thereof) may be issued in compliance with such limitations. As a result, the Company recognized a loss on the redemption of approximately \$12 thousand. Refer to "Consolidated CP Acquisitions Note" below for subsequent activity related to the balance originating from this note.

CP Acquisitions Junior Secured Note

On October 27, 2023, CP, an entity affiliated with and controlled by the Company's former chairman and Chief Executive Officer and a former member of the Company's Board, purchased the Exchange Note and the Convertible Note from the Original Lender (the "Note Purchase"). In connection with the Note Purchase, CP agreed to waive any events of default under the acquired notes through December 31, 2023. As part of the same transaction, the Company issued a junior secured promissory note (the "Junior Secured Note") to CP. Pursuant to the Junior Secured Note, CP would lend up to \$3.0 million to the Company. The Junior Secured Note bore interest at a rate of 10% per annum, would mature in full on December 31, 2023, and could be prepaid without any fee or penalty. On December 4, 2023, CP and the Company amended and restated the Junior Secured Note agreement. Pursuant to the terms of the amendment, the maximum principal amount that may be loaned by CP to the Company was increased to \$4.0 million and extended the maturity date thereon to December 31, 2024. Refer to "Consolidated CP Acquisitions Note" below for subsequent activity related to the balance originating from this note.

Convertible Note Forgiveness

On November 30, 2023, CP agreed to forgive \$1.0 million of the principal amount outstanding on the Convertible Note (the "Principal Forgiveness"). The Principal Forgiveness was accounted for as a troubled debt restructuring under ASC 470, as 1) the Company was determined to be experiencing financial difficulties as defined by the ASC, and 2) the Principal Forgiveness was deemed a concession by CP. Per ASC 470, a debtor in a troubled debt restructuring involving only modification of terms of a payable (i.e., not involving a transfer of assets or grant of an equity interest) shall account for the effects of the restructuring prospectively from the time of restructuring and shall not change the carrying amount of the payable at the time of the restructuring unless the carrying amount exceeds the total future cash payments specified by the new terms. As the future undiscounted cash flows were greater than or equal to the net carrying value of the original debt, the carrying amount of the debt at the time of the restructuring was not changed.

Consolidated CP Acquisitions Note

On January 25, 2024, the Company and CP consolidated the outstanding principal and interest due under the Junior Secured Note and the Exchange Note as well as the interest due under the Convertible Note into the Convertible Note (collectively, with the Junior Secured Note and the Exchange Note, the "Consolidated Notes"), and amended and restated the Convertible Note under a Senior Secured Amended, Restated, and Consolidated Convertible Note agreement (the "Restated Note") having a total outstanding principal of \$18.3 million (the "New Lender Debt Consolidation"). The Restated Note bore interest at a rate of 10% per annum and would mature in full on December 31, 2025. The Company could redeem all or a portion not less than \$5.0 million of principal at any time at a price equal to 102.5% of the redeemed principal amount plus accrued but unpaid interest.

The Restated Note imposed certain customary affirmative and negative covenants upon the Company, as well as covenants that (i) restricted the Company and its subsidiaries from incurring any additional indebtedness or suffering any liens, subject to specified exceptions, (ii) restricted the ability of the Company and its subsidiaries from making certain investments, subject to specified exceptions, and (iii) restricted the declaration of any dividends or other distributions, subject to specified exceptions. If an event of default under the Restricted Note had occurred, then the then outstanding principal and all accrued and unpaid interest on the Restated Note would immediately become due and payable.

If CP elected to convert the Restated Note, the conversion price per share would be \$21.90, subject to customary adjustments for certain corporate events. The conversion of the Restated Note would be subject to certain customary conditions. The Restated Note could not be converted into shares of Common Stock if such conversion would result in CP and its affiliates owning an aggregate of in excess of 49.99% of the then-outstanding shares of Common Stock.

Immediately following the execution of the Restated Note, CP elected to convert approximately \$3.9 million of outstanding principal into an aggregate of 178,108 shares of Common Stock (the "January Conversion") having a fair value of approximately \$1.7 million. As the January Conversion was exercised by the CP in conjunction and in connection with the New Lender Debt Consolidation, the two transactions combined were considered a modification of the total debt outstanding with CP (the "CP Debt Restructuring").

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The CP Debt Restructuring was accounted for as a troubled debt restructuring under ASC 470, as 1) the Company was determined to be experiencing financial difficulties as defined by the ASC, and 2) the CP Debt Restructuring was deemed to result in a concession by CP. The Company performed a comparison of the undiscounted cash flows associated with the Restated Note subsequent to the CP Debt Restructuring to the carrying value of the Consolidated Notes as of the CP Debt Restructuring date. The net carrying value of the Consolidated Notes was determined to exceed the undiscounted future cash flows of the Restated Note after consideration of the January Conversion by approximately \$0.7 million (the “CP Debt Restructuring Excess Carrying Value”). The Restated Note was thus written down to the amount of the undiscounted future cash flows on the Restated Note from the CP Restructuring date to maturity. Further, as CP was a related party of the Company, the CP Debt Restructuring Excess Carrying Value was accounted for as a capital transaction and no gain or loss was recognized related to the restructuring.

Aggregate interest expense related to the CP Acquisitions Note described above was \$.1 million for the year ended December 31, 2024. Refer to Note 6 - Discontinued Operations below for subsequent activity as this Note relates to the sale of the Cultivation Business.

GIC Acquisition Note

On July 12, 2023, the Board of Directors of the Company approved the issuance of an unsecured promissory note (the “GIC Note”, and, collectively with the Consolidated Note, the “Related Party Notes”) to GIC Acquisition, LLC (“GIC”), an entity that is owned and managed by the Company’s former Chairman and Chief Executive Officer. Pursuant to the GIC Note, GIC was obligated to lend up to \$0.5 million to the Company, \$0.3 million of which was delivered at issuance and the remaining \$0.2 million delivered on July 31, 2023. The GIC Note bore interest at a rate of 10% per annum, would mature in full on August 6, 2023, and could be prepaid without any fee or penalty. The GIC Note ranked junior to all existing secured indebtedness of the Company. On October 27, 2023, the maturity date of the GIC Note was subsequently amended to December 31, 2024 at which point principal and accrued interest will be repaid in full. Interest expense incurred on the GIC Note amounted to \$47.7 thousand for the year ended December 31, 2024. Refer to “Amendment of Related Party Notes” below for subsequent activity related to the balance originating from this note.

Amendment of Related Party Notes

On May 21, 2024, the Company and CP entered into an amendment to the Restated Note (the “Consolidated Note Amendment”), pursuant to which CP Acquisitions could elect, in lieu of shares of Common Stock issuable upon conversion of the Restated Note, to instead receive Pre-Funded Warrants (“Pre-Funded Warrants”). The conversion price applicable to the Pre-Funded Warrants remained unchanged at \$21.90.

Immediately following the execution of the Consolidated Note Amendment, CP elected to convert \$11.5 million of outstanding principal into a Pre-Funded Warrant exercisable at issuance for up to 525,114 shares of Common Stock having a fair value of approximately \$2.9 million (the “CP Warrant Conversion”).

On May 21, 2024, GIC and the Company amended and restated the GIC Note (the “Restated GIC Note”, and, collectively with the Consolidated Note Amendment, the “Related Party Debt Amendments”) to increase the aggregate principal amount to approximately \$2.3 million, extend the maturity date to December 31, 2025, and provide that the Restated Junior Note could be converted into Common Stock of the Company or, at GIC’s election, Pre-Funded Warrants, in each case at a conversion price of \$4.65.

Immediately following the execution of the Restated GIC Note, GIC elected to convert all of the outstanding principal under the Restated GIC Note into a Pre-Funded Warrant exercisable at issuance for up to 492,204 shares of Common Stock having a fair value of approximately \$2.7 million (the “GIC Warrant Conversion”, and, collectively with the CP Warrant Conversion, the “Related Party Warrant Conversions”).

As the Related Party Warrant Conversions were exercised in connection with the Related Party Debt Amendments by CP and GIC, related party lenders under common control (the “Related Party Lenders”), the transactions combined were considered a modification of the total debt outstanding with the related parties (the “Related Party Debt Restructuring”).

The Related Party Debt Restructuring was accounted for as a troubled debt restructuring under ASC 470, as i) the Company was determined to be experiencing financial difficulties as defined by the ASC, and ii) the Related Party Debt Restructuring was deemed to result in a concession by the Related Party Lenders. The Company performed a comparison of the aggregated undiscounted cash flows associated with the Related Party Notes subsequent to the Related Party Debt Restructuring to the aggregate carrying value of the Related Party Notes as of the Related Party Debt Restructuring date. The net carrying value of the Related Party Notes of \$10 million was determined to exceed the undiscounted future cash flows of the Related Party Notes as modified by the Related Party Debt Restructuring by approximately \$10 million (the “Related Party Debt Restructuring Excess Carrying Value”). The aggregate carrying value of the Related Party Notes was thus written down to the amount of the undiscounted future cash flows on the Related Party Notes from the Related Party Debt Restructuring date to maturity (the “Restructured Related Party Debt”). Further, as the Related Party Lenders are related parties of the Company, the Related Party Debt Restructuring Excess Carrying Value was accounted for as a capital transaction and no gain or loss was recognized related to the restructuring.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The consideration for the sale of the Cultivation Business included the assumption by CP of the Company’s secured indebtedness currently held by CP and included the Consolidated CP Acquisitions Note. The carrying value of the Consolidated CP Acquisitions Note was \$0 at December 31, 2024.

CP Acquisitions Promissory Note

On August 14, 2024, the Company issued a junior secured promissory note (the “2024 CP Note”) to CP. Pursuant to the 2024 CP Note, CP Acquisitions would lend up to \$1.5 million to the Company. The 2024 CP Note bore interest at a rate of 10% per annum, would mature in full on July 1, 2025, and could be prepaid without any fee or penalty. The note was subsequently amended to lend up to \$3.0 million to the Company. The 2024 CP Note was secured by the Company’s assets and ranked junior to existing secured indebtedness of the Company. The 2024 CP Note could be converted into Common Stock of the Company or, at CP Acquisitions’ election, Pre-Funded Warrants with an exercise price of \$0.001 per share, in each case at a conversion price of \$3.9495.

The consideration for the sale of the Cultivation Business included the assumption by CP of the Company’s secured indebtedness currently held by CP and included the 2024 CP Note. The carrying value of the 2024 CP Note was \$0 at December 31, 2024.

Green Thumb Convertible Note

On November 5, 2024, the Company issued a Secured Convertible Note (the “Green Thumb Note”) to RSLGH, LLC (the “Investor”), a subsidiary of Green Thumb Industries Inc. (“Green Thumb”). The Green Thumb Note is a secured obligation of the Company and ranks senior to all indebtedness of the Company except for indebtedness held by CP Acquisitions and Mack. The Green Thumb Note will mature on November 5, 2025 and has a 10.0% annualized interest rate, with interest to be paid on the first calendar day of each September and March while the Green Thumb Note is outstanding, in cash, beginning January 1, 2025. The principal amount of the Green Thumb Note will be payable on the maturity date. The Green Thumb Note provides for advances of up to \$20 million in the aggregate, of which \$10 million was advanced upon issuance.

The Green Thumb Note imposes certain customary affirmative and negative covenants upon the Company, including covenants relating to corporate existence, indebtedness, liens, distributions, affiliate transactions, and issuance of other notes. If an event of default under the Green Thumb Note occurs, the Investor can elect to redeem the Green Thumb Note for cash equal to the then-outstanding principal amount of the Green Thumb Note (or such lesser principal amount accelerated by the Investor), plus accrued and unpaid interest, including default interest, which accrues at a rate per annum equal to 14% from the date of a default or event of default, or, only in connection with certain events of default.

If the Investor elects to convert the Green Thumb Note, the conversion price per share will be \$3.158, subject to customary adjustments for certain corporate events. The conversion of the Green Thumb Note will be subject to certain customary conditions and the receipt of stockholder approval to the extent necessary under Nasdaq listing rules.

Borrowings under the Green Thumb Note during the year ended December 31, 2024 totaled \$10 million which are recorded on the Company’s consolidated balance sheets in related party debt. Interest expense incurred on the Green Thumb Note amounted to approximately \$156 thousand for the year ended December 31, 2024.

As of December 31, 2024, future minimum principal payments on all debt positions, excluding accrued interest amounts, were as follows:

Years ending December 31 (In thousands)

| | |
|-----------------------|------------------|
| 2025 | \$ 10,522 |
| Total future payments | <u>\$ 10,522</u> |

Note 11 — Leases

The determination if any arrangement contained a lease at its inception was done based on whether or not the Company has the right to control the asset during the contract period. The lease term was determined assuming the exercise of options that were reasonably certain to occur. Leases with an original lease term of 12 months or less at inception were not reflected in the Company’s consolidated balance sheet and those lease costs are expensed on a straight-line basis over the respective term. Leases with a term greater than 12 months were reflected as non-current right-of-use assets and current and non-current lease liabilities in the Company’s consolidated balance sheets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As the implicit interest rate in its leases was generally not known, the Company used its incremental borrowing rate as the discount rate for purposes of determining the present value of its lease liabilities. The Company's incremental borrowing rate was determined using the interest rate on a long-term debt position entered into at approximately the same time and for the same duration as the lease. At December 31, 2024 and December 31, 2023 the Company's weighted-average discount rate utilized for its leases was 9.67% and 7.51%, respectively.

The Company had several non-cancelable finance leases for machinery and equipment, all of which ended or were terminated during 2023. As of December 31, 2024, the Company had no active finance leases.

When a contract contained lease and non-lease elements, both were accounted for as a single lease component.

The Company has several non-cancellable operating leases for corporate offices, warehouses, showrooms, research and development facilities and vehicles. The Company's leases have remaining lease terms of one year to four years, some of which include options to extend. Some leases include payment for communal area maintenance associated with the property. Cash paid for operating leases during the years ended December 31, 2024 and 2023 were \$0.5 million and \$1.0 million, respectively.

During the year ended December 31, 2024, one of the Company's leased assets was sold by the lessor to another counterparty, effectively cancelling the remainder of the lease with the Company. There were no penalties arising from the cancellation. The Company recognized a gain on early termination in the amount of \$50 thousand in the period, calculated as the difference between the remaining right-of-use asset and lease liability at the time of termination.

Additional information on the Company's operating and financing lease activity was as follows:

| (In thousands) | Year Ended December 31, | |
|-------------------------------------|-------------------------|--------|
| | 2024 | 2023 |
| Operating lease cost | \$ 211 | \$ 531 |
| Finance lease cost: | | |
| Amortization of right-of-use assets | — | 113 |
| Interest on lease liabilities | — | 12 |
| Total lease cost | \$ 211 | \$ 656 |

| (In thousands) | Year Ended December 31, | |
|--|-------------------------|------------|
| | 2024 | 2023 |
| Weighted-average remaining lease term – operating leases | 2.15 years | 3.09 years |
| Weighted-average discount rate – operating leases | 9.67% | 7.51% |

| (In thousands) | Balance Sheet Location | December 31, | |
|--|--|--------------|--------|
| | | 2024 | 2023 |
| Assets | | | |
| Operating lease right-of-use assets | Operating lease right-of-use assets | \$ 504 | \$ 520 |
| Total lease assets | | \$ 504 | \$ 520 |
| Liabilities | | | |
| Operating lease liabilities, current | Operating lease liabilities, current | \$ 261 | \$ 207 |
| Operating lease liabilities, non-current | Operating lease liabilities, non-current | 257 | 331 |
| Total operating lease liabilities | | \$ 518 | \$ 538 |

Note 12 — Stockholders' Equity (Deficit)

Public Offerings

On February 27, 2024, the Company entered into a placement agency agreement (the "Agency Agreement") with Alexander Capital, LP ("Alexander Capital") as placement agent (the "Placement Agent"), pursuant to which the Company agreed to issue and sell an aggregate of 184,000 shares of its Common Stock, and, in lieu of Common Stock to certain investors that so chose, Pre-Funded Warrants to purchase 264,246 shares of its Common Stock (the "S-1 Offering"). The public offering price for each share of Common Stock was \$5.70, and the offering price for each Pre-Funded Warrant is \$5.685, which equals the public offering price per share of the Common Stock, less the \$0.015 per share exercise price of each Pre-Funded Warrant.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company issued 4,482 warrants to purchase Common Stock to Alexander Capital (the “Placement Agents Warrants”). The Placement Agents Warrants were classified as equity and recorded under additional paid-in capital in the consolidated balance sheets. The Placement Agents Warrants have a five-year term and exercise price of 100% of the offering price, and are subject to adjustment for stock splits, reverse stock splits, stock dividends, and similar transactions. The Placement Agents Warrants will be exercisable on a cash basis, unless there is not an effective registration statement covering the issuance of the shares issuable upon exercise of the Placement Agents Warrants or if shareholder approval for the full exercise of the Placement Agents Warrants are not received, in which case the Placement Agents Warrants will also be exercisable on a cashless exercise basis at Alexander Capital’s election.

The measurement of fair value of the Placement Agents Warrants were determined utilizing a Black-Scholes model considering all relevant assumptions as of the date of issuance (i.e., share price of \$7.80, exercise price of \$5.70, term of five years, volatility of 128%, risk-free rate of 4.32%, and expected dividend rate of 0%). The grant date fair value of these Placement Agents Warrants was estimated to be \$31 thousand on February 27, 2024, and is reflected within additional paid-in capital as of December 31, 2024.

Equity Line of Credit Facility

On August 28, 2024, the Company entered into a purchase agreement (the “Ionic Agreement”) and a registration rights agreement with Ionic Ventures, LLC (“Ionic”), pursuant to which Ionic committed to purchase up to an aggregate of \$15.0 million of the Company’s Common Stock, subject to certain limitations, from time to time and at our sole discretion over the 36-month term of the Ionic Agreement.

From and after the date the registration statement relating to the resale of the shares sold to Ionic was declared effective, November 5, 2024, the Company may from time to time on any business day, by written notice delivered by the Company to Ionic, direct Ionic to purchase between \$250,000 and \$750,000 of shares of Common Stock on such business day, at a purchase price per share that will be equal to 93% (or 80% if the Common Stock is not then trading on the Nasdaq Capital Market) of the lowest daily VWAP over a specified measurement period beginning after the delivery of the purchase notice, as described further in the Purchase Agreement (each, a “Regular Purchase”). The Ionic Agreement also permitted the Company to deliver an exemption purchase notice for \$400,000 on the date of signing, with the shares so purchased to be delivered following the Commencement Date, and the Company delivered an exemption purchase notice for \$400,000 for the purchase by Ionic of 189,645 shares of Common Stock. On November 5, 2024, the Company issued 189,645 shares of Common Stock to Ionic. The Company will control the timing and amount of any sales of Common Stock to Ionic pursuant to the Ionic Agreement. Ionic has no right to require the Company to sell any shares of Common Stock to Ionic, but Ionic is obligated to make purchases as the Company directs, subject to certain conditions.

Related Party Warrant Issuance

On May 21, 2024, in connection with the Consolidated Note Amendment, the Company issued 492,204 and 525,114 Pre-Funded Warrants to GIC Acquisitions and CP (the “Related Party Pre-Funded Warrants”), respectively, in exchange of notes payable amounting approximately to \$2.29 million and \$11.5 million, respectively. The Related Party Pre-Funded Warrants can be used to purchase Company’s Common Stock with par value of \$0.001 at an exercise price of \$0.015. The Related Party Pre-Funded Warrants have been identified as freestanding financial instruments and were determined not to be indexed to the Company’s own stock. Accordingly, the Warrants are precluded from being classified within equity and classified as a liability with subsequent changes in fair value recognized each reporting period in earnings. The fair value of the Related Party Pre-Funded Warrants on the issuance date was \$5,600,334 determined as the intrinsic value.

On June 30, 2024, the Company executed an amendment to the Related Party Pre-Funded Warrants, pursuant to which the Company revised certain provisions of the Related Party Pre-Funded Warrants to (i) remove the adjustment to the exercise price of the Related Party Pre-Funded Warrants when there is a bona fide equity financing with the primary purpose of raising capital (the “Adjustment Provisions”) and (ii) increase the threshold for a change of control from 50% to greater than 50%. The classification of the Related Party Pre-Funded Warrants was reassessed upon the modification and the Related Party Pre-Funded Warrants were determined to meet all of the additional requirements for equity classification. Accordingly, as of June 30, 2024, the Company remeasured the Related Party Pre-Funded Warrants to its fair value immediately prior to the modification and recognized the change in fair value of approximately \$1.2 million in earnings. The Company then reclassified the Pre-Funded Warrant liability to stockholders’ equity at its post-modification fair value of \$6.8 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On August 12, 2024, the stockholders of the Company approved a proposal to amend the Related Party Pre-Funded Warrants to add the Adjustment Provisions at a future date. Pursuant to that approval, on August 28, 2024, the Company entered into amendments to the Related Party Pre-Funded Warrants to insert the Adjustment Provisions. This resulted in a reassessment of the Related Party Pre-Funded Warrants such that they no longer met the requirements for equity classification and became classified as liabilities. They were remeasured to their fair value upon modification, resulting in a reduction in value of approximately \$3.1 million. The fair value, as of August 28, 2024, of \$3,723,383 was reclassified to a warrant liability. As a result of the warrant amendments and the subsequent issuance of 189,645 shares of Common Stock to Ionic at an effective purchase price of \$2.109 per share of Common Stock, the number of shares of Common Stock underlying the Related Party Pre-Funded Warrant held by CP was adjusted to 5,452,288 and the number of shares of Common Stock underlying the Related Party Pre-Funded Warrant held by GIC Acquisition was adjusted to 1,085,122. On August 30, 2024, CP partially exercised its Pre-Funded Warrant and entities affiliated with Raymond Chang and I-Tseng Jenny Chan received an aggregate of 383,127 shares of Common Stock upon the exercise.

On September 27, 2024, the Company executed an amendment to the Related Party Pre-Funded Warrants to remove the Adjustment Provisions. Accordingly, the Related Party Pre-Funded Warrants met the requirements for equity classification. The amendment also included a provision preventing the holders from any additional exercise of either of the Related Party Pre-Funded Warrants at any time between September 27, 2024 and October 9, 2024. They were remeasured to their fair value upon modification resulting in an increase to the fair value of \$18,392,143. The fair value as of September 27, 2024 of \$20,770,707 was reclassified to equity.

PIPE

On November 20, 2024, the Company entered into Securities Purchase Agreements with institutional investors and other accredited investors for the sale by the Company of 203,988 shares (the “Shares”) of Common Stock, and pre-funded warrants (the “November 2024 Warrants”) to purchase up to an aggregate of 949,515 shares of Common Stock, in a private placement offering. The purchase price for one share of Common Stock is \$22.30 and the purchase price for one November 2024 Warrant is \$22.2999.

Each Pre-Funded Warrant is exercisable into one share of Common Stock at a price per share of \$0.0001 (as adjusted from time to time in accordance with the terms thereof) and will expire when such November 2024 Warrant is fully exercised.

Benjamin Kovler, Chairman and Interim Chief Executive Officer of the Company, participated in the private placement to purchase 10,000 shares of Common Stock on the same terms as other investors except for a purchase price of \$38.76.

The gross proceeds to the Company from the private placement were approximately \$25.9 million, before deducting the placement agent’s fees and other offering expenses of approximately \$0.1 million.

The November 2024 Warrants were classified as a component of stockholders’ equity. They are immediately exercisable and permit the holders to receive a fixed number of shares of Common Stock upon exercise. In addition, such warrants do not provide any guarantee of value or return.

Mack Warrants

In October 2023, the Company issued 50,000 warrants to Mack Molding Co. in conjunction with the Modification and Settlement Agreement (the “Mack Warrants”). The warrants have a three-year term and an exercise price of \$60.00 per share, and are subject to adjustment for stock splits, reverse stock splits, stock dividends, and similar transactions. The Mack Warrants will be exercisable on a cash basis, unless there is not an effective registration statement covering the resale of the shares issuable upon exercise of the warrants or if shareholder approval for the full exercise of the warrants are not received, in which case the Mack Warrant will also be exercisable on a cashless exercise basis at the Investor’s election.

The measurement of fair value of the Mack Warrants were determined utilizing a Black-Scholes model considering all relevant assumptions current at the date of issuance. The grant date fair value of these Investor Warrants was estimated to be \$1.6 million on October 18, 2023 and is reflected within additional paid-in capital as of December 31, 2023. These warrants were terminated a part of the December 16, 2024 settlement.

Note 13 — Stock-Based Compensation and Employee Benefit Plans

2022 Omnibus Equity Incentive Plan

On April 29, 2022, the Company’s Board of Directors, and on June 8, 2022, the Company’s stockholders, adopted and approved the 2022 Omnibus Equity Incentive Plan (the “2022 Plan”), which provides for the grant of stock options, stock appreciation right awards, performance share awards, restricted stock awards, restricted stock unit awards, other stock-based awards and cash-based awards. The aggregate number of shares of Common Stock that may be reserved and available for grant and issuance under the 2022 Plan is 1,765 shares and 16,667 additional shares issued upon approval by the Board of Directors on January 8, 2024. On August 12, 2024, the Company’s stockholders approved an amendment to the 2022 Plan to increase the number of shares issuable thereunder by 166,667. Shares will be deemed to have been issued under the 2022 Plan solely to the extent actually issued and delivered pursuant to an award. The 2022 Plan shall continue in effect, unless sooner terminated, until the tenth anniversary of the date on which it was adopted by the Board of Directors. As of December 31, 2024, there were 56,324 shares of Common Stock available to be granted under the Company’s 2022 Plan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company's stock compensation expense from continuing operations was \$1.2 million and \$2.7 million for the years ended December 31, 2024 and 2023, respectively.

The Company's stock compensation expense from discontinued operations was \$132 thousand and \$262 thousand for the years ended December 31, 2024 and 2023, respectively.

Stock Options

For the year ended December 31, 2024, there were no options granted or exercised under the Company's stock option plans. For the same period, there were 23 options expired with a weighted average exercise price of \$10,710.00. There were 216 and 688 options outstanding with a weighted average exercise price of \$18,610.56 and \$23,938.80 as of December 31, 2024 and 2023, respectively. There were 210 options vested and exercisable with a weighted average exercise price of \$18,725.71 as of December 31, 2024. There were 216 options vested and expected to vest with a weighted average exercise price of \$18,610.56 as of December 31, 2024.

As of December 31, 2024, total unrecognized compensation expense related to unvested options was \$6,302, which is expected to be recognized over a weighted average period of 0.27 years.

Stock options granted under the Company's 2022 Plan are generally non-qualified and are granted with an exercise price equal to the market price of the Company's Common Stock on the date of grant. The fair value of each option grant was estimated on the date of the grant using the Black-Scholes option-pricing model. This model incorporates certain assumptions for inputs including a risk-free market interest rate, expected dividend yield of the underlying Common Stock, expected option life, and expected volatility in the market value of the underlying Common Stock. No stock options were granted during the years ended December 31, 2024 and 2023.

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. The risk-free interest rate is based upon quoted market yields for United States Treasury debt securities with a term similar to the expected term. The expected dividend yield is based upon the Company's history of having never issued a dividend and management's current expectation of future action surrounding dividends. The Company calculates the expected volatility of the stock price based on the corresponding volatility of the Company's peer group stock price for a period consistent with the underlying instrument's expected term. The expected lives for such grants were based on the simplified method for employees and directors. Forfeitures are accounted for when they occur.

The following table presents option activity under the Company's stock option plans for the years ended December 31, 2024 and 2023:

| (In thousands, except share and per share data) | Number of Options | Weighted- Average Exercise Price | Aggregate Intrinsic Value |
|---|------------------------------|---|--|
| Options outstanding at January 1, 2023 | 896 | \$ 22,770.75 | \$ — |
| Forfeited | (14) | 114.14 | |
| Expired | (194) | 792.69 | |
| Options outstanding at December 31, 2023 | 688 | \$ 23,938.80 | \$ — |
| Granted | — | | |
| Forfeited | (449) | 26,095.64 | |
| Expired | (23) | 10,710.00 | |
| Options outstanding at December 31, 2024 | 216 | \$ 18,610.56 | \$ — |
| Options vested and exercisable as of December 31, 2024 | 210 | \$ 18,725.71 | |
| Options vested and expected to vest as of December 31, 2024 | 216 | \$ 18,610.56 | |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes information about options vested and exercisable at December 31, 2024:

| Options Vested and Exercisable | | | | | |
|--------------------------------|-------------------|---|---------------------------------|--|--|
| Price (\$) | Number of Options | Weighted-Average Remaining Contractual Life (Years) | Weighted-Average Exercise Price | | |
| \$ 14,580.00 | 84 | 3.08 | \$ 14,580.00 | | |
| \$ 6,840.00 | 73 | 0.97 | \$ 6,840.00 | | |
| \$ 41,520.00 | 49 | 4.39 | \$ 41,520.00 | | |
| \$ 43,470.00 | 4 | 6.22 | \$ 43,470.00 | | |

The following table summarizes information about options expected to vest after December 31, 2024:

| Options Vested and Expected to Vest | | | | | |
|-------------------------------------|-------------------|---|---------------------------------|--|--|
| Price (\$) | Number of Options | Weighted-Average Remaining Contractual Life (Years) | Weighted-Average Exercise Price | | |
| \$ 14,580.00 | 90 | 2.61 | \$ 14,580.00 | | |
| \$ 6,840.00 | 73 | 0.97 | \$ 6,840.00 | | |
| \$ 41,520.00 | 49 | 4.39 | \$ 41,520.00 | | |
| \$ 43,470.00 | 4 | 6.22 | \$ 43,470.00 | | |

Restricted Stock Units

Under the 2022 Plan, the Company may grant restricted stock units to employees, directors and officers. The restricted stock units granted generally vest equally over periods ranging from one to three years. The fair value of restricted stock units is determined based on the closing market price of the Company's Common Stock on the date of grant. Compensation expense related to the restricted stock units is recognized using a straight-line attribution method over the vesting period.

The following table presents restricted stock unit activity under the 2022 Plan for the year ended December 31, 2024:

| | Number of Shares | Weighted-Average Grant Date Fair Value |
|-------------------------------|------------------|--|
| Unvested at January 1, 2023 | 513 | \$ 3,461.25 |
| Granted | — | — |
| Vested | (161) | 3,462.00 |
| Forfeited | (209) | 3,462.00 |
| Unvested at December 31, 2023 | 143 | \$ 3,462.00 |
| Granted | 238,874 | 9.60 |
| Vested | (85,921) | 9.15 |
| Forfeited | (50,229) | 7.05 |
| Unvested at December 31, 2024 | 102,867 | \$ 17.42 |

As of December 31, 2024, total unrecognized compensation expense related to unvested restricted stock units was \$1.4 million, which is expected to be recognized over a weighted average period of 0.74 years.

2022 Employee Stock Purchase Plan

On April 29, 2022, the Company's Board of Directors, and on June 8, 2022, the Company's stockholders, adopted and approved the 2022 Employee Stock Purchase Plan ("ESPP"). The Company initially reserved 167 shares of Common Stock for issuance under the ESPP. On December 31, 2024 and 2023, no shares were available for future issuance.

Under the ESPP, eligible employees are granted options to purchase shares of Common Stock at the lower of 85% of the fair market value of the stock at the time of grant or 85% of the fair market value at the time of exercise. Options to purchase shares are granted twice yearly on or about August 1 and February 1 and are exercisable on or about the succeeding January 31 and July 31, respectively, of each year. No participant may purchase more than \$25,000 worth of Common Stock annually. During the years ended December 31, 2024 and 2023, 0 and 167 of Common Stock was granted under the 2022 ESPP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Employee Benefit Plan

The Company maintains an employee’s savings and retirement plan under Section 401(k) of the Internal Revenue Code (the “401(k) Plan”). All full-time U.S. employees become eligible to participate in the 401(k) Plan. The Company’s contribution to the 401(k) Plan is discretionary. During the year ended December 31, 2024 and 2023, the Company did not contribute to the 401(k) Plan.

Note 14 — Stock Warrants

The following tables present all warrant activity of the Company for the year ended December 31, 2024 and December 31, 2023:

| | Number of Warrants | Weighted- Average Exercise Price |
|---|-----------------------|--|
| Warrants outstanding at January 1, 2023 | 102,000 | \$ 571.05 |
| Issued | 262,353 | 0.15 |
| Exercised | (5,664) | — |
| Canceled | (2) | — |
| Warrants outstanding at December 31, 2023 | 358,687 | \$ 162.45 |
| Issued | 8,188,353 | 0.02 |
| Exercised | (913,350) | 0.12 |
| Canceled | (57,117) | 52.59 |
| Warrants outstanding at December 31, 2024 | 7,576,573 | \$ 7.30 |

The Company received proceeds from the exercise of Placement Agent Warrants of \$26,000 and Pre-Funded Warrants of \$10,000 for the year ended December 31, 2024.

Note 15 — Income Taxes

For financial reporting purposes, the net pre-tax book income and/or loss from continuing and discontinued operations for the U.S. and foreign entities, in the aggregate, was:

| (In thousands) | December 31, 2024 | December 31, 2023 |
|-----------------------|----------------------|----------------------|
| United States | \$ (41,746) | \$ (18,650) |
| Foreign | — | — |
| Total | \$ (41,746) | \$ (18,650) |

AGRIFY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Income tax expense (benefit) from continuing and discontinued operations consisted of the following for the years ended December 31, 2024 and December 31, 2023:

| (In thousands) | December 31, 2024 | December 31, 2023 |
|-----------------------|------------------------------|------------------------------|
| Current: | | |
| Federal | \$ — | \$ — |
| State | (2) | 2 |
| Foreign | — | — |
| Subtotal | <u>(2)</u> | <u>2</u> |
| Deferred: | | |
| Federal | — | — |
| State | — | — |
| Foreign | — | — |
| Subtotal | <u>—</u> | <u>—</u> |
| Total | <u>\$ (2)</u> | <u>\$ 2</u> |

The reconciliation between the Company's effective tax rate on income from continuing operations discontinued operations and the statutory tax rate for the years ended December 31, 2024 and December 31, 2023 is as follows:

| (In thousands) | December 31, 2024 | December 31, 2023 |
|------------------------------------|------------------------------|------------------------------|
| Current tax at U.S. statutory rate | \$ (8,767) | \$ (3,925) |
| Nondeductible/nontaxable items | 3,336 | (336) |
| State taxes | (872) | (458) |
| Rate change | (717) | 1,613 |
| True-up and other | 1,383 | 2,621 |
| Valuation allowance | 5,635 | 487 |
| Income tax expense (benefit) | <u>\$ (2)</u> | <u>\$ 2</u> |

Deferred income taxes reflect the net tax effects of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Realization of net deferred tax assets is dependent upon future earnings, if any, the timing and amount of which are uncertain.

AGRIFY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following items comprise the Company's net deferred tax assets and liabilities as of December 31, 2024 and December 31, 2023:

| (In thousands) | December 31, 2024 | December 31, 2023 |
|---|------------------------------|------------------------------|
| Deferred tax assets: | | |
| Net operating loss carryforward | \$ 48,662 | \$ 35,491 |
| Accruals, reserves, and other | 4,422 | 11,559 |
| Stock-based compensation | 442 | 706 |
| Research and development tax credit carryforward | — | — |
| Lease liability | 126 | 464 |
| Fixed assets | 116 | 246 |
| Intangible assets | 3,475 | 3,104 |
| Capitalized sec. 174 R&E | 1,731 | 2,068 |
| Credits | 1,221 | — |
| Uncertain tax positions | (1,221) | — |
| Total Deferred Tax Asset | 58,974 | 53,638 |
| Valuation allowance | (58,852) | (53,219) |
| Deferred income tax assets, net of Valuation Allowance | 122 | 419 |
| Deferred tax liabilities: | | |
| Right-of-Use Asset | (122) | (419) |
| Total Deferred Tax Liability | (122) | (419) |
| Net Deferred Tax Asset/(Liability) | \$ — | \$ — |

The Company continually evaluates the likelihood of the realization of deferred tax assets and adjusts the carrying amount of the deferred tax assets by the valuation allowance to the extent the future realization of the deferred tax assets is more likely than not. The Company considers many factors when assessing the likelihood of future realization of its deferred tax assets, including its recent cumulative earnings experience by taxing jurisdiction, expectation of future taxable income or loss, the carryforward periods available to the Company for tax reporting purposes, and other relevant factors.

As of December 31, 2024, based on the Company's history of earnings and its assessment of future earnings, management believes that it is more likely than not that future taxable income will not be sufficient to realize the deferred tax assets. Therefore full valuation allowance has been applied to deferred tax assets.

Effective for tax years beginning after December 31, 2021, taxpayers are required to capitalize any expenses incurred that are considered incidental to research and experimentation ("R&E") activities under U.S. Internal Revenue Code ("IRC") Section 174. While taxpayers historically had the option of deducting these expenses under IRC Section 174, the December 2017 Tax Cuts and Jobs Act mandates capitalization and amortization of R&E expenses for tax years beginning after December 31, 2021. Expenses incurred in connection with R&E activities in the U.S. must be amortized over a 5-year period if incurred, and R&E expenses incurred outside the U.S. must be amortized over a 15-year period. R&E activities are broader in scope than qualified research activities that are considered under IRC Section 41 (relating to the research tax credit).

As of the year ended December 31, 2024, the Company has federal and state net operating loss carryforwards of approximately \$197.6 million and \$128.7 million respectively. Federal net operating loss carryforwards in the amount of \$0.7 million begin expiring in 2036 and approximately \$196.9 million have an indefinite life. Federal net operating loss ("NOL") carryforwards generated after tax year 2021 are subject to an 80% limitation on taxable income, do not expire and will carryforward indefinitely. State net operating loss carryforwards in the amount of \$115.8 million begin expiring in 2039 and approximately \$12.8 million have an indefinite life.

AGRIFY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The utilization of the Company's NOLs may be subject to a U.S. federal limitation due to the "change in ownership provisions" under Section 382 of the IRC and other similar limitations in various state jurisdictions. Such limitations may result in a reduction of the amount of net operating loss carryforwards in future years and possibly the expiration of certain net operating loss carryforwards before their utilization.

| (In thousands) | December 31, 2024 | December 31, 2023 |
|---------------------------|------------------------------|------------------------------|
| Jurisdiction | NOL Available | NOL Available |
| Federal | \$ 675 | \$ 675 |
| Federal - Indefinite | 196,903 | 143,552 |
| Subtotal - Federal | 197,578 | 144,227 |
| State | 115,846 | 85,245 |
| State - Indefinite | 12,814 | 8,038 |
| Subtotal - State | 128,660 | 93,283 |
| Foreign | — | — |
| Foreign - Indefinite | — | — |
| Subtotal - Foreign | \$ — | \$ — |

The Company files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examinations by federal, foreign, and state and local jurisdictions, where applicable. There are currently no pending tax examinations. The Company's tax years are still open under statute from 2019 to the present in the U.S. and from 2019 to present in the Company's foreign operations. To the extent the Company has tax attribute carryforwards, the tax years in which the attribute was generated may still be adjusted upon examination by the Internal Revenue Service and state and local tax authorities to the extent utilized in a future period.

As required by the uncertain tax position guidance in ASC Topic 740 ("ASC 740"), Income Tax the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company applied the uncertain tax position guidance in ASC 740, Accounting for Income to all tax positions for which the statute of limitations remained open. Any estimates of tax contingencies contain assumptions and judgments about potential actions by taxing jurisdictions. Any interest and penalties related to uncertain tax positions would be included as part of the income tax provision.

The Company's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based upon ongoing analysis of or changes in tax laws, regulations and interpretations thereof as well as other factors.

Uncertain Tax Positions

Our unrecognized tax benefits at December 31, 2024 relate entirely to research and development tax credits. The total amount of unrecognized tax benefits at December 31, 2024 is \$1.2 million. If recognized, none of the unrecognized tax benefits would impact our effective tax rate. The following table summarizes the activity related to our unrecognized tax benefits (in thousands):

| (In thousands) | Year ended December 31, 2024 |
|---|---|
| Unrecognized benefit – beginning of period | \$ — |
| Prior period tax position increases | 1,100 |
| Current period tax position increases | 91 |
| Unrecognized benefit – end of period | \$ 1,191 |

Our policy is to recognize interest and penalties related to income taxes as components of interest expense and other expense, respectively. We incurred no interest or penalties related to unrecognized tax benefits in the years ended December 31, 2024 or 2023. We do not anticipate any significant changes in our uncertain tax positions within twelve months of this reporting date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16 — Net Loss Per Share

Net loss per share calculations for all periods have been adjusted to reflect the Company’s reverse stock splits. Net loss per share was calculated based on the weighted-average number of the Company’s Common Stock outstanding.

Basic net loss per share is calculated using the weighted-average number of shares of Common Stock outstanding during the periods. Diluted net loss per share is computed by giving effect to all potential shares of Common Stock, including convertible notes, outstanding stock options, stock related to unvested restricted stock units, and outstanding warrants to the extent dilutive. Net loss per share, assuming dilution, is equal to basic net loss per share for the years ended December 31, 2024 and 2023 because the effect of dilutive securities outstanding during the periods, including convertible notes, options, restricted stock units and warrants computed using the treasury stock method, is anti-dilutive.

The components of basic and diluted net loss per share were as follows:

| (In thousands, except share and per share data) | Year Ended December 31, | |
|--|--------------------------------|--------------------|
| | 2024 | 2023 |
| Numerator: | | |
| Net loss attributable to Agrify Corporation from continuing operations | \$ (28,352) | \$ (13,429) |
| Net loss attributable to Agrify Corporation from discontinued operations | \$ (13,394) | \$ (5,221) |
| Net loss available for common shareholders | <u>\$ (41,746)</u> | <u>\$ (18,650)</u> |
| Denominator: | | |
| Weighted-average common shares outstanding – basic and diluted | 1,020,185 | 99,391 |
| Net loss per share attributable to Common Stockholders – basic and diluted | <u>\$ (40.92)</u> | <u>\$ (187.64)</u> |

The Company’s potential dilutive securities, which include stock options, restricted stock units, and warrants, have been excluded from the computation of diluted net loss per share as the effect would be to reduce the net loss per share. Therefore, the weighted-average number of shares of Common Stock outstanding used to calculate both basic and diluted net loss per share attributable to holders of the Company’s Common Stock is the same. The Company excluded the following potential Common Stock equivalents presented based on amounts outstanding at each period end, from the computation of diluted net loss per share attributable to Common Stockholders for the periods indicated because including them would have had an anti-dilutive effect:

| | Year Ended December 31, | |
|---|--------------------------------|----------------|
| | 2024 | 2023 |
| Shares subject to outstanding stock options | 210 | 664 |
| Shares subject to unvested restricted stock units | 102,867 | 142 |
| Shares subject to outstanding warrants | <u>7,576,573</u> | <u>358,687</u> |
| | <u>7,679,650</u> | <u>359,493</u> |

Note 17 — Segment Reporting

The Company operates in one consolidated segment. The Company’s Chief Operating Decision Maker, Benjamin Kovler, Chairman and Interim Chief Executive Officer of the Company reviews net income (loss) of the Company when making resource allocation decisions. Such information is presented in the consolidated statements of operations.

Note 18 — Commitments and Contingencies

Legal Matters

From time to time, the Company may become involved in material legal proceedings or be subject to claims arising in the ordinary course of our business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bud & Mary's Litigation

On September 15, 2022, the Company provided a notice of default to Bud & Mary's Cultivation, Inc. ("Bud & Mary's") and certain related parties notifying such parties that Bud & Mary's was in default of its obligations under the TTK solution between the Company and Bud & Mary (the "Bud & Mary TTK Agreement"). On October 5, 2022, Bud & Mary's filed a complaint in the Superior Court of Massachusetts in Suffolk County, naming the Company as the defendant (the "Bud & Mary Complaint"). Bud & Mary's is seeking, among other relief, monetary damages in connection with alleged unfair or deceptive trade practices, breach of contract and conversion arising from the Bud & Mary TTK Agreement. While the Company believes the claim is without merit and will continue to vigorously defend itself against Bud & Mary's allegations, litigation is inherently unpredictable and there can be no assurance that the Company will prevail in this matter. During the third quarter of 2022, the Company deemed it necessary to fully reserve for the outstanding \$14.7 million note receivable balance due to the current litigation and the uncertainty of the customer's ability to repay the balance. As of December 31, 2024, the allowance related to Bud & Mary's was reduced to \$14.4 million, reflecting a recovery of allowance for credit losses resulting from a loan repayment of \$330 thousand that was previously included in the allowance. The \$14.4 million represents the amount of the contingent loss that the Company has determined to be reasonably possible and estimable. The actual cost of resolving this matter may be higher or lower than the amount the Company has reserved. If the Company is unable to realize revenue from its TTK Solution offerings on a timely basis or at all, or if it incurs an additional loss as a result of the Bud & Mary's claim, the Company's business and financial performance will be adversely affected. On November 14, 2022, the Company filed its answers and affirmative defenses to the Bud & Mary Complaint and counterclaims. The Company is seeking, among other relief, monetary damages in connection with the breach of contract, breach of the implied covenant of good faith and fair dealing, unjust enrichment, and enforcement of the guarantees. This matter is still actively ongoing. The parties are required to report on status to the court on March 21, 2025. This matter is subject to the Cultivation sale escrow litigation reserve agreement where the Company was required to fund \$1.5 million in January 2025 into escrow for the benefit of settling this and other claims.

Bowdoin Construction Corp. Litigation

On February 22, 2023, Bowdoin Construction Corp. ("Bowdoin") filed a complaint in the Superior Court of Massachusetts in Norfolk County, Massachusetts, naming the Company (the "Bowdoin Complaint"), Bud & Mary's and certain related parties as defendants, captioned Bowdoin Construction Corp. v. Agrify Corporation, Bud & Mary's Cultivation, Inc. and BMLC2, LLC, case no. 2382CV00173. The Bowdoin Complaint relates to a construction contract between Bowdoin and the Company relating to the property that is the subject of the Bud & Mary's Complaint, and alleges breach of contract by Bud & Mary's and by the Company due to nonpayment of approximately \$7.0 million due under the contract and related indemnification claims and mechanics' liens. \$6.3 million is included in accounts payable and \$700 thousand is included in accrued expenses and other current liabilities in the consolidated balance sheet. Two of Bowdoin's subcontractors, Hannon Electric, Inc. and Electric Supply Center Corp, have filed separate suits against Agrify in the amount of \$1.498 million and \$93 thousand, respectively. These amounts are part of the \$7.0 million claimed in Bowdoin's Complaint. The Bowdoin suit and the subcontractor suits have been consolidated. The Company has denied liability in all such suits. Bowdoin and Agrify are attempting to work cooperatively to settle the subcontractor disputes. The parties are otherwise in the discovery phase which concludes in June 2025. This matter is subject to the sale of the Cultivation Business escrow litigation reserve agreement where the Company was required to fund \$1.5 million in January 2025 into escrow for the benefit of settling this and other claims.

Mack Molding Co.

In December 2020, the Company entered into a five-year supply agreement with Mack Molding Co. ("Mack") pursuant to which Mack became a key supplier of VFUs. In February 2021, the Company placed a purchase order with Mack amounting to approximately \$5.2 million towards the initial production of VFUs during 2021. Since February 2021, the Company increased the purchase order with Mack to approximately \$26.5 million towards production of VFUs during 2021 and 2022. The Company believed the supply agreement with Mack would provide the Company with increased scaling capabilities and the ability to meet the potential future demand of its customers more efficiently. The supply agreement contemplated that, following an introductory period, the Company negotiated a minimum percentage of the VFU requirements that the Company purchase from Mack each year based on the agreed-upon pricing formula. The introductory period was not time-based but rather referred to the production of an initial number of units after which the parties have rights to adjust pricing and negotiate a certain minimum requirements percentage. The Company believed this approach would result in both parties making a more informed decision with respect to the pricing and other terms of the supply agreement with Mack. On October 11, 2022, the Company received a \$9.4 million invoice from Mack for inventory purchased on the Company's behalf to build VFUs. As part of the terms of the contract manufacturing agreement, Mack had the contractual right to bill the Company for any inventory that had aged greater than nine months. Due to a slowdown in the demand for the VFUs and the lack of a demand forecast that the Company could provide to the vendor, Mack exercised the right to invoice the Company for the slow-moving inventory. As of December 31, 2022, the Company recognized a contingent liability in the amount of \$8.4 million, representing an estimate of the amount payable to Mack with respect to the original Mack purchase agreement, and which was included in accounts payable in the consolidated balance sheet. On March 2, 2023, Mack filed an arbitration action seeking the amounts owed to Mack for purchased inventory. On October 27, 2023, and effective as of October 18, 2023, Mack and the Company entered into a Modification and Settlement Agreement (the "Modification Agreement") with respect to the dispute rather than engaging in litigation through the courts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On February 29, 2024, the Company met its contractual obligations under the terms of the Modification Agreement. In settlement of the dispute, the Company made cash payments of \$500,000 and \$250,000 to Mack and issued to Mack a warrant to purchase 750,000 shares of the Company's Common Stock. In the first quarter of 2024, management derecognized the previously recognized contingent liability, resulting in a credit of approximately \$5.9 million, recorded within gain on settlement of contingent liabilities, on the consolidated statement of operations.

On August 30, 2024, the Company and Mack entered into an amendment to the Modification Agreement, which modified the payment terms and VFU purchase requirements under the Modification Agreement. Pursuant to the amendment, the Company agreed to make payments of \$1.0 million prior to October 31, 2024 (the "October Payment") and an additional \$1.0 million prior to December 31, 2024. The Company has not made the October Payment as of the date hereof, however the Company is working with Mack to extend the date of the October Payment. The Company also agreed to purchase at least 25 VFUs prior to October 31, 2024 and a further 25 VFUs between November 1, 2024 and December 31, 2024. Upon payment in accordance with the terms of the amendment, the Company will be entitled to certain residual inventory in the possession of Mack, and the warrant issued to Mack will be terminated. This matter was settled on December 16, 2024 as a precursor to the Cultivation sale agreement and the corresponding warrants were terminated.

TRC Electronics Litigation

The Company was named as a defendant in a complaint filed by TRC Electronics, Inc. ("TRC") on April 13, 2023 in the United States District Court for the Eastern District of Pennsylvania. In the complaint, TRC asserts two causes of action against the Company: (1) breach of contract, and (2) promissory estoppel. TRC's claims are based on allegations that the Company failed to make payments due under three purchase orders for commercial electronics parts. TRC was seeking damages in the amount of \$0.5 million, plus attorneys' fees, costs, and post-judgment interest. This matter was settled in January 2025 for no cost to the Company.

McCutchan, Inc.

In December 2021, the Company entered into a standard form of agreement between Owner and Contractor whereby Valiant Group LLC ("Valiant") is the general contractor for tenant improvements on certain real property located in Bellevue, Washington (the "Project"). McCutchan, Inc. ("McCutchan") agreed to be a subcontractor on the Project and engaged various other subcontractors (the "Valiant Agreement"). The Company terminated Valiant as the general contractor for, among other allegations, breach of contract and unjust enrichment. Following the termination of Valiant, in October 2022, the Valiant Agreement was assigned and accepted (the "Assignment") to Agxion, LLC, a wholly owned subsidiary of the Company. The Assignment contemplates that, as a subcontractor to the Valiant Agreement, McCutchan is still bound to the subcontract agreement and will continue construction operations on the Project. The Company is pursuing Valiant in a separate litigation to collect no less than approximately \$1.4 million alleging overbilling, breach of the Valiant Agreement, and violation of Chapter 18.27 and 19.86 of the Revised Code of Washington. On March 5, 2024, McCutchan filed a complaint in the Superior Court of Washington for King County naming the Company, Valiant, and certain related parties as defendants. In the complaint, McCutchan asserts two causes of action against the Company: (1) breach of contract, (2) voidable contract, (3) interference with business or economic expectancy, (4) unjust enrichment, and (5) defamation. McCutchan's claims are based on allegations of misrepresentations made by the Company to pay McCutchan for work completed on the Project as well as a failure to pay under the Valiant Agreement. In the alternative, McCutchan is alleging the Assignment is void and not a valid contract. McCutchan is seeking to collect no less than \$3 million against the Company and all other named defendants. The parties are currently in the discovery process, initial discovery responses were due on November 7, 2024. This matter is subject to the Cultivation sale escrow litigation reserve agreement where the Company was required to fund \$1.5 million in January 2025 into escrow for the benefit of settling this and other claims.

Valiant Group LLC

The Company filed two separate complaints against Valiant for overbilling, misrepresentation, and breach of contract for the Treehouse project in Nevada and Hannah Project in Washington. Agrify obtained judgments against Valiant in Nevada for \$4.5 million for the Treehouse project and \$10.0 million in Washington for the Hannah Project. Agrify has domesticated those judgments in Massachusetts and is seeking to enforce them against Valiant, its successor in interest, Intrepid Investments LLC, and the principals of Valiant. Agrify filed an action for supplementary proceedings to collect on the judgments. The action is in the early stages and there is no guarantee that the court would award the full amount and no guarantee that Agrify would be able to successfully collect the full amount. This matter is subject to the Cultivation sale escrow litigation reserve agreement where the Company was required to fund \$1.5 million in January 2025 into escrow for the benefit of settling this and other claims.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Other Litigation

In September 2023, the Company settled a legal dispute with a specific customer that resulted in the recognition of a gain of approximately \$0.9 million, of which \$0.3 million was paid in October 2023, with the remaining approximate \$0.6 million to be paid in equal monthly installments, beginning in January, 2024. This gain was recognized as part of other income, net, per the consolidated statement of operations for the year ended December 31, 2023, with the approximate \$0.9 million receivable balance recognized as part of prepaid expenses and other current assets, per the consolidated balance sheet, as of December 31, 2023. The settlement also resulted in the return of equipment to the Company in October 2023.

The Company is currently pursuing 10 separate legal proceedings in attempting to collect approximately \$1.8 million outstanding receivables. The Company is not confident that all legal proceedings and collection efforts will yield in positive results or return of equipment.

On April 25, 2024, Medical Investor Holdings, LLC dba Vertical Companies (“MIH”) filed a complaint against Agrify demanding \$0.3 million. MIH purchased an XMU hydrocarbon extraction system from Precision in October 2021. MIH chose not to include installation and training in the original purchase but is now having problems with this equipment resulting in the claims against Precision, now owned by the Company. This case was dismissed without prejudice by opposing counsel on August 1, 2024.

The Company is also a defendant or plaintiff in a variety of other litigation matters that are individually insignificant. The timing and amount of any settlements, including potential payments made or received, is uncertain. Nonetheless, management currently estimates that the Company’s aggregate net loss exposure with respect to these cases is within the range of approximately \$150 thousand to \$300 thousand. Given the Company has determined these losses are probable of occurring and reasonably estimable, an accrual was recorded in the amount of \$150 thousand within general and administrative expenses within the consolidated statement of operations.

On February 9, 2022, a former sales Vice President of the Company filed suit against the Company claiming he is owed back wages, commission and is entitled to equity in the company, under theories of liability under Massachusetts labor laws including retaliation, breach of contract, breach of covenant of good faith and fair dealing, fraudulent inducement, tortious interference and unjust enrichment. The Company filed its answer to the initial complaint in January 2023. The Company believes this is a meritless claim and has responded to various discovery requests. Discovery is ongoing and a final pretrial conference is presently scheduled for April 10, 2025.

Commitments

Mack Molding Co.

The Modification Agreement with Mack referenced above resulted in the Company entering a purchase commitment with Mack pursuant to which the Company was contractually obligated to purchase a minimum of 25 VFUs per quarter for each quarter during 2024 and a minimum of 50 VFUs per quarter for the six quarters beginning with the first quarter of 2025, at a per VFU price of \$14,000. The Company made payment and took collection of 25 VFUs in the second quarter of 2024. The Company also granted Mack a second lien position on all Agrify assets.

On August 30, 2024, the Company entered into an amendment to the Modification Agreement with Mack, which modified the payment terms and VFU purchase requirements under the Modification Agreement. Pursuant to the amendment, the Company agreed to make the October Payment of \$1.0 million and an additional \$1.0 million prior to December 31, 2024. The Company has not made the October Payment as of the date hereof, however the Company is working with Mack to extend the date of the October Payment. The Company also agreed to purchase at least 25 VFUs prior to October 31, 2024 and a further 25 VFUs between November 1, 2024 and December 31, 2024. This commitment was satisfied on December 16, 2024 as a precursor to the Purchase Agreement with CP.

Other Commitments and Contingencies

The Company is potentially subject to claims related to various non-income taxes (such as sales, value-added, consumption, and similar taxes) from various tax authorities, including in jurisdictions in which the Company already collects and remits such taxes. If the relevant taxing authorities successfully pursue these claims, the Company could be subject to additional tax liabilities.

Refer to Note 10 – Debt, included elsewhere in the notes to the consolidated financial statements for details of the Company’s future minimum debt payments. Refer to Note 11 – Leases, included elsewhere in the notes to the consolidated financial statements for details of the Company’s future minimum lease payments under operating and financing lease liabilities. Refer to Note 15 – Income Taxes, included elsewhere in the notes to the consolidated financial statements for information regarding income tax contingencies.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 19 — Related Parties

Some of the officers and directors of the Company are involved in other business activities and may, in the future, become involved in other business opportunities that become available.

The following table describes the net purchasing (sales) activity with entities identified as related parties to the Company:

| (In thousands) | Year Ended December 31, | |
|------------------------|--------------------------------|-------------|
| | 2024 | 2023 |
| Green Thumb Industries | \$ 1 | \$ — |

The following table summarizes net related party payable as of December 31, 2024 and 2023:

| (In thousands) | Year Ended December 31, | |
|------------------------|--------------------------------|-------------|
| | 2024 | 2023 |
| Green Thumb Industries | \$ (10,487) | \$ — |

On July 12, 2023, the Company issued an unsecured promissory note in favor of GIC, an entity that is owned and managed by the Company's former Chairman and Chief Executive Officer.

On October 27, 2023, CP, an entity affiliated with and controlled by former Company's Chairman and Chief Executive Officer, purchased the Exchange Note and the Convertible Note. In addition, the Company issued to CP a Junior Secured Note. Refer to Note 10 - Debt for further disclosure related to this Related Party Note including related transactions occurring during the years ended December 31, 2024 and 2023.

Green Thumb Convertible Note

On November 5, 2024, the Company issued the Green Thumb Note to Investor. For further discussion on the note, refer to Note 10.

In addition to the Note, the related party shared services agreement charges are included in the \$10,487 balance.

Note 20 — Subsequent Events

The Company evaluated subsequent events and transactions that occurred after the balance sheet date up to the date that the consolidated financial statements were issued.

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8 File Nos. 333-257340, 333-265950, and 333-283453 and on Form S-1 File No. 333-282387 of Agrify Corporation, of our report, dated March 21, 2025, relating to the consolidated financial statements of Agrify Corporation as of December 31, 2024 and for the year then ended, and the retrospective adjustments to the 2023 consolidated financial statements described in Notes 1 and 6, except for the retroactive impact of the reverse stock split on October 8, 2024, as to which the date is March 27, 2025, which report is included in this Annual Report on Form 10-K/A of Agrify Corporation for the year ended December 31, 2024.

/s/ GuzmanGray

GuzmanGray

Costa Mesa, California

March 27, 2025

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statements of Agrify Corporation and Subsidiaries on Form S-8 (File Nos. 333-283453, 333-257340 and 333-265950) and on Form S-1 (File No. 333-282387) of our report dated April 15, 2024 with respect to our audit of the consolidated financial statements of Agrify Corporation and Subsidiaries as of December 31, 2023 and for the year ended December 31, 2023 appearing in the Annual Report on Form 10-K/A of Agrify Corporation and Subsidiaries for the year ended December 31, 2024.

/s/ Marcum LLP

Marcum LLP

Melville, NY
March 27, 2025

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, **Benjamin Kovler**, certify that:

1. I have reviewed this Annual Report on Form 10-K/A of Agrify Corporation for the year ended December 31, 2024;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting or caused such internal control 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 27, 2025

By: /s/ Benjamin Kovler

Name: Benjamin Kovler

Title: Interim Chief Executive Officer (Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT
TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, **Brad Asher**, certify that:

1. I have reviewed this Annual Report on Form 10-K/A of Agrify Corporation for the year ended December 31, 2024;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting or caused such internal control 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 27, 2025

By: /s/ Brad Asher
Name: Brad Asher
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)

**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 on Form 10-K/A of Agrify Corporation (the “Company”) for the year ended December 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (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.

Date: March 27, 2025

By: /s/ Benjamin Kovler
Name: Benjamin Kovler
Title: Interim Chief Executive Officer (Principal Executive Officer)

**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 on Form 10-K/A of Agrify Corporation (the “Company”) for the year ended December 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (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.

Date: March 27, 2025

By: /s/ Brad Asher
Name: Brad Asher
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)