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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2025

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 001-42411

IP STRATEGY HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**83-4558219**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
9668 Bujacich Road, Gig Harbor, Washington	**98332**
(Address of Principal Executive Offices)	(Zip Code)

(253) 509-0008
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 $.0001 per share	IPST	The NASDAQ Stock Market LLC

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 o No x

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 o No x

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 x No o

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 x No o

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	o	Accelerated filer	o
Non-accelerated filer	x	Smaller reporting company	x
		Emerging growth company	x

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.

o

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.

o

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.

o

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).

o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes o No x

As of June 30, 2025, the last business day of the registrant’s most recently completed second fiscal quarter, the aggregate market value of the registrant’s common equity held by non-affiliates of the registrant was $5,087,728 based upon the closing price of $8.14 per share of the registrant’s common stock on The Nasdaq Capital Market on June 30, 2025.

The number of shares of the registrant’s common stock outstanding as of March 31, 2026 was 10,283,427.

DOCUMENTS INCORPORATED BY REFERENCE

DOCUMENT DESCRIPTION	10-K PART
Portions of the Registrant's proxy statement related to its 2026 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A within 120 days after Registrant's fiscal year end of December 31, 2025 are incorporated by reference into Part III of this Report.	III

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PART I

Cautionary Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements that involve substantial risks and uncertainties. The forward-looking statements are contained principally in the sections titled "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business," but are also contained elsewhere in this report. In some cases, you can identify forward-looking statements by the words "may," "might," "will," "could," "would," "should," "expect," "intend," "plan," "objective," "anticipate," "believe," "estimate," "predict," "project," "potential," "continue" and "ongoing," or the negative of these terms, or other comparable terminology intended to identify statements about the future, although not all forward-looking statements contain these words. These statements relate to future events or our future financial performance or condition and involve known and unknown risks, uncertainties and other factors that could cause our actual results, levels of activity, performance or achievement to differ materially from those expressed or implied by these forward-looking statements. These forward-looking statements include, but are not limited to, statements about:

- risks related to our acceptance, acquisition, holding, use or disposal of Story $IP Tokens ("$IP Tokens") or other cryptocurrencies, including how the pricing volatility of such cryptocurrencies may affect our balance sheet or profit or loss;
- our ability to manage our $IP Tokens and to create additional revenue as a validator of $IP Tokens or by staking $IP Tokens;
- our ability to hire additional personnel and to manage the growth of our business;
- our ability to continue as a going concern;
- our reliance on our brand name, reputation and product quality;
- our ability to adequately address increased demands that may be placed on our management, operational and production capabilities;
- the effectiveness of our advertising and promotional activities and investments;
- our reliance on celebrities to endorse our products and market our brands;
- general competitive conditions, including actions our competitors may take to grow their businesses;
- fluctuations in consumer demand for craft spirits;
- overall decline in the health of the economy and consumer discretionary spending;
- the occurrence of adverse weather events, natural disasters, public health emergencies, including the COVID-19 pandemic, or other unforeseen circumstances that may cause delays to or interruptions in our operations;
- risks associated with disruptions in our supply chain for raw and processed materials, including glass bottles, barrels, spirits additives and agents, water and other supplies;
- disrupted or delayed service by the distributors we rely on for the distribution of our products;
- our ability to successfully execute our growth strategy, including continuing our expansion in our Tribal Beverage Network and direct-to-consumer sales channels;
- quarterly and seasonal fluctuations in our operating results;
- anticipated accounting recognition associated with reports generated for us by outside valuation experts as they relate to the treatment of and accounting for the exchange of certain convertible promissory notes into common stock and prepaid warrants;
- our success in retaining or recruiting, or changes required in, our officers, key employees or directors;
- our ability to protect our trademarks and other intellectual property rights, including our brands and reputation;
- our ability to comply with laws and regulations affecting our business, including those relating to the manufacture, sale and distribution of spirits and other alcoholic beverages;
- the risks associated with the legislative, judicial, accounting, regulatory, political and economic risks and conditions;

- claims, demands and lawsuits to which we are, and may in the future, be subject and the risk that our insurance or indemnities coverage may not be sufficient;
- our ability to operate, update or implement our IT systems;
- our ability to successfully pursue strategic acquisitions and integrate acquired businesses, products, services or brands;
- our ability to implement additional finance and accounting systems, procedures and controls to satisfy public company reporting requirements;
- our potential ability to obtain additional financing when and if needed;
- the potential liquidity and trading of our securities; and
- the future trading prices of our common stock and the impact of securities analysts' reports on these prices.

You should read this report, including the section titled "Risk Factors," completely and with the understanding that our actual results may differ materially from what we expect as expressed or implied by our forward-looking statements. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. Considering the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame, or at all.

These forward-looking statements represent our estimates and assumptions only as of the date of this report regardless of the time of delivery of this report or any sale of our common stock. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this report. All subsequent forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to herein.

Item 1. Business

Overview

We operate a diversified business centered on digital asset–based infrastructure and intellectual property ("IP") management, supplemented by a legacy craft spirits operating segment. In August 2025, we consummated a $220 million offering of our pre-paid stock purchase warrants in which we acquired 53.2 million $IP Tokens for our digital asset treasury. The $IP Token is the native utility token of the Story Network, a decentralized layer 1 blockchain that allows network participants to register, license and enforce IP assets. Our strategic focus involves the continued growth of our validator services using our $IP Tokens to generate yield and the possible future acquisition, management, and monetization of IP that can add value to our balance sheet and deliver more revenue and yield.

We are among the largest corporate holders of $IP Tokens, and we actively deploy these holdings to generate yield and service revenue through validator operations. We view our $IP Token holdings as productive assets that support transaction validation, network security, and IP-centric economic activity across the Story ecosystem. We established our validator business in September 2025 to allow us to derive yield and revenue from our large $IP Token holdings. A cryptocurrency validator is like a digital "notary" or "referee" in a blockchain network. Its job is to check that transactions on the network are real and follow the network rules. Validators also are randomly selected to propose a new block of transactions to be added to the blockchain. When a participant attempts a transaction, that participant is required to pay a minimum "gas" fee. A participant can opt to pay an additional fee to ensure that its transaction is added to the blockchain more quickly. These fees are denominated in the same cryptocurrency that is evidenced by the blockchain. In the case of the Story Network, these fees are denominated in $IP Tokens. The validator chosen to propose a block will (when that block is successfully confirmed by the other validator nodes) receive the gas fees for all transactions in the block (known as "execution layer rewards"). In addition, the Story Network automatically issues $IP Tokens as rewards to validators that successfully propose a block. We have elected to continue operating our own validator services rather than to "delegate" our $IP Tokens to third-party validation service providers.

In parallel with our digital asset management operations, we continue to operate a streamlined spirits business through our Heritage Distilling Company subsidiary that markets and sells award-winning craft whiskeys and select flavored spirits. Over the past year, we have taken a number of steps to reduce the costs associated with, and increase the revenue from, our spirits segment and, as a result, our spirits business is becoming increasingly asset-light and is focused on wholesale distribution, direct-to-consumer ("DtC") sales, and the expansion of our Tribal Beverage Network ("TBN") through licensing, royalties, and management agreements.

Our Operating Segments

IP Management Infrastructure

Our digital asset–based infrastructure and IP management strategy is intended to bring value to our stockholders in the following ways:

- We operate a number of validator nodes on the Story Network, including new nodes established under our custody arrangement with Crypto.com, that are used to stake our own $IP Tokens. In a proof-of-stake network, such as the Story Network, validators earn incremental tokens from their efforts in securing the network and validating transactions. Third parties can also delegate $IP Tokens to our validator node on the Story Network for which we typically earn a 5% commission on the staking rewards earned by such third parties, which amount is subject to change in our discretion at any time and from time to time. At December 31, 2025, third parties had delegated 2,387,391.98 $IP Tokens to our validator, none of which had yet been migrated to our new validator set up under our custody arrangement at Crypto.com. Any incremental $IP Tokens we earn in our validator operations are treated as revenue for us under GAAP and provide us an additional source of liquidity.
- We plan to strategically and opportunistically engage in the issuance of our securities in the capital markets, which may include the issuance of equity, convertible debt or other securities, to raise capital in an accretive fashion for the benefit of our stockholders to purchase and hold additional $IP Tokens.
- We stake the majority of the $IP Tokens in our treasury to earn a staking yield and turn our treasury into a productive asset. At December 31, 2025, we were staking approximately 81.8% of the $IP Tokens in our treasury. In the first quarter of 2026, we began moving a majority of our $IP Tokens to third-party custodians that will allow us to continue our validator efforts and to stake our $IP Tokens under longer-term contracts to increase yield. Unless we need to sell $IP Tokens to cover operating expenses, we generally intend to keep those $IP Tokens staked going forward. We do not currently hedge our $IP Tokens and do not currently have plans to hedge our $IP Tokens or otherwise engage in decentralized finance activities. Any future hedging or decentralized

finance activities we undertake will be subject to approval by the Technology and Cryptocurrency Committee of our Board and, if material in amount or scope, will be publicly disclosed.

- In September 2025, the Technology and Cryptocurrency Committee of our Board approved our sale of covered call options using less than 2% of the total amount of $IP Tokens we own. On January 6, 2026, the Board increased this authorized amount to 3 million $IP Tokens, which on such date represented approximately 5.6% of the $IP Tokens in our treasury. We sell 30-day covered call options that can be exercised if the price of the $IP Token in the market reaches a price that is 20% to 50% above the $IP Token price at the time the option is sold. To date, we have been earning monthly yields averaging approximately 4% (nearly 60% annually on a compounded basis) while still owning the $IP Tokens underlying such options until such time as the price of the $IP Token in the open market reaches the call threshold.
- At December 31, 2025, 99% of our digital asset reserves consisted of $IP Tokens, with the reminder of such assets held in USDC and a small amount of $ARIA tokens (a layer 2 token that allows for fractional ownership of music rights built on the Story layer 1 blockchain) we acquired in late 2025. We do not intend to dedicate any of our treasury-allocated capital to other digital assets outside of those in the Story ecosystem. We may strategically purchase additional $IP Tokens from time to time, including through over-the-counter transactions and strategic partnerships, which could provide gains for our stockholders.
- We may sell our $IP Token holdings, whether on the open market, through block trades or in other negotiated transactions, for various reasons and at various times, which may include to raise cash for the repurchase of shares of our common stock when our Board believes such repurchases will result in the creation of accretive value for our stockholders and at such times when it is legally permissible to do so. We may also sell unlocked $IP Tokens or $IP Tokens earned from our validating efforts in the market under certain market conditions to build cash reserves, to acquire IP assets, to grow or launch a new product or service, or to cover ongoing expenses.

There can be no assurance, however, that the value of $IP Tokens will increase, and investors should carefully consider the risks associated with digital assets. See "Risk Factors — Risks Related to Our Cryptocurrency Treasury Reserve Strategy and $IP Tokens" for additional information.

Our Cryptocurrency Treasury Reserve Policy

On August 15, 2025, we adopted an amended treasury reserve policy that sets out our treasury management and capital allocation strategies. The objectives of this policy include the following:

- fulfilling our goal of pursuing an accumulation strategy with respect to $IP Tokens;
- satisfying our liquidity needs;
- implementing fiduciary control of our cash and investments; and
- maximizing our investment performance within the policy's parameters and subject to market conditions.

In the policy, our Board has delegated to our Chief Investment Officer and the Technology and Cryptocurrency Committee of our Board responsibility for overseeing the management of our investment portfolio, which includes:

- overseeing the execution of our reserve management activities and the implementation and enforcement of the policy;
- evaluating and approving decisions pertaining to our treasury reserve management (such as amounts, timing, and pricing of acquisitions and dispositions of $IP Tokens and staking or the use of $IP Tokens in decentralized finance protocols); and
- providing updates to the Board and management regarding management of our treasury reserves and implementation of the policy.

Our Chief Investment Officer and the Technology and Cryptocurrency Committee may delegate duties related to the management of our treasury reserves to other personnel within our company or to third-party asset managers as they deem appropriate so long as such officer and committee maintain responsibility for overseeing the performance of such delegated duties and for approving purchases and dispositions of treasury reserve assets.

The policy further provides that $IP Tokens will serve as our primary treasury reserve asset on an ongoing basis, with our primary investment strategy to be focused on maximizing exposure and value accruals related to $IP Tokens. This includes, but is not limited to, staking of $IP Tokens and the operation of a validator for $IP Tokens, and additionally may

include other cryptocurrencies, cash or other assets that are required or useful for our activities in connection with our reserve strategy. However, $IP Tokens (including staked $IP Tokens) will at all times comprise at least 95% of our treasury reserves and we do not intend to dedicate any of our treasury-allocated capital to other digital assets other than USDC or others within the Story ecosystem. Furthermore, we view our $IP Token holdings as long-term holdings and expect to continue to accumulate $IP Tokens over time. We have not set any specific target for the amount of $IP Tokens we seek to hold, and we will continue to monitor market conditions in determining whether to engage in additional financings, capital-raising or other activities to purchase additional $IP Tokens. Our $IP Token strategy is generally expected to involve, from time to time, subject to market conditions, (i) issuing equity, debt or other securities or engaging in other capital-raising transactions with the objective of using the net proceeds to purchase $IP Tokens, (ii) acquiring $IP Tokens with our liquid assets that exceed our working capital requirements, and (iii) the purchase of IP-related assets that produce cash on a regular basis and that can be registered on the Story Network, such as music or video catalogue rights. In the event we raise additional capital, our intention is to deploy the vast majority of those proceeds to purchase $IP Tokens in the open market in order to further support our staking and validator activities, subject to any terms that may be negotiated as part of such capital raises, and to begin to expand our income-generating holdings to include IP assets that generate cash flow, such as music or video catalogue rights. However, as of the date of this report, we have no specific plans or agreements in place for any capital-raising transaction or for the purchase of additional $IP Tokens or IP rights catalogues in the open market or through negotiated transactions.

Without the prior written approval of the Technology and Cryptocurrency Committee of our Board or the approval of our Board as a whole, we may not dispose of any of the 53.2 million $IP Tokens that we acquired in August 2025. We plan to sell $IP Tokens only as needed to meet operational cash flow requirements, to acquire IP-related assets, or to repurchase shares of our common stock. In addition, except for the sale of covered call instruments on $IP Tokens, we do not currently plan to hedge our $IP Token holdings or use our $IP Tokens as collateral for loans, and we do not otherwise expect to engage in decentralized finance activities with our $IP Tokens, as we expect over time to stake at least 90% of the $IP Tokens that we hold in connection with our validator business. Moreover, any future hedging or decentralized finance activities that we undertake will be subject to approval by the Technology and Cryptocurrency Committee of our Board or our Board as a whole.

While we do not have a formal fork or airdrop policy, in the event of a "fork" of the blockchain underlying the Story Network resulting in two distinct chains with duplicative holdings on each such chain, we would analyze the distinct chains created by the fork to determine whether one chain would be more valuable than the other, and we may determine to sell the $IP Tokens from one chain in order to purchase additional $IP Tokens on the chain we believe will be more successful. In the event we receive tokens in an airdrop (i.e., a distribution of digital assets other than $IP Tokens), we would evaluate whether such airdropped $IP Tokens are more likely to accrue value outside of our core $IP Tokens treasury. We cannot confirm how we will react to any particular fork or airdrop; however, we plan to disclose our decision regarding any fork or material airdrop periodically after such decisions are made.

Our Staking Program

Pursuant to our treasury strategy, in September 2025, we began using the vast majority of our $IP Tokens in our treasury reserve to generate a return through various opportunities, with the most significant portion being allocated to our staking program. We began our staking efforts of our $IP Tokens in late September 2025 after several weeks of incremental testing. Our validator operations were launched following Board-level approval of a comprehensive security and information security framework and were funded from our existing resources, with costs limited to AWS hosting and security monitoring, none of which are material to our financial position. The primary challenges associated with validator operations are maintaining uptime and ensuring resilience against protocol-level slashing. We mitigate these risks through redundancy, continuous monitoring, and defense-in-depth security controls. Currently, all staked $IP Tokens we hold are staked to our own validator nodes on the Story Network in our own custody accounts and in third-party custodied accounts.

In early December 2025, we established a new validator under a custodian account held at Crypto.com, to which account we moved 1 million $IP Tokens from our own wallet for testing on the new validator. In December 2025, we also established new custody arrangements with Bitgo.com and Kraken to give us flexibility and diversity for our future staking operations. We began the process of moving nearly all of our $IP Tokens to our custodied validators in first quarter of 2026; however, we have not yet determined the final amounts or percentages of our $IP Tokens that will be allocated to each custodial account. By moving $IP Tokens to third-party custodian accounts where we can stake our $IP Tokens under longer-term contracts, we expect to receive substantially increased yield. We plan to continue evaluating additional custody arrangements with new custodians as our staking program progresses.

The Story Network penalizes bad behaviors by validators (specifically, double-signing blocks and downtime) by slashing out a fraction of their staked tokens. If a validator double signs for a block, the validator will get slashed 5% of its

tokens and get permanently jailed, which is also referred to as "tombstoned." If a validator is offline for too long and misses 95% of the last 28,800 blocks, the validator will get slashed 0.02% of its tokens and get jailed. A validator will also get jailed after self-undelegation if the validator's remaining self-delegation amount is smaller than the minimum self-delegation. A jailed validator cannot participate in the consensus and earn any rewards; however, a jailed validator can unjail itself after a cooldown time, which is currently set at ten minutes. After ten minutes, the validator can call Story's staking contract to unjail itself if its stake is more than the minimum stake amount (1,024 $IP Tokens), after which it can participate in the consensus again if it is still within the top 64 validators. One of our validator nodes incurred a slashing event during an early testing phase of our validator and prior to our validator being fully funded. That event did not have a material impact on the number of $IP Tokens or other assets we hold, and no additional slashing event or penalty has occurred with respect to our validator since that time. To date, our validators have been running at greater than 99.98% uptime.

The Story Network currently offers incremental staking rewards for $IP Tokens staked in a longer-term smart contract. To increase the yield on our $IP Tokens, beginning in December 2025, we have been transitioning our $IP Tokens to third-party custodied staking as mentioned above, and we have updated our staking strategy to begin allocating approximately 15% of our $IP Token holdings to long-term staking with up to an 18-month deactivation period, which provides us with rewards that are greater than the rewards associated with $IP Tokens staked in a flexible staking arrangement. In connection with the "activating" and "exiting" processes of $IP Token staking, any staked $IP Tokens will be inaccessible for a period of time determined by a range of factors, resulting in certain liquidity risks that we manage.

Process of Staking and Liquidity Management. Our Chief Investment Officer, members of our management team and the members of the Technology and Cryptocurrency Committee of our Board have periodic meetings to evaluate treasury operations, including the staking of our $IP Tokens. Based on these meetings, management determines the allocation of the $IP Token treasury to the staking program and, if we were to engage with outside validators, would determine the amount of the allocation of $IP Tokens to each validator, in an effort to ensure that no single third-party validator has such a large percentage of our stake that it represents concentration risk.

If we determine to reduce the amount of the $IP Tokens dedicated to the staking program or change the allocation of $IP Tokens, we will initiate an unstaking process and notify the validator of the change, which would effectively reverse the delegation of the $IP Tokens from the applicable validator node. $IP Tokens have a cooldown period known as the "deactivation period," which is the time it takes for the unstaked $IP Tokens to become fully liquid. During this period, the tokens are not actively earning rewards, but they are also not yet available for transfer or use. The length of this period can vary based on network conditions but is generally 14 days. Once the deactivation period is complete, we will be able to transfer the $IP Tokens as determined by management.

Our staking program involves the temporary loss of the ability to transfer or otherwise dispose of our staked $IP Tokens. Under normal conditions, we will regain this ability over our unstaked $IP Tokens within 14 days of initiating the unstaking. However, there can be no guarantee that such process will result in our regaining complete control of our $IP Tokens in time to satisfy our current obligations. We maintain a certain amount of liquid $IP Tokens in our treasury and a certain amount of cash to ensure that we are able to satisfy our current obligations.

$IP Tokens and the Story Network

$IP Tokens are a digital asset that is used to record operations of the Story Network, a decentralized network of computers. Unlike many blockchain platforms that evolved from financial use cases, the Story Network was conceived from the outset as infrastructure for media, entertainment and creative rights ecosystems. The $IP protocol was initially launched in 2025 to address limitations in existing networks for digital rights tracking and interoperability. The network's development is currently stewarded by Story Foundation, an independent organization that supports open-source development, validator coordination and grants for ecosystem projects. While certain entities such as Story Foundation have influence over the Story Network's development and governance (which was particularly true during the network's early years), no single entity owns or operates the Story Network, the infrastructure of which is collectively maintained by a decentralized validator base. The Story Network allows the exchange of $IP Tokens, which are recorded on the Story Network. The $IP protocol and related $IP Tokens can be used to pay for computational services on the Story Network, to mint or manage digital rights objects, or to transfer value in network-native transactions. These tokens can also be exchanged for fiat currencies, such as the U.S. dollar, at rates determined on digital asset trading platforms or in individual over-the-counter transactions.

The Story Network and the related smart contracts in the Story Protocol permissibly allow any individual user or entity to create applications or programs that record their operations on the blockchain. Similarly, users are able to permissionlessly interact with such decentralized applications, subject to any restrictions implemented by the application

developer. Using these programs, users can create decentralized applications covering a variety of categories and subsectors, including games, marketplaces, AI agents and many more.

In order to own, transfer or use $IP Tokens directly on the Story Network, a person generally must have internet access to connect to an access point on the Story Network and set up a third-party wallet, which is the software that safeguards a user's key pair (public key plus secret key). $IP Token transactions may be made directly between end-users without the need for an intermediary. To transact on the Story Network, a user, typically through an application such as a wallet or smart contract, will broadcast the transaction to the current leader, who will organize the transactions into shards before the network processes and validates such transactions. Using cryptography and its proof-of-stake consensus mechanism, the Story Network can come to a shared state of the network in a decentralized fashion and without a centralized leader.

Prior to transacting on the Story Network, a user generally must first install on its computer or mobile device a software program that will allow the user to generate a private and public key pair such as a wallet. The wallet also enables the user to connect to the Story Network, interact with decentralized applications, and transfer or swap $IP Tokens with other users or applications.

Each user has its own key pair that is stored in such software, like a wallet. To receive $IP Tokens in a peer-to-peer transaction, the $IP Token recipient must provide its public key to the party initiating the transfer. This activity is analogous to a recipient for a transaction in U.S. dollars providing a routing address in wire instructions to the payor so that cash may be wired to the recipient's account. The payor approves the transfer to the address provided by the recipient by "signing" a transaction that consists of the recipient's public key with the private key of the address from where the payor is transferring the $IP Tokens. The recipient, however, does not make public or provide to the sender its private key (though the network can still verify the validity of the signature — i.e., that it was signed by the holder of the private key — using cryptography). As we migrate our $IP Tokens to custodied accounts, we will maintain private keys in compliance with their custodian account protocols. We will also use physical keyfobs and two-factor authenticator apps to access the custody accounts. For $IP Tokens we hold outside of our custodied accounts, we maintain all of the private keys and we do not currently have insurance that would cover any loss of those $IP Tokens from those non-custodied accounts. $IP Tokens held in custodied accounts are covered against loss only to the extent of the insurance coverage limits provided by the custodians.

Story Network validators record and confirm transactions when they validate and add blocks of information to the Story Network blockchain. When a validator is selected to validate a block, it creates that block, which includes data relating to (i) the verification of newly submitted and accepted transactions and (ii) a reference to the prior block in the Story Network to which the new block is being added. The validator becomes aware of outstanding, unrecorded transaction requests through peer-to-peer data packet transmission and distribution discussed above.

Upon the addition of a block of $IP Token transactions, the Story Network software program of both the spending party and the receiving party will show confirmation of the transaction on the Story Network blockchain and reflect an adjustment to the $IP Token balance in each party's Story Network public key, completing the $IP Token transaction. Once a transaction is confirmed on the Story Network blockchain, it is irreversible.

Validators

In proof-of-stake, validators risk or stake coins or tokens to be randomly selected to validate transactions and are rewarded for performing their responsibilities and behaving in accordance with protocol rules. Malfunctions that cause validators to go offline and, in turn, inhibit them from performing their duties can result in financial penalties. Any malicious activity, such as making incorrect attestations or otherwise violating protocol rules, may result in lower rewards or the lost opportunity to gain rewards. The penalty varies depending on the type of offense and correlation to potential offenses by other validators.

Validators are typically professional operations that design and build dedicated machines and data centers, including "clusters," which are groups of validators that act cohesively and combine their processing to confirm transactions. When a validator confirms a transaction, the validator and any associated stakers receive a fee comprised of a protocol-generated reward and transaction fees for transactions included in the validated block. The Story Network protocol splits fees into two components: a base cost and priority fee. The base cost is removed from circulation, or "burned", and the priority fee is paid to validators. Additionally, certain actions by validators and delegators require one $IP Token to be burned. During the course of ordering transactions and validating blocks, validators may be able to prioritize certain transactions in return for increased transaction fees, an incentive system known as "Maximal Extractable Value" or "MEV." For example, in blockchain networks that facilitate decentralized finance (DeFi) protocols in particular, such as the Story Network, users may attempt to gain an advantage over other users by offering greater transaction fees.

Validators less commonly capture MEV in the Story Network because, unlike the Ethereum network, the Story Network does not publicly expose transactions before they are accepted by a validator.

Staking rewards on the Story Network are determined by the protocol and are distributed to validators and their associated stakers based on the proportion of their stake relative to the total active stake in the network. The rewards are funded by inflationary issuances of new tokens and transaction fees collected on the network. The specific amount each validator and staker receives depends on, among other things, their share of the total stake, the validator's uptime and performance, and the overall network conditions.

Staking rewards on the Story Network are variable and are not static. Reward rates fluctuate based on several factors, including (i) the length of the staking lock-up period selected by token holders, (ii) the total amount of tokens staked across the network at any given time, and (iii) overall network activity levels. As of December 31, 2025, the range of current staking rewards displayed on the Story Network staking dashboard (available at https://staking.story.foundation/) was approximately 5.88% to 11.76%. The historical range of staking rewards on the Story Network has varied due to differing levels of network congestion and protocol parameters. The actual annualized reward rate has fluctuated over time, reflecting changes in network activity, inflation rates and protocol adjustments.

Staking rewards on $IP Tokens are distributed at regular intervals. At the end of each epoch, with one epoch being roughly two days, the reward is calculated. The reward is automatically distributed at the beginning of the subsequent epoch. This regular reward frequency ensures that participants receive their share of rewards in a timely manner, reflecting their contribution to network security and transaction validation.

Use of Custodians and Storage of $IP Tokens

We currently self-custody the vast majority of our 53.2 million $IP Tokens, but we have begun the process of moving our $IP Tokens into third-party custodied accounts. In early December 2025, we established a new validator under a custodian account held at Crypto.com, to which account we moved 1 million $IP Tokens from our own wallet for the testing of our new validator. In December 2025, we also established new custody arrangements with Bitgo.com and Kraken to give us flexibility and diversity for our future staking operations. We plan to move nearly all of our $IP Tokens to these custodians for our validator program in the first quarter of 2026, the mix of which is yet to be determined. In doing so, we will then be able to stake our $IP Tokens under longer-term contracts to increase yield. We have implemented strict governance protocols to ensure security of the assets we hold. We will continue to evaluate our current custodians' financial positions, insurance coverage, terms, level of service and security practices and, using such criteria, we will continue to evaluate other potential custodians in the market.

Overview of Crypto.com

Crypto.com refers to the digital asset platform and related businesses operated by Crypto.com (including Foris DAX Asia Pte. Ltd., a Singapore-based private company and its affiliates), which provide cryptocurrency trading, brokerage, payment, and related services to retail and institutional clients worldwide. Founded in 2016, Crypto.com serves millions of users on its exchange and financial services products and operates in multiple jurisdictions subject to varying regulatory requirements.

Custody and Regulatory Framework. Crypto.com provides institutional digital asset custody services through its affiliated trust company, Crypto.com Custody Trust Company, a trust entity chartered under the laws of the State of New Hampshire and regulated as a qualified custodian by the New Hampshire Banking Department. This trust company currently holds and administers digital assets on behalf of eligible institutional clients and high-net-worth clients in the United States and Canada.

In October 2025, Crypto.com filed an application with the U.S. Office of the Comptroller of the Currency ("OCC") to obtain a National Trust Bank Charter, which would, if granted, allow it to operate as a federally-regulated trust bank specializing in fiduciary, custodial and related services for digital assets under a unified federal banking framework.

Our Custody Arrangement with Crypto.com. On November 8, 2025, we entered into a Custodial Services Agreement with Crypto.com to hold our digital currency (the "Crypto.com Agreement"). The term of the Crypto.com Agreement is for one year with successive one-year renewals unless prior notice of non-renewal is given by either party. We pay Crypto.com a monthly digital asset storage fee based upon the market value of the assets in storage. Our custody agreement with Crypto.com is terminable by us or Crypto.com on 30 days' notice as a result of a breach of the Crypto.com Agreement or upon 60 days' notice by either party for any reason, and may be suspended by Crypto.com if we breach the terms of use or services or in response to legal or regulatory requirements. Crypto.com reported that it maintains a $320,000,000 insurance policy against loss, theft and misuse.

Overview of Kraken

Kraken is a global digital asset platform operated by a group of affiliated entities under the "Kraken" brand, including Payward, Inc. and its subsidiaries, which provide digital asset trading, brokerage, staking, and related services to retail and institutional clients in multiple jurisdictions. Kraken is not a public company, and its operations are subject to evolving regulatory frameworks in the United States and internationally.

Kraken Custody and Banking Services. Institutional digital asset custody services are offered through Kraken Financial, a Wyoming-chartered Special Purpose Depository Institution ("SPDI") bank operated by Payward Financial, Inc. d/b/a Kraken Financial. Kraken Financial is a state-regulated bank authorized under Wyoming law to provide digital asset custody services and to act as a qualified custodian for certain institutional clients.

Kraken Financial is distinct from Kraken's exchange and trading platforms, which are operated by separate affiliates and are not banks. Client assets custodied by Kraken Financial are held in segregated accounts and are not insured by the Federal Deposit Insurance Corporation ("FDIC") or the Securities Investor Protection Corporation ("SIPC").

Our Custody Agreement with Kraken. On December 18, 2025, we entered into a Custodial Services Agreement with Kraken to hold a percentage of our digital currency (the "Kraken Agreement"). The term of the Kraken Agreement is for one year with successive one-year renewals unless prior notice of non-renewal is given by either party. We pay Kraken a monthly digital asset storage fee based upon the market value of the assets in storage, with no minimum monthly fee. The Kraken Agreement is terminable by either us or Kraken on 30 days' notice as a result of a breach of the Kraken Agreement and may be suspended by Kraken if we violate the intended use of the account, if we breach the terms of use or services or in response to legal or regulatory requirements. Kraken reported that it maintains a $100,000,000 policy against loss, theft and misuse.

Overview of BitGo

BitGo refers to the digital asset infrastructure and financial services business operated by BitGo Holdings, Inc., a Delaware corporation headquartered in Palo Alto, California. BitGo provides institutional digital asset custody, settlement, staking, wallet services, and related infrastructure to institutional clients globally.

Custody and Banking Services. Institutional custody and regulated digital asset services are offered through BitGo Bank & Trust, National Association ("BitGo Bank & Trust"), a national trust bank chartered and regulated by the OCC. BitGo Bank & Trust is a wholly-owned subsidiary of BitGo Holdings, Inc. and operates under a federal bank charter that authorizes it to provide custody and safekeeping of digital assets and certain non-deposit financial assets under applicable federal fiduciary and non-fiduciary authorities.

BitGo Bank & Trust's national charter permits the firm to offer regulated digital asset custody services across the United States under a uniform federal supervisory regime, reducing the need for state-by-state licensing and enhancing regulatory clarity for institutional clients. Activity is subject to federal governance, capital, compliance, and risk-management standards applicable to national trust banks.

Our Custody Agreement with BitGo.com. On December 5, 2025, we entered into a Custodial Services Agreement with BitGo to hold our digital currency (the "BitGo Agreement). The term of the BitGo Agreement is for three years with successive one-year renewals unless prior notice of non-renewal is given by either party. We pay BitGo a monthly digital asset storage fee based upon the market value of the assets in storage with a minimum monthly fee of $100. The BitGo Agreement is terminable by either us or BitGo on 30 days' notice as a result of a breach of the BitGo Agreement and may be suspended by BitGo if we violate the intended use of the account or due to a change in the applicable law, litigation or bankruptcy. BitGo maintains a $250,000,000 insurance policy against loss, theft and misuse.

Custodied Storage of Our Digital Assets

Our custodians are responsible for safekeeping all of the $IP Tokens held by them that are not otherwise staked on our validators. We are moving toward having our $IP Tokens held at multiple custodians to reduce the risk of a single failure and we will continue to review further diversification with additional custodians as our Treasury grows. The custodian accounts are all opened by us, segregating our assets into an individual custodian account owned by us. Access is monitored and controlled by us using established controls to ensure transactions require consensus of a minimum of two individuals when assets are being transferred between wallets or onto a validator. The assets go through our custodians' trust companies, which are regulated federally or by the state in which the trust company is organized or incorporated.

Private keys are generated by the custodian in key generation ceremonies at secure locations using offline devices that have never been connected to a network. Private keys are generated according to detailed procedures using specialized

offline devices and within these secure facilities to mitigate risk of hacks, errors or other unintended external exposure. Key ceremony processes are highly controlled, require segregation of duties across multiple parties and are reviewed and witnessed by designated oversight personnel. Thorough validations and signoffs are performed to verify the integrity and security of key generation ceremonies.

Intellectual Property on the Story Network

Like some other blockchain networks such as Ethereum and Solana, the Story Network supports the deployment of smart contracts, that is, programmatic code that executes on every computer in the network and can instruct the transmission of information and value based on a sophisticated set of logical conditions. However, while networks such as Ethereum and Solana support general-purpose smart contracts, the Story Network is expressly designed for intellectual property content-centric use cases, with a protocol architecture optimized for representing ownership, permissions and usage rights associated with digital works. These contracts can encode license terms, manage royalty flows, register authorship claims or facilitate composability among digital assets (e.g., songs sampled in a remix or images used in a larger work). This allows for a wide range of creative, legal and commercial relationships to be modeled and automated on-chain. For example, an artist uploading a music track to the Story protocol could use a smart contract to automatically register the song's metadata, set licensing permissions for remixes, and specify that derivative works must automatically send a portion of their revenue back to the original creator via on-chain settlement. This creates an environment that is intended to facilitate developers and creators creating decentralized applications ("DApps") catering to creative industries.

Development of technology on the Story Network that can further these intended outcomes includes tools for registering and timestamping original works, minting non-fungible tokens that represent licensed intellectual property with attached usage terms, creating composable derivative assets with traceable lineage, and facilitating decentralized creator groups to manage collective rights and royalty structures.

While the Story Network explores on-chain intellectual property registration and enforcement, it is important to acknowledge it is still experimental in nature. The legal status of assets registered on the network has not been tested or recognized by courts or regulatory bodies in any jurisdiction. For example, registration of authorship on the Story Network has not been recognized to constitute registration with the U.S. Copyright Office or confer the statutory benefits associated with such filings. Likewise, while smart contracts may automate licensing or royalty flows among participants, their enforceability under traditional contract law remains uncertain. As a result, the protocol's intellectual property protections currently operate as private ordering mechanisms within the network, rather than as legally-binding instruments recognized by national or international intellectual property regimes.

As of March 31 2026, more than 50 DApps have been deployed to the Story Network, spanning categories such as digital publishing, music rights management, creative royalty distribution and collectible media. While other blockchains have supported similar use cases, the Story Network aims to provide first-class support for rights-based digital assets, including digital rights transactional recording and dispute resolution, reducing legal and technical overhead for creators.

Initial Creation of $IP Tokens and $IP Tokens Supply

Unlike other digital assets such as Bitcoin, which are solely created through a progressive mining process, one billion $IP Tokens were initially created in connection with the launch of the Story Network. Of those tokens, approximately 75% were issued, subject to lockup agreements, at initial creation. The protocol is designed to release a number of additional $IP Tokens per year as validator rewards, which is subject to change based on utilization of the network. The supply of $IP Tokens is also reduced when the base fee for transactions is burned. A net of approximately 25.5 million $IP Tokens have been created and released by the protocol for validator rewards (net of $IP Tokens burned) since its inception. Additionally, certain actions by validators and delegators require one $IP Token to be burned.

The initially-created one billion $IP Tokens were allocated as follows:

Ecosystem and Community: approximately 384 million $IP Tokens, or 38.4% of the initial supply, was allocated towards promoting ecosystem growth and community development by supporting developers, community members, and users of the Story Network across product development, education, events, grants, service providers and other activities.

Initial Incentives: 100 million $IP Tokens, or 10% of the initial supply, was allocated to be disbursed as rewards to incentivize the growth of the Story ecosystem, across multiple seasons.

Story Foundation: 100 million $IP Tokens, or 10% of the initial supply, was allocated to Story Foundation to support its team, educational services, product development and educational efforts related to the Story Network.

Early Backers: approximately 216 million $IP Tokens, or 21.6% of the initial supply, was retained by investors in the initial development project to compensate for their early efforts in the development of the Story Network.

Core Contributors: 200 million $IP Tokens, or 20% of the initial supply, was allocated to be used as compensation for team members contributing to the development of the Story protocol.

The tokens in the Ecosystem and Community, Story Foundation, Early Backers and Core Contributors allocations were subject to a staged lock-up release of up to 4 years, with monthly unlocks. The tokens in the Early Backers and Core Contributors categories had an initial partial release starting 12 months after the token launch in February 2025, which has since been extended to 18 months. The current circulating supply of unlocked tokens is approximately 352 million tokens, which includes the unlocked portion of the initial supply plus staking rewards that have been generated since February 2025.

Modifications to the Story Network

The Story Network is open-source and community-governed. Its development is overseen by Story Foundation and supported by core developers and independent contributors. These stakeholders can propose protocol upgrades, but adoption requires widespread acceptance among validators and users, consistent with decentralized governance norms.

The release of updates to the Story Network's source code does not guarantee that the updates will be automatically adopted. As with other blockchain protocols, proposed upgrades are implemented only if a critical mass of validators and participants update their software. Users and nodes must accept any changes made to the Story source code by downloading a software implementation of the proposed modification. A modification of the Story Network's source code is only effective with respect to the Story Network users that download it. If a modification is accepted only by a percentage of users and validators, a division in the Story Network may occur such that one network will run the pre-modification source code and the other network will run the modified source code. Such a division is known as a "fork." Consequently, as a practical matter, a modification to the source code becomes part of the Story Network only if accepted by participants collectively having at least a consensus of the processing power on the Story Network as defined by the protocol.

The Story Foundation approved in late January 2026 and announced publicly on February 2, 2026 a set of governance changes aimed at strengthening the long-term health of the Story Layer 1 blockchain. These updates adjusted staking mechanics and emissions by reducing rewards tied to locked tokens and lowering staking thresholds and fees. The intent of these changes was to better align incentives toward active participants, improve economic sustainability, and support the continued development of Story's IP-centric and AI-driven use cases.

On February 2, 2026, the Story Foundation also announced changes to the $IP Token unlock schedule pursuant to which the next scheduled unlock of certain locked $IP Tokens held by team members, investors and insiders was delayed by approximately six months and moved to August 13, 2026. These changes did not affect the total supply, allocations or ownership rights of such $IP Tokens, but they slowed the near-term token issuances to reduce market pressure and support a more stable token economy as the network grows.

Recent development efforts have focused on enhancing scalability, content traceability and intellectual property licensing tools to support a broader ecosystem of creative rights management tools.

$IP Token Value

The value of $IP Tokens is determined by the value that various market participants place on $IP Tokens through their transactions. The most common means of determining the value of an $IP Token is by surveying one or more digital asset trading platforms on which $IP Tokens are traded publicly and transparently (e.g., Coinbase, Binance, Bybit, Upbit, etc.). Additionally, there may be over-the-counter dealers or market makers that transact in $IP Tokens. According to Coinbase.com, as of December 31, 2025, the total market capitalization of the current circulating supply of $IP Tokens was $589.0 million. From February 13, 2025 (the date $IP Tokens first became available on digital asset trading platforms) through March 31, 2026, the price of $IP Tokens, as reported by Coinbase.com, ranged from a low of $0.516 to a high of $14.908.

Digital Asset Trading Platform Public Market Data

On each online digital asset trading platform, $IP Tokens are traded with publicly-disclosed valuations for each executed trade, measured by one or more fiat currencies such as the U.S. dollar or the euro or by the widely-used cryptocurrencies, Bitcoin and Ethereum. Over-the-counter dealers or market makers do not typically publicly disclose their trade data.

Craft Spirits

Our craft spirits segment includes the production, marketing, licensing, and sale of a diverse line of award-winning craft super-premium whiskeys and premium-flavored whiskeys, under our owned and licensed brands, with a focus on wholesale distribution, DtC sales, and the expansion of our Tribal Beverage Network (TBN) through licensing and royalty arrangements. For a decade we received the most craft distiller awards from the American Distilling Institute than any other craft distiller in North America, in addition to receiving numerous Best of Class, Double Gold, and Gold medals in a broad range of national and international competitions. While we compete with more than 3,000 active craft distilleries in the United States, we believe we are differentiated from our competitors by scale, award recognition, innovation, and distribution strategy.

At the end of 2025, in an effort to reduce the costs and increase the operating margins of this operating segment, we made the decision to transition to an asset light strategy whereby we began to reduce the number and types of spirits products we offer and emphasize margin expansion through premium and super-premium products, affinity-driven branding, and diversified go-to-market channels that reduce our reliance on high-touch point-of-sale retail operations and shelf-space-constrained wholesale distribution alone.

Brand Portfolio and Product Innovation

We offer a diversified portfolio of super-premium whiskeys and premium-flavored whiskey products:

- *1st Special Forces Whiskey & Salute Series*: In 2015, we launched 1st Special Forces Whiskey, a premium brand positioned towards active-duty military, retired military, military families, and others supportive of the armed forces in the Pacific Northwest, where the 1st Special Forces Group is stationed at Joint Base Lewis McChord. We have produced seven blends of Special Forces Whiskey annually since 2015, and a portion of the sales proceeds of this brand are donated by us to special forces charities annually. We are expanding this concept to the multiple Special Forces groups across the country with a greater emphasis on distribution in more states and direct to consumer shipping through our e-commerce platform. Our new Salute Series line of whiskeys consists of various bottlings branded for U.S. military branches and first responders. Since late 2023, the Salute Series has sold over 30,000 bottles, generating more than $2.0 million in revenue and approximately $2.8 million in retail brand value. Limited releases are priced between $95 and $145 per bottle.

  There are approximately 18.3 million active-duty military and retirees in the U.S., including National Guard, Air National Guard and reservists in each branch of the military. Assuming 1.5 dependents per person (a dependent is defined by the military as a spouse, child under 21 unmarried or under 23 if a student, parent or custodian dependent), the total population of active military, retired military and dependent affiliated persons is 45.75 million people. There are another 660,000 active-duty civilian law enforcement officers, 1 million career and volunteer firefighters, more than 5 million registered nurses and more than 1 million certified EMTs, plus millions of retirees and affiliated family members. We believe the new Salute Series line will continue to garner a growing following given the specialty packaging and non-profit charitable partnerships we are forming to support the launch and sale of the line.

- *Flavored Whiskey Leadership*: In 2017, we created and launched *Flavored Bourbon*, a bourbon flavored with brown sugar and cinnamon. It quickly grew into one of the fastest-growing flavored whiskeys in the Pacific Northwest and was named "World's Best Flavored Whiskey" in 2018 and 2019 by *Whiskey Magazine* in London. In 2020, we sold a majority interest in the brand to an industry group and retained a significant minority position. Following on the success of the *Flavored Bourbon* brand, and after examining the market, we created *Cocoa Bomb* chocolate whiskey, a premium flavored whiskey that was tested in a limited distribution in the Pacific Northwest in 2022 and first rolled out for wholesale expansion in 2023. In February 2025 and 2026, *Cocoa Bomb* was recognized as the "Best Flavored Whiskey in the United States" by *Whiskey Magazine*, and in March 2025, *Cocoa Bomb* was also named "World's Best Flavored Whiskey" at *Whiskey Magazine*'s global competition. This was the fourth time we have won these prestigious awards in the flavored whiskey category for the United States and the third time globally.

- *Stiefel's Select Aged Whiskey*: While we were producing the whiskey products described above, we were aging additional whiskey with the goal of creating bottles of single-barrel selections with specific flavor profiles to appeal to the growing "bourbon hunter" demographic — a subset of whiskey drinkers who seek out small batch and unique high-quality whiskeys. Unlike many new brands entering the premium craft whiskey and bourbon category that rely on sourced liquid for all or a portion of their blends, we produce and age all of our products in-house for our Stiefel's Select line. This allows us to leverage our experience and our innovative distillation methods while taking advantage of the Pacific Northwest's unique climate to produce aged whiskeys that are

authentic to our name and of the highest quality. Depending on the particular product, ingredients are blends of corn, rye, malted barley, unmalted barley, peated malt and wheat. Once aged in heavy-charred American Oak barrels, the finished product is bottled at 94 to 100 proof. Future releases could also include barrel-strength releases to be priced at the high end of the super-premium range. Each barrel is bottled, hand labeled, and hand numbered with sequentially-numbered bottles. All whiskeys under this brand are aged at least four years and are selected based on stringent tasting protocols we developed. Aged whiskeys are priced at super-premium prices and are frequently supply-constrained due to market demand and the time required to produce these products.

Sales and Distribution

Our growth strategy for the sale and distribution of our spirits products focuses on three primary initiatives:

- *Direct-to-Consumer Sales*. We sell spirits directly to consumers online where legally permitted, utilizing a three-tier-compliant third-party platform that enables shipment of our products to 46 states, covering approximately 96.8% of the U.S. population. DtC sales provide higher margins, enable direct consumer relationships, and allow us to collect actionable data related to the geography, demographics, and product preferences of our customers. This data supports targeted marketing, repeat purchasing, and product development while also strengthening wholesale launches in key markets by creating consumer pull-through.
- *Wholesale*. Wholesale distribution remains the most efficient channel for scaled volume growth. We focus our wholesale distribution on premium and super-premium products that improve revenue per case and margins. We distribute through major national wholesalers, including Southern Glazer's Wine & Spirits and Republic National Distributing Company, and selectively through regional beer networks in certain states. We supplement our distributor efforts with a targeted internal sales team that is focused on account execution, education, and the generation of demand.
- *Tribal Beverage Network (TBN)*. We have developed our Tribal Beverage Network in collaboration with Native American tribes following the 2018 repeal of a federal prohibition on spirits production on tribal lands. Under this model, in the typical TBN collaboration, our tribal partners will construct and own Heritage-branded micro production hubs and Heritage-branded stores and tasting rooms on tribal lands and we will receive development fees and ongoing royalties on gross sales through licenses we grant to use our brands, products, recipes, programs, IP, new product development, on-going compliance and other support.

As of December 31, 2025, there were 532 tribal casinos across 29 states, generating approximately $44 billion in annual revenue. We estimate that approximately 250 locations are viable candidates for participation in the TBN.

Production Strategy and Margin Expansion

In October 2025, we announced a transition to third-party contract production of our craft spirits products beginning in early 2026, accompanied by significant reductions in fixed overhead and headcount. These actions are expected to materially reduce our unabsorbed overhead per case, improve gross margins, and positively impact the net income of our spirits segment, while maintaining brand quality and supply reliability.

Additionally, excess supplies of Kentucky bourbon inventories, now exceeding approximately 16.1 million barrels, compared to a historical average of 3.8 million, has significantly reduced wholesale barrel pricing. This decline is expected to materially lower our input costs for premium whiskey, creating a favorable arbitrage opportunity as we scale our Salute Series and certain other whiskey brands.

Competition

Competition for $IP Tokens. Thousands of digital assets have been developed since the inception of Bitcoin, which is currently the most developed digital asset because of the length of time it has been in existence, the investment in the infrastructure that supports it, and the network of individuals and entities that are using Bitcoin in transactions. While $IP Tokens have enjoyed some success in their limited history, the aggregate value of outstanding $IP Tokens is much smaller than that of Bitcoin and many other digital assets, and may be further eclipsed by the more rapid development of other digital assets. In addition, a number of other blockchain-based or digital asset-oriented protocols also function as intellectual property rights management systems, including Audius, LBRY and Royal.io.

Spirits Segment Competition. The alcoholic beverage industry is intensely competitive, with significant competition from global spirits companies, craft producers, and emerging non-alcoholic alternatives. Key competitive factors include innovation speed, brand differentiation, packaging, pricing, access to distribution, and marketing investment.

Large global players increasingly acquire successful craft brands, validating the category while intensifying competition. We believe our advantages include our award-validated quality, diversified channels, premium focus, affinity-based branding, and our proprietary tribal collaboration model that is difficult to replicate.

Regulatory Matters

Along with our distributors, retail accounts and ingredients and packaging suppliers, we are subject to extensive regulation in the United States by federal, state and local government authorities with respect to registration, production processes, product attributes, packaging, labeling, storage and distribution of the craft spirits we produce. When we work with tribes, we are also subject to certain tribal requirements.

We are subject to state and local tax requirements in all states in which our products are sold, as well as federal excise taxes on spirits we remove from bond. We monitor the requirements of relevant jurisdictions to maintain compliance with all tax liability and reporting matters. In states in which we maintain distilleries and tasting rooms, we are subject to several governmental authorities, including city and county buildings, land use, licensing and other codes and regulations.

We have contracted with a third party to manage our regulatory licensing and renewal activities. We maintain licenses that enable us to distribute our craft spirits and ready-to-drink ("RTD") pre-mixed cocktails in multiple states and we work with third-party retailers that sell a cross-section of our premium spirits directly to consumers in 46 states via a three-tier compliant third-party firm. We currently utilize software tools that are generally available to the industry and work with our license compliance service provider to navigate and manage the complex state-by-state tax and other regulations that apply to our operations in the alcoholic beverage industry. This has enabled us to expand our operations and to grow our revenue while reducing the administrative burden of tax compliance, reporting and product registration. We plan to leverage our expertise and relationships with third-party service providers in this area to assist tribes participating in the TBN.

Alcohol-related regulation

We are subject to extensive regulation in the United States by federal, state and local laws and regulations regulating the production, distribution and sale of consumable food items, and specifically alcoholic beverages, including by the Federal Alcohol and Tobacco Tax and Trade Bureau (the "TTB") and the Food and Drug Administration (the "FDA"). The TTB is primarily responsible for overseeing alcohol production records supporting tax obligations, issuing spirits labeling guidelines, including input and alcohol content requirements, as well as reviewing and issuing certificates of label approval, which are required for the sale of spirits and alcoholic beverages through interstate commerce. We carefully monitor compliance with TTB rules and regulations, as well as the state laws of each state in which we sell our products. In the states in which our distilleries are located, we are subject to alcohol-related licensing and regulations by many authorities, including the state department of alcohol beverage control or liquor control. State agents and representatives investigate applications for licenses to sell alcoholic beverages, report on the moral character and fitness of alcohol license applicants and the suitability of premises where sales are to be conducted and enforce state alcoholic beverages laws. We are subject to municipal authorities with respect to aspects of our operations, including the terms of our use permits. These regulations may limit the production of alcoholic beverages and control the sale of alcoholic beverages, among other elements.

Employee and occupational safety regulation

We are subject to certain state and federal employee safety and employment practices regulations, including regulations issued pursuant to the U.S. Occupational Safety and Health Act ("OSHA"), and regulations governing prohibited workplace discriminatory practices and conditions, including those regulations relating to COVID-19 virus transmission mitigation practices. These regulations require us to comply with manufacturing safety standards, including protecting our employees from accidents, providing our employees with a safe and non-hostile work environment and being an equal opportunity employer. We are also subject to employment and safety regulations issued by state and local authorities.

Environmental regulation

Due to our distilleries and production activities, we and certain third parties with which we work are subject to federal, state and local environmental laws and regulations. Federal regulations govern, among other things, air emissions, wastewater and stormwater discharges, and the treatment, handling and storage and disposal of materials and wastes. State environmental regulations and authorities intended to address and oversee environmental issues are largely state-level analogs to federal regulations and authorities intended to perform similar purposes.

Privacy and security regulation

We collect personal information from individuals. Accordingly, we are subject to several data privacy and security related regulations, including but not limited to: U.S. state privacy, security and breach notification laws; the General Data Protection Regulation ("GDPR"); and other European privacy laws, as well as privacy laws being adopted in other regions around the world. In addition, the Federal Trade Commission and many state attorneys general have interpreted existing federal and state consumer protection laws to impose evolving standards for the online collection, use, dissemination and security of information about individuals. Certain states have also adopted robust data privacy and security laws and regulations. In response to such data privacy laws and regulations and those in other countries in which we do business, we have implemented several technological safeguards, processes, contractual third-party provisions, and employee trainings to help ensure that we handle information about our employees and customers in a compliant manner. We maintain a global privacy policy and related procedures and train our workforce to understand and comply with applicable privacy laws.

Digital asset regulation

$IP Tokens and other digital assets are relatively novel and the application of state and federal securities laws, taxes and other laws and regulations to digital assets is unclear in certain respects. The U.S. federal government, states, regulatory agencies, and foreign countries may also enact new laws and regulations, or pursue regulatory, legislative, enforcement or judicial actions related to digital assets. For example, the U.S. executive branch, the Securities and Exchange Commission ("SEC") and the European Union's Markets in Crypto Assets Regulation, among others, have been active in recent years, and in the U.K., the Financial Services and Markets Act 2023 became law. Moreover, the regulatory status of digital asset treasury companies like us is currently uncertain. We will continue to monitor laws and regulations related to digital assets to determine any compliance changes that we need to make.

Intellectual Property

We strive to protect the reputation of our brand. We establish, protect and defend our intellectual property in several ways, including through employee and third-party nondisclosure agreements, copyright laws, domestic and foreign trademark protections, intellectual property licenses and social media and information security policies for employees. We have been granted over 75 trademark registrations in the United States for, among others, Heritage Distilling®, Heritage Distilling Co. (Stylized)®, our HDC Logo®, Cask Club®, Tribal Beverage Network® and the individual names and logos of certain of our products and numerous trademark registrations in other countries for the Heritage Distilling®, Heritage Distilling Co. (Stylized)®, HDC Logo® marks and the names and logos of certain Heritage products. We expect to continue to file trademark applications to protect our spirits brands.

We have also been granted copyright registration in the first version of our website located at *www.heritagedistilling.com*. Information contained on or accessible through our website is not incorporated by reference in or otherwise a part of this prospectus. As a copyright exists in a work of art once it is fixed in tangible medium, we intend to continue to file copyright applications to protect newly-developed works of art that are important to our business.

We also rely on, and carefully protect, proprietary knowledge and expertise, including the sources of certain supplies, formulations, production processes, innovation regarding product development and other trade secrets necessary to maintain and enhance our competitive position.

Human Capital

As of March 31, 2026, we had 21 employees, of which one worked part-time. Of our 21 employees, we employed 14 in corporate and administrative capacities, five in marketing, sales, and e-commerce activities, and two in production, warehouse, and product development activities. None of our employees is covered by a collective bargaining agreement.

We strive to maintain an inclusive environment free from discrimination of any kind, including sexual or other discriminatory harassment. We require and provide training for our employees covering harassment, discrimination and unconscious bias. This training is tracked and recorded by us and is mandatory for all new hires. Our employees have multiple avenues available through which inappropriate behavior can be reported, including a confidential hotline. Our policies require all reports of inappropriate behavior to be promptly investigated with appropriate action taken.

Seasonality

We experience some seasonality in our spirits business whereby the peak summer months and the winter holidays show a higher level of sales and consumption. However, the structure of our business and range of products in our portfolio are designed to mitigate major fluctuations. Based on historical activities, more than one-third of our annual revenue is

earned in the fourth quarter of each year, and absent a major disruption or change in operations, management does not anticipate that to change in the foreseeable future.

Item 1A. Risk Factors

Investing in our securities involves a high degree of risk. You should carefully consider the following information about these risks, together with the other information appearing elsewhere in this filing, including our financial statements, the notes thereto and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," before deciding to invest in our securities. The occurrence of any of the following risks could have a material and adverse effect on our business, reputation, financial condition, results of operations and future growth prospects, as well as our ability to accomplish our strategic objectives. As a result, the trading price of our securities could decline, and you could lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations and stock price. A summary of the risks discussed in greater detail in this Item 1A is as follows:

- Our operating history and evolving business make it difficult to evaluate our prospects and risks.
- We have a history of losses and may not achieve or maintain profitability in the future.
- Our historical financial statements do not reflect the potential variability in earnings that we may experience in the future relating to our $IP Token holdings. Moreover, our quarterly operating results, revenues, and expenses may fluctuate significantly, which could have an adverse effect on the market price of our common stock.
- Actions related to cryptocurrencies, including but not limited to, accepting, accumulating or acquiring $IP Tokens or other cryptocurrencies, and risks associated with their volatility, stability, price, utilization, adoption, recognition, regulation, taxation, storage, handling and security of transacting, holding or using such cryptocurrencies in our business, could impact our financial condition, liquidity and profitability.
- The price of $IP Tokens has been highly volatile and such volatility may adversely affect our results of operations and stock price.
- $IP Tokens and other digital assets are novel assets and are subject to significant legal, commercial, tax, regulatory and technical uncertainty, which could materially adversely affect our financial position, operations and prospects.
- In connection with our focus on $IP Tokens, we expect to interact with various smart contracts deployed on the Story Network, which may expose us to risks and technical vulnerabilities.
- There is a possibility that $IP Tokens may be classified as a "security," which would subject us to additional regulation and could materially impact the operations of our treasury strategy and our business.
- We face risks relating to the custody of our digital assets, including the loss or destruction of private keys required to access our digital assets and cyberattacks or other data loss relating to our digital assets, including smart contract related losses and vulnerabilities.
- We could be materially adversely affected by health concerns such as, or similar to, the COVID-19 pandemic, food-borne illnesses, and negative publicity regarding food quality, illness, injury or other health concerns.
- We face experienced and well capitalized competition and could lose market share to these competitors.
- We could fail to attract, retain, motivate or integrate our personnel.
- We may not be able to maintain and continue developing our reputation and brand recognition.
- We could fail to maintain our company culture as we grow, which could negatively affect our business.
- Our growth strategy will subject us to additional costs, compliance requirements, and risks.
- We could fail to effectively manage our growth and optimize our organizational structure.
- There may be uncertainties with respect to the legal systems in the jurisdictions in which we operate.
- As we expand our product offerings, we may become subject to additional laws and regulations.
- We may be subject to claims, lawsuits, government investigations, and other proceedings.
- Our failure to protect or enforce our intellectual property rights could harm our business.
- Claims by others that we infringed their intellectual property rights could harm our business.

- Changes in laws relating to privacy and data protection could adversely affect our business.
- We are subject to changing laws regarding regulatory matters, corporate governance, and public disclosure that could adversely affect our business or operations.
- We could lose momentum with our TBN efforts, or fail to secure substantial numbers of new agreements, or fail to maintain the agreements we already have. As it relates to TBN, we could also see a degradation of our brand if we cannot ensure product quality and consistency throughout all locations.
- Our failure to maintain an effective system of internal control over financial reporting could adversely affect our ability to present accurately our financial statements and could materially and adversely affect us, including our business, reputation, results of operations, financial condition or liquidity.

Risks Related to Our Financial Position and Capital Needs

We have a history of losses and our profitability may be subject to large swings in the future due to changes in the value of the $IP Tokens we own based on their value in the market.

We have a history of operating losses, including operating losses of $133,944,431 and $14,918,810 for the years ended December 31, 2025 and 2024, respectively, and have incurred net losses in each prior year since our inception other than in: 2021, the year in which we sold a controlling interest in our B S B — B rown S ugar B ourbon ("Flavored Bourbon") brand; and 2024, when we reported a $14.0 million change in fair value of convertible notes. While we had an operating profit of $1,855,202 and net income of $196,263,893 for the three month period ended September 30, 2025 (due primarily to our recognition of crypto and other related revenues from our recently-created validator operations and staking rewards) and as a result of the increase in the fair value of our $IP Token investment, for which we recognized a $245,841,410 gain on change in fair value of intangible digital assets, we also recognized an offsetting $364,041,359 loss on change in fair value of intangible digital assets for the three months ended December 31, 2025 due to the closing price of the $IP Tokens we held at that date. Because the pricing of the $IP Token in the marketplace is volatile and subject to swings, there can be no assurance that we will continue to produce sufficient revenue from our $IP Tokens and related operations and/or spirits operations, or to recognize continued or consistent gains on our $IP Token treasury reserve, to support our costs. We must continue to generate and sustain higher revenue levels (and/or lower cost levels) in future periods to remain profitable and, even if we do, we may not be able to maintain or increase our profitability.

While we recently implemented structural changes in our spirits segment to reduce expenses and overhead, there can be no assurance that such changes will make our spirits segment profitable. In addition, we expect to continue to incur substantial gains and losses from changes in the fair value of our intangible digital assets for the foreseeable future. Our $IP Token validation revenue is also expected to fluctuate as the market value of the $IP Tokens, in which the revenue is paid, fluctuates. We expect to continue to expend substantial financial and other resources on, among other things:

- sales and marketing in our spirits segment, including expanding our direct sales organization and marketing programs, particularly for larger customers and for expanding our Tribal Beverage Network efforts;
- in our spirits segment, for the development of new formulations and enhancements of our existing brands;
- general administration, including legal, accounting and other expenses related to being a public company;
- Increases in insurance premiums related to our digital asset treasury holdings and strategy; and
- specific spirits-related wind-down expenses, equipment or tenant improvement write downs, or adjustments for retail locations we have closed or plan to close or equipment we have taken or plan to take offline as we reduce our real estate footprint, move to third-party production and work to get asset-light.

These expenditures may not result in additional revenue or the growth of our business. Accordingly, we may not be able to generate sufficient revenue to offset our expected cost increases and achieve and sustain profitability. If we fail to achieve and sustain profitability, the market price of our common stock could decline.

Our historical financial statements do not reflect the potential variability in earnings that we may experience in the future relating to our $IP Token holdings. Moreover, our quarterly operating results, revenues, and expenses may fluctuate significantly, which could have an adverse effect on the market price of our common stock.

Our historical financial statements for the year ended December 31, 2024 do not reflect the potential variability in earnings that we experienced in the year ended December 31, 2025 or may experience in the future from holding or selling significant amounts of $IP Tokens.

The price of $IP Tokens is subject to dramatic price fluctuations and is highly volatile. For example, from February 13, 2025 (the date $IP Tokens first became available on digital asset trading platforms) through March 31, 2026, the price of $IP Tokens, as reported by Coinbase.com, ranged from a low of $0.516 to a high of $14.908. We determine the fair value of our $IP Tokens based on prices reported by Coinbase.com, and pursuant to Accounting Standards Update No. 2023-08 ("ASU 2023-08"), we are required to measure our $IP Token holdings at fair value in our statement of financial position and to recognize gains and losses from changes in the fair value of our $IP Tokens in our statement of operations each reporting period, which may create significant volatility in our reported results of operations and increase or decrease the carrying value of our digital assets, which in turn could have a material effect on the market price of our common stock. Conversely, any sale of $IP Tokens at prices above our carrying value for such assets would create a gain for financial reporting purposes even if we would otherwise incur an economic or tax loss with respect to such transaction, which also may result in significant volatility in our reported results of operations.

Because we intend to purchase additional $IP Tokens in future periods and increase our overall holdings of $IP Tokens, we expect that the proportion of our total assets represented by our $IP Token holdings will increase in the future. As a result, volatility in our results of operations may be significantly more than what we experienced in prior periods.

For many reasons, including those described below, our operating results, revenues, and expenses may vary significantly in the future from quarter to quarter. These fluctuations could have an adverse effect on the market price of our listed securities.

Our quarterly operating results may fluctuate, in part, as a result of:

- fluctuations in the market price of the $IP Token, of which we have significant holdings and with respect to which we expect to continue to make significant future purchases, and potential fair value changes associated therewith;
- any sales by us of our $IP Tokens at prices above or below their carrying value, which would result in our recording gains or losses upon the sale of our $IP Tokens;
- the incurrence of tax liabilities on future unrealized gains on our $IP Tokens;
- regulatory, commercial, and technical developments related to $IP Tokens or the Story blockchain, or digital assets more generally;
- the impact of war, terrorism, infectious diseases (such as COVID-19), natural disasters and other global events, and government responses to such events, on the global economy and the market for and price of $IP Tokens;
- our profitability and expectations for future profitability; and
- increases or decreases in our unrecognized tax benefits.

We base our operating expense budgets on expected revenue trends and strategic objectives. Many of our expenses, such as office leases and certain personnel costs, are relatively fixed. We may be unable to adjust spending quickly enough to offset any unexpected shortfall in our cash flow. Accordingly, we may be required to take actions to pay expenses, such as selling $IP Tokens or using proceeds from equity or debt financings, some of which could cause significant variation in our operating results in any quarter.

Based on the above factors, we believe quarter-to-quarter comparisons of our operating results are not a good indication of our future performance. It is possible that in one or more future quarters, our operating results may be below the expectations of public market analysts and investors. In that event, the market price of our common stock may fall.

The release of lockups on outstanding $IP Tokens, and the increase in the supply of $IP Tokens in circulation, may have an adverse impact on the market price of $IP Tokens, which could adversely affect our business, financial condition and results of operations.

A substantial portion of the total number of $IP Tokens initially created has been, and will continue to be, released into circulation, which may create significant downward pressure on the market price of $IP Tokens, which, in turn could adversely affect our revenues and liquidity position.

Unlike certain digital assets that are introduced into circulation gradually through mining or similar mechanisms, one billion $IP Tokens were created at the launch of the Story Network, with approximately 75% of the $IP Tokens created initially subject to lock-up restrictions. These tokens are being released over time pursuant to predetermined vesting schedules, including monthly unlocks over periods of up to four years. In addition, validator rewards continue to introduce

new $IP Tokens into circulation, resulting in a net increase of approximately 25.5 million $IP Tokens since inception (net of token burns). As of March 31, 2026, approximately 352 million $IP Tokens were in circulation.

As lock-up periods expire, including those applicable to allocations held by the initial Story Network ecosystem participants, the Story Foundation, early backers and core contributors, a significant number of $IP Tokens may become freely tradable. The release of these tokens from contractual lockups, particularly those held by early investors or insiders, could result in substantial selling activity, whether actual or anticipated. This increased supply of liquid $IP Tokens may exceed market demand and lead to sustained or accelerated declines in the market price of $IP Tokens.

A decline in the market price of $IP Tokens would have several adverse effects on our business and financial condition:

- *Validator Yield Revenue Risk*. Our revenues derived from validator activities are directly tied to the value of $IP Tokens earned as rewards. Although token emissions may continue, any decrease in token price would reduce the dollar value of those rewards, potentially materially impacting our revenue and profitability even if Story Network participation remains stable or increases.
- *Covered Call or Other Trading Strategy Risk*. We may generate income through covered call strategies involving $IP Tokens, and we may expand into other income-generating strategies in the future using our $IP Tokens. Downward price pressure, increased volatility, or shifts in implied volatility resulting from token unlock events could reduce option premiums, increase the likelihood of unfavorable exercise outcomes, or impair our ability to effectively execute such strategies. Additionally, persistent price declines of the $IP Token may limit the willingness of counterparties to engage in options transactions or reduce the available liquidity in derivatives markets tied to $IP Tokens.
- *Liquidity and Treasury Risk*. Our liquidity position is partially dependent on the value and marketability of our $IP Token holdings. A sustained decline in the market price of $IP Tokens due to increased circulating supply or otherwise could reduce the realizable value of our digital asset treasury, constrain our ability to convert tokens into fiat or other assets without significant market impact, and impair our ability to meet operational or strategic funding needs.
- *Market Perception and Volatility*. Scheduled and anticipated unlock events related to the outstanding $IP Tokens may create ongoing uncertainty in the market, which could contribute to increased volatility and negative investor sentiment. Even if large-scale selling does not occur, the perception of a potential supply overhang could depress prices and limit price appreciation.

While the Story Network includes mechanisms intended to offset inflationary pressures, such as token burning associated with transaction fees and certain validator or delegator actions, there can be no assurance that such mechanisms will be sufficient to counterbalance the effects of ongoing token issuances and the release of previously locked $IP Tokens.

If the market price of $IP Tokens declines significantly or remains depressed for a prolonged period due to these factors or others, our business, financial condition, results of operations and cash flows could be materially and adversely affected.

Risks associated with our net operating loss ("NOL") carryforwards, tax liabilities and fluctuations between reporting periods could adversely affect our results of operations and financing costs and the market price of our common stock.

In the year ended December 31, 2025, we recorded a provision for income taxes based on the applicable federal statutory tax rate of 21% and recognized a deferred income tax asset before valuation allowance of approximately $43.4 million based on our net loss before income taxes for the year ended December 31, 2025. In recording this deferred tax asset, we established a full valuation allowance against our NOL carryforwards as we could not currently conclude that it was more likely than not that the tax benefits associated with these losses would be realized. Due to changes in the $IP Token's closing market price to $1.72 as of December 31, 2025, we recognized a loss on change in fair value of intangible digital assets of approximately $118.2 million, driven by market fluctuations in the Story Network's native token, and a resulting net loss after income taxes of $137.7 million, our NOL carryforward increased by approximately $13.3 million during the year ended December 31, 2025.

During 2025, we engaged an independent tax advisor to perform a review under Internal Revenue Code Section 382 ("Section 382") to determine whether changes in ownership of our capital stock may limit the future utilization of our NOL carryforwards. Section 382 generally limits the ability of a corporation to use its NOL carryforwards following an

ownership change, which is typically defined as a cumulative shift of more than 50 percentage points in ownership by certain shareholders over a rolling three-year period.

Based on the completed Section 382 analysis, we experienced significant equity ownership changes over the past three years primarily as a result of the closing of our initial public offering of common stock on November 25, 2024 and the closing of a private placement of our prepaid warrants on August 15, 2025. As a result of these ownership changes, our ability to utilize certain NOL carryforwards generated prior to those dates is subject to annual limitations under Section 382.

As of December 31, 2024, we had approximately $61.5 million of federal NOL carryforwards and approximately $192 thousand of federal tax credits subject to potential limitation under Section 382. We generated additional net operating losses during 2025 of approximately $13.3 million and $32 thousand of federal tax credit, resulting in total federal NOL carryforwards of approximately $74.8 million and of federal tax credit of approximately $35 thousand as of December 31, 2025 before consideration of applicable limitations. Under the Section 382 analysis, our ability to utilize these tax attributes is limited on an annual basis, which means the NOL carryforwards may only be available for use gradually over future years rather than immediately. In addition, a portion of our NOL carryforwards may become permanently limited and therefore unavailable for use.

While we believe that a portion of our NOL carryforwards may be available to offset taxable income in future periods, the amount and timing of their utilization are subject to the Section 382 annual limitation and our ability to generate future taxable income. As a result of these uncertainties, we have elected to fully reserve against the use of these tax benefits in our financial statements as of December 31, 2025.

In addition, our reported net income or loss and related tax position may fluctuate significantly between reporting periods due to changes in the fair value of its intangible digital assets associated with the $IP Token. For example, the net income reported for the nine-month period ended September 30, 2025 reflected the fair value of $8.54 per $IP Token as of that date. Given the volatility in the market price of the $IP Token and the closing price of $1.72 per token as of December 31, 2025, gains previously recorded during earlier reporting periods may be offset by losses recognized in subsequent periods. As a result, any tax liability previously estimated during interim reporting periods may be reduced or eliminated when we record the full-year change in fair value of our intangible digital assets.

There is a risk that we may not be able to utilize all of our previous or future NOL carryforwards to offset taxable income or other tax liabilities resulting from our operations or from changes in the fair value of our intangible digital assets. In addition, our ability to utilize our NOLs could be further limited or reduced by additional ownership changes in the future, including those resulting from future equity issuances, warrant exercises, or other capital markets transactions.

Our ability to benefit from our historical NOL carryforwards could also be impacted by strategic transactions involving our operating businesses. For example, if we were to sell, spin off, or otherwise dispose of our alcohol-related business segment or other significant operating assets to a third party, the NOLs generated by those historical operations may remain with the entity that retains the losses and may not be available to offset taxable income associated with the business that is sold or with any remaining operations. Depending on the structure of such a transaction, certain tax attributes could be limited, reduced or effectively lost, which could increase our future tax liabilities.

In addition, because the value of our intangible digital assets is determined based on the closing price of the $IP Token at the end of each reporting period, significant volatility in the $IP Token market price between reporting periods could result in large fluctuations in the change in fair value of those assets. As a result, our estimate of quarterly or full-year net income and resulting tax liability during a given tax year may change significantly from reporting period to reporting period and can only be determined with certainty once the full fiscal period has ended. There could be substantial swings, both positive and negative, in reported net income or loss due to changes in the fair value of the $IP Token at the end of the reporting period, and such swings may not be representative of our full-year operating results or the ultimate tax liability for the year.

If our NOL carryforwards are limited, expire unused, or otherwise become unavailable, we could incur higher federal and state income tax liabilities than currently anticipated. Higher tax liabilities could reduce our future cash flows, net income and profitability and may adversely affect the value of our business and the returns available to our stockholders.

Sustained or increasing inflation could adversely impact our operations and our financial condition.

The inflation rate could remain high or increase in the foreseeable future. This could put cost pressure on our company faster than we can raise prices on our products. In such cases, we could lose money on products, or our margins or profits could decline. In other cases, consumers may choose to forgo making purchases that they do not deem to be essential, thereby impacting our growth plans. Likewise, labor pressures could continue to increase as employees become

increasingly focused on their own standard of living, putting upward labor costs on our company before we have achieved some or all of our growth plans. Our management continues to focus on cost containment and is monitoring the risks associated with inflation and will continue to do so for the foreseeable future. However, sustained or increasing inflation could adversely impact our operations, results of operations and financial condition.

Small Business Association ("SBA") Paycheck Protection Program ("PPP") loan repayment risk and timing.

In April 2022, we were advised we may have received a PPP loan over the amount we were qualified for in Round 1 of that program, and in April 2023, we received a similar notification for our Round 2 PPP loan. Those loans were part of the federal government's relief package in response to the COVID-19 pandemic. The SBA had forgiven both loans as we had followed all rules associated with the use of proceeds under that program. It is possible that the SBA may determine that we must repay some of the amounts we received as PPP loans. If a demand is made by the SBA for some repayment, it is unclear at this time what the payment term length would be for such repayment and there is a risk that the SBA may require immediate payment or payment on a timeline that is shorter than we anticipate. Any demand for repayment could reduce our working capital and available cash in a way that adversely impacts on our ability to execute our business and operating plans. If the SBA demands that we repay any amounts owed more than the amount of our available cash, it could force us to sell some of the $IP Tokens in our treasury reserve, to raise new capital under less than favorable terms that could be dilutive to stockholders, or to take on debt that could have higher borrowing costs. As of December 31, 2025, the total exposure for these two loans was $2,269,456, plus accrued interest of $129,950.

Certain previous sales made under our now closed equity line of credit may adversely affect our business, market perception and stock price.

On January 23, 2025, we entered into an agreement for an equity line of credit (the "ELOC Purchase Agreement") with an institutional investor (the "ELOC Investor") pursuant to which we, subject to the restrictions and satisfaction of the conditions in the ELOC Purchase Agreement, had the right, but not the obligation, to sell to the ELOC Investor, and the ELOC Investor was obligated to purchase, up to $15.0 million of newly-issued shares of our common stock. On July 21, 2025, we and our placement agents commenced a confidential marketing of our common stock and pre-funded warrants to a limited number of institutional accredited investors and qualified institutional buyers under a private placement financing that closed on August 14, 2025. Between July 21, 2025 and July 30, 2025, while such confidential marketing was in process and continuing, we sold to the ELOC Investor an aggregate of 427,526 shares of common stock pursuant to the ELOC Purchase Agreement for aggregate gross proceeds of approximately $3,396,161, at prices ranging from $6.40 to $9.00 per share. We ceased selling shares of common stock under the ELOC Purchase Agreement on July 30, 2025, and no further sales occurred under the ELOC Purchase Agreement after that date. After giving effect to the sales of common stock under the ELOC Purchase Agreement through July 30, 2025, we had 1,181,192 shares of common stock issued and outstanding on such date. The ELOC was canceled on December 22, 2025. While we believe we acted in good faith and in compliance with applicable laws and regulations in making such sales, it is possible that regulatory authorities or other parties could assert that material non-public information may have existed at the time of such sales. If such claims were made or are proven to be successful, such sales of common stock could result in regulatory inquiries, civil investigations, cease-and-desist orders, other potential administrative actions or private litigation brought by investors or damages resulting from such private actions. While we would vigorously defend our company in any such matters, responding to or resolving such actions could involve costs, divert management resources, and potentially impact our business, market perception and stock price.

Our failure to maintain an effective system of internal control over financial reporting could adversely affect our ability to present accurately our financial statements and could materially and adversely affect us, including our business, reputation, results of operations, financial condition or liquidity.

Our independent registered public accounting firm identified material weaknesses in our internal controls over financial reporting in connection with the preparation of our financial statements and audit as of and for the years ended December 31, 2025 and 2024, which relate to a deficiency in the design and operation of our financial accounting and reporting controls. Specifically, the material weaknesses resulted from (i) a lack of segregation of duties within the financial accounting and reporting processes due to limited personnel and (ii) a lack of adequate and precise review of account reconciliations and journal entries resulting in audit adjustments. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis.

We have begun to address and remediate such material weaknesses by hiring a Chief Financial Officer with significant accounting and public company financial reporting and compliance experience and by placing an experienced member of our finance team in the role of Controller. While we intend to implement additional measures to remediate the

material weaknesses, there is no guarantee that they can be remediated in a timely fashion or at all. Our failure to correct these material weaknesses could result in inaccurate financial statements and could also impair our ability to comply with the applicable financial reporting requirements on a timely basis. While we believe we have addressed any regulatory or financial reporting issues highlighted by our auditor, such compliance issues, should they materialize or persist, could cause investors to lose confidence in our reported financial information and may result in volatility in and a decline in the market price of our securities, as well as adverse directions from federal, state and local regulatory authorities.

Section 404 of the Sarbanes-Oxley Act will require that we include a report from management on the effectiveness of our internal control over financial reporting in our annual report on Form 10-K. It may take us time to develop the requisite internal control framework. Our management may conclude that our internal control over financial reporting is not effective, or the level at which our controls are documented, designed or reviewed is not adequate, and may result in our independent registered public accounting firm issuing a report that is qualified. In addition, the reporting obligations may place a significant strain on our management, operational and financial resources and systems for the foreseeable future. We may be unable to complete our evaluation testing and any required remediation promptly.

Risks Related to Our Business Operations

Our management team may not be able to successfully implement our business strategies.

If our management team is unable to execute our business strategies, then our development, including the establishment of revenues and our sales and marketing activities, would be materially and adversely affected. In addition, we may encounter difficulties in effectively managing the budgeting, forecasting and other process control issues presented by any future growth. We may seek to augment or replace members of our management team, or we may lose key members of our management team, and we may not be able to attract new management talent with sufficient skill and experience.

If we are unable to retain key executives and other key affiliates, our growth could be significantly inhibited and our business harmed with a material adverse effect on our business, financial condition and results of operations.

Our success is, to a certain extent, attributable to the management, sales and marketing, and operational and technical expertise of certain key personnel. Justin Stiefel, our Chief Executive Officer, and Jennifer Stiefel, our President, perform key functions in the operation of our business. The loss of either officer could adversely affect our business, financial condition and results of operations. We do not maintain key-person insurance for members of our management team because it is cost prohibitive to do so at this point. If we lose the services of any senior management, we may not be able to locate suitable or qualified replacements and may incur additional expenses to recruit and train new personnel, which could severely disrupt our business and prospects.

There is a risk that the Cryptocurrency Treasury Reserve Policy we adopted, as it may be amended from time to time, does not adequately address risks regarding the acceptance, acquisition, handling, storage, use, and disposition of cryptocurrencies, which could create a number of risks for us and our stockholders

We adopted a formal Cryptocurrency Treasury Reserve Policy. As we accumulate and use cryptocurrencies, there are risks associated with the volatility, stability, price, utilization, adoption, recognition, regulation, taxation, storage, handling and security of transacting, holding or using such cryptocurrencies in our business which could impact our balance sheet, liquidity and profitability. Such risks include, but are not limited to:

- continued worldwide growth in the adoption and use of cryptocurrencies;
- government and quasi-government regulation of cryptocurrencies and their use, or restrictions on or regulation of access to and operation of cryptocurrency systems;
- the maintenance and development of the open-source software of the Story Network and the blockchains associated with other cryptocurrencies we may hold;
- the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- accepting cryptocurrency as a form of payment for our goods or services, and then subsequently seeing the value of such cryptocurrencies fall, which would have a negative impact on our effective net gross margin and ultimately our ability to reach or maintain profitability;
- having any cryptocurrencies we own and hold be subject to fraud, hacking or theft as a result of not being properly stored or handled, or as a result of a breach of information that allows a third party to improperly access and

transfer such cryptocurrencies out of our possession, which could impact our total assets, balance sheet and liquidity;

- acquiring and holding such cryptocurrencies and then selling some or all of those holdings into the market for cash before an event that increases the value of those cryptocurrencies, meaning we would have lost out on an increase in the value of that asset had we held it longer;
- selling cryptocurrencies we own such that followers of cryptocurrencies who may have become, or could have become loyal customers of ours, because we engage in the use of cryptocurrencies could view such sale as not being in line with their belief that cryptocurrency should be used to replace fiat currencies. In such cases this could result in fewer customers, fewer purchases, less revenue and an overall reduction in business relative to the trajectory we may have been on, which could impact our financial result or reputation negatively;accepting cryptocurrencies as a form of payment for goods or services could be subject to transactions fees that are higher than regular credit card processing or similar fees, which could impact our financial results, profitability and net income or loss;
- based on new accounting rules adopted by the Financial Services Accounting Board, the value of cryptocurrencies held by public companies may be marked to market. In the event we hold any such cryptocurrencies in our treasury as an asset on our balance sheet and the value or price of such cryptocurrencies fall in any one month or reporting period, it would require us to write down the value of that asset, which would negatively impact our income statement for that reporting period and increase a loss for the period, reduce any reported profits for the period, or turn a profitable period into a period with a reported loss, which could reflect poorly on us in the market and impact the price of our stock;
- there is a risk that the service providers we use for our points of sale elect to not service or stop accepting cryptocurrencies as a form of payment for us, which could restrict our access to the market and our ability to sell goods for the exchange of such cryptocurrencies that might have been part of our business or strategic plans;
- the trading prices of many cryptocurrencies, have experienced extreme volatility in recent periods and may continue to do so. Extreme volatility in the future, including further declines in the trading prices of cryptocurrencies we may hold or own could have a material adverse effect on our balance sheet, income, liquidity and enterprise value;
- cryptocurrencies represent a new and rapidly evolving industry, and a portion of our actual or perceived value that we garner from any future acceptance or use of such assets depends on the continued acceptance, adoption and trust of such cryptocurrencies by users and the markets; and
- a portion of the value of our shares may be related directly to the value of cryptocurrencies we may own or hold, the value of which may be highly volatile and subject to fluctuations due to a number of factors.

Our strategy may include acquiring companies or brands, which may result in unsuitable acquisitions or failure to successfully integrate acquired companies or brands, which could lead to reduced profitability.

We may embark on a growth strategy through acquisitions of companies or operations that complement our existing product lines, customers or other capabilities. We may be unsuccessful in identifying suitable acquisition candidates or may be unable to consummate desired acquisitions. To the extent any acquisitions are completed, we may be unsuccessful in integrating acquired companies or their operations, or if integration is more difficult than anticipated, we may experience disruptions that could have a material adverse impact on future profitability. Some of the risks that may affect our ability to integrate, or realize any anticipated benefits from, acquisitions include:

- unexpected losses of key employees or customers of the acquired company;
- difficulties integrating the acquired company's products, services, standards, processes, procedures and controls;
- difficulties coordinating new product and process development;
- difficulties hiring additional management and other critical personnel;
- difficulties increasing the scope, geographic diversity and complexity of our operations;
- difficulties consolidating facilities or transferring processes and know-how;
- difficulties reducing costs of the acquired company's business;
- diversion of management's attention from our management; and
- adverse impacts on retaining existing business relationships with customers.

We may enter into partnerships, co-branding arrangements, licensing agreements, co-location, joint branding or other collaborative arrangements with other brands, producers, partners or celebrities which could distract from our core business plans, create new risks for our company or otherwise dilute our efforts at growing the value of our company or our brands.

To grow our sales, increase revenue, open new channels of distribution or increase the presence of our company or a brand, we may enter in several arrangements or agreements, including but not limited to partnerships, co-branding arrangements, licensing agreements, co-location, joint branding or other collaborative arrangements, with other brands, producers, partners or celebrities. Examples of some of these arrangements could include:

- *Co-branded or jointly branded products* — There is a risk that the co-branding does not work or does not make sense to the consumer, which would depress sales and could result in a loss of the effort, time and money spent on developing such products. There is also a risk the other brand owner with whom we partnered on the effort may not be able to fulfill its agreements, thereby resulting in lower sales, revenue and profitability compared to expectations heading into such arrangements. There is a risk the other brand owner cannot pay its bills, becomes insolvent, files for bankruptcy, is foreclosed upon or otherwise must cease operations, in which case we could have a co-branded product without a corresponding co-branding partner. In such a case, it may also be that we lose the right to continue using the co-branded designs, recipes or trademarks because of a change in operation. There is also a risk that the entity with whom we have co-branded, or one of its employees, managers, executives, directors, or prominent shareholders, does or says something to cause harm to the co-branded product and our brand by association.
- *Licensing Agreements* — There is a risk that if we license to others one or more of our brands, trademarks or patents, the licensee might not pay us the licensing fees or royalties due to us for a variety of reasons. The licensee might attempt to modify or use such licensed items in an inappropriate way inconsistent with our company, the brand, or the terms of the license. There is a risk the licensee, or one of its employees, managers, executives, directors, or prominent shareholders, does or says something to cause harm to the licensed product and our brand by association.
- *Co-location* — We may decide to co-locate or co-brand retail spaces with other distillers or producers in their spaces to get our brand and products in front of consumers in areas of the country where we do not have a physical presence. There is a risk that the co-location does not work or does not make sense to the consumer, which would depress sales and could result in a loss of the effort, time and money spent on developing such co-location presence. There is also a risk the other brand owner with whom we partnered in the effort may not be able to fulfill its agreements, thereby resulting in lower sales, revenue and profitability compared to expectations heading into such an arrangement. There is a risk the staff of the co-location partner does not represent our brand properly to consumers, or creates confusion about the brand or the products, or otherwise encourage consumers to skip purchasing our brands in favor of trying and purchasing their own brands. There is a risk the other brand owner cannot pay its debts, becomes insolvent, files for bankruptcy, is foreclosed upon or otherwise must cease operations, in which case we could have a co-located presence without a corresponding co-location partner to fulfill its terms of the agreement. In such a case, it may also be that we lose the right to continue using the co-located space to market and sell our products. There is also a risk that the entity with which we have co-located, or one of its employees, managers, executives, directors, or prominent shareholders, does or says something to cause harm to the co-located product and our brand by association.
- *Other collaborative arrangements with brands, producers, partners, or celebrities* — We may enter into collaborative agreements with other brands, producers, partners, or celebrities. There is a risk that those collaborative partners might not fulfill their obligations under the agreements, or they may not pay fees or royalties due to us. They may use licenses from us in an inappropriate way inconsistent with our company, our brands, or the terms of the license. There is a risk they could do or say something to cause harm to our brand or the collaboration effort by association.

Any one or more of the above risks, if they materialize, could result in lower sales, less revenue than anticipated, less profit than anticipated or a reduction in the value of our brands or reputation or value, which could have a material adverse effect on our business or operating results.

A failure of one or more of our key IT systems, networks, processes, associated sites or service providers could have a material adverse impact on our business operations, and if the failure is prolonged, our financial condition.

We rely on IT systems, networks and services, including internet sites, data hosting and processing facilities and tools, hardware (including laptops and mobile devices), software and technical applications and platforms, some of which

are managed, hosted, provided and used by third parties or their vendors, to assist us in the management of our business. The various uses of these IT systems, networks and services include, but are not limited to: hosting our internal network and communication systems; supply and demand planning; production; shipping products to customers; hosting our distillery websites and marketing products to consumers; collecting and storing customer, consumer, employee, stockholder, and other data; processing transactions; summarizing and reporting results of operations; hosting, processing and sharing confidential and proprietary research, business plans and financial information; complying with regulatory, legal or tax requirements; providing data security; and handling other processes necessary to manage our business.

Increased IT security threats and more sophisticated cybercrimes and cyberattacks, including computer viruses and other malicious codes, ransomware, unauthorized access attempts, denial of service attacks, phishing, social engineering, hacking and other types of attacks pose a potential risk to the security of our IT systems, networks and services, as well as the confidentiality, availability, and integrity of our data, and we have in the past, and may in the future, experience cyberattacks and other unauthorized access attempts to our IT systems. Because the techniques used to obtain unauthorized access are constantly changing and often are not recognized until launched against a target, we or our vendors may be unable to anticipate these techniques or implement sufficient preventative or remedial measures. If we are unable to efficiently and effectively maintain and upgrade our system safeguards, we may incur unexpected costs and certain of our systems may become more vulnerable to unauthorized access. In the event of a ransomware or other cyber-attack, the integrity and safety of our data could be at risk, or we may incur unforeseen costs impacting our financial position. If the IT systems, networks or service providers we rely upon fail to function properly, or if we suffer a loss or disclosure of business or other sensitive information due to any number of causes ranging from catastrophic events, power outages, security breaches, unauthorized use or usage errors by employees, vendors or other third parties and other security issues, we may be subject to legal claims and proceedings, liability under laws that protect the privacy and security of personal information (also known as personal data), litigation, governmental investigations and proceedings and regulatory penalties, and we may suffer interruptions in our ability to manage our operations and reputational, competitive or business harm, which may adversely affect our business, results of operations and financial results. In addition, such events could result in unauthorized disclosure of material confidential information, and we may suffer financial and reputational damage because of lost or misappropriated confidential information belonging to us or to our employees, stockholders, customers, suppliers, consumers or others. In any of these events, we could also be required to spend significant financial and other resources to remedy the damage caused by a security breach or technological failure and the reputational damage resulting therefrom, to pay for investigations, forensic analyses, legal advice, public relations advice or other services, or to repair or replace networks and IT systems. Even though we maintain cyber risk insurance, this insurance may not be sufficient to cover all our losses from any future breaches or failures of our IT systems, networks and services.

Global conflicts and geopolitical tensions could increase cybersecurity risks and disrupt our operations, which could adversely affect our business, financial condition and results of operations.

Global conflicts and geopolitical tensions, including the ongoing war in Ukraine and Iran, tensions involving Russia, China and Taiwan, instability in the Middle East, terrorist activities, and related military actions by the United States or other countries, have increased and may continue to increase the risk of cyberattacks directed at U.S. businesses and infrastructure. Nation-state actors, affiliated proxy groups, hacktivist organizations, terrorist organizations, and other non-state or loosely affiliated actors may engage in cyber operations that are retaliatory, disruptive or opportunistic in nature. These actors may target companies based on perceived vulnerabilities rather than strategic importance, which could increase the likelihood that companies of our size and industry may be affected.

Cyber threats associated with geopolitical tensions may include, among other things, distributed denial-of-service attacks, ransomware campaigns, destructive malware, phishing and social engineering schemes, unauthorized network intrusions, data exfiltration, theft of digital assets (including cryptocurrencies), and disinformation campaigns. In addition, cyber activities may target critical infrastructure, telecommunications networks, cloud service providers, financial institutions, logistics providers and other third-party vendors upon which we rely, which could disrupt our operations even if our own systems are not directly compromised.

The techniques used to obtain unauthorized access to systems and data are constantly evolving, increasingly sophisticated, and often not recognized until launched. As a result, we and our third-party service providers may be unable to anticipate, detect or prevent all cyber threats or implement effective preventative or remedial measures in a timely manner. Our systems and those of our vendors have experienced, and may continue to experience, attempted cyberattacks and unauthorized access. Any failure to maintain, upgrade or effectively implement appropriate safeguards could increase our vulnerability.

A cybersecurity incident or disruption, whether resulting from geopolitical activity or otherwise, could compromise the confidentiality, integrity or availability of our data, including sensitive or proprietary information belonging to us or to our employees, customers, suppliers or other stakeholders. Such incidents could result in operational disruptions, loss of business, damage to our reputation, regulatory investigations, litigation, liability under data protection and privacy laws, and significant costs related to remediation, system restoration, forensic investigations, legal and advisory services, and potential ransom payments. In addition, although we maintain cyber risk insurance, such coverage may not be sufficient to cover all losses.

While geopolitical conflicts may also contribute to volatility in supply chains, energy markets and input costs, we believe the evolving and unpredictable cybersecurity threat environment associated with such conflicts represents a particularly significant risk to our business. Accordingly, any material cybersecurity incident or related disruption could adversely affect our business, financial condition and results of operations.

Risks Related to Our Cryptocurrency Treasury Reserve Strategy and $IP Tokens

In relation to our acquisition, accumulation, holding, storing, selling, transferring or otherwise using any cryptocurrencies, there is a risk that rules or regulations could change, impacting the value of any such cryptocurrencies we hold and our ability to continue to use them or how we recognize, use and value them.

As cryptocurrencies are relatively novel and the application of state and federal securities laws and other laws and regulations to cryptocurrencies are unclear in certain respects, it is possible that regulators in the United States or foreign countries may interpret or apply existing laws and regulations in a manner that adversely affects the price of cryptocurrencies. The U.S. federal government, states, regulatory agencies, and foreign countries may also enact new laws and regulations, or pursue regulatory, legislative, enforcement or judicial actions, that could materially impact the price of cryptocurrencies or the ability of individuals or institutions such as us to own or transfer cryptocurrencies.

If cryptocurrencies are determined to constitute a security for purposes of the federal securities laws, the additional regulatory restrictions imposed by such a determination could adversely affect the market price of cryptocurrencies and in turn adversely affect the market price of our common stock. Moreover, the risks of us engaging in a cryptocurrency treasury strategy have created, and could continue to create complications due to the lack of experience that third parties have with companies engaging in such a strategy, such as increased costs of director and officer liability insurance or the potential inability to obtain such coverage on acceptable terms in the future. Additional risks include, but are not limited to, changes in how we must value any cryptocurrencies we hold, which could impact our balance sheet and income statement, or our ability to hold, use or dispose of them. In addition, new forms of taxation on the receipt, accumulation, acquisition, holding, storing, transferring, selling or otherwise using cryptocurrencies could alter, diminish or destroy the value proposition for such cryptocurrencies or how we value any cryptocurrencies we may hold at that time, which could negatively impact our balance sheet or income statement.

On March 11, 2026, the SEC and the CFTC entered into a Memorandum of Understanding Regarding Harmonization in Areas of Common Regulatory Interest (the "2026 MOU"), superseding the prior July 2018 interagency memorandum of understanding. The 2026 MOU establishes a framework for the two agencies to coordinate rulemaking, information sharing, examinations, and enforcement across areas of overlapping jurisdiction, and expressly includes the development of a "fit-for-purpose regulatory framework for crypto assets and other emerging technologies" as a stated coordination goal. While the 2026 MOU does not create legally binding obligations on either agency, does not resolve the classification of any specific digital asset, and expressly preserves each agency's independent statutory authority, it signals a materially more coordinated regulatory posture between the SEC and the CFTC with respect to digital assets, including cryptocurrencies we may hold such as $IP Tokens. The intensified coordination framework created by the 2026 MOU, including joint rulemaking, data sharing, and coordinated enforcement, could accelerate changes to the regulatory treatment of digital assets we hold and could result in changes to the applicable regulatory framework more quickly than would otherwise be the case. We cannot predict when or in what form any joint or coordinated rulemaking arising from the 2026 MOU will be proposed or finalized, or how any such rules would apply to $IP Tokens or our treasury strategy.

Declines in the broader cryptocurrency market could adversely affect the $IP Token, our business and the value of our digital assets.

The market prices of cryptocurrencies, including $IP Tokens and any others that we may hold or use in connection with our products and services, have historically been subject to extreme volatility. Broad declines in cryptocurrency values, whether due to regulatory developments, macroeconomic conditions, reduced adoption, security breaches, market manipulation, or other factors, could materially and adversely affect demand for our offerings, our financial condition, and the fair value of any digital assets we hold. Sustained or significant downturns in the cryptocurrency market could reduce

customer activity, impair our ability to raise capital, and lead to write-downs or other non-cash charges, any of which could negatively impact our business and operating results and the trading price of our common stock.

A principal component of our cryptocurrency treasury reserve policy is the acquisition of $IP Tokens, the price of which has been, and will likely continue to be, highly volatile. Our operating results and share price may significantly fluctuate due to the highly-volatile nature of the price of such digital assets and erratic market movements.

In August 2025, we acquired over 53 million $IP Tokens for the establishment of our cryptocurrency treasury operations. Digital assets generally are highly volatile assets. For example, from February 13, 2025 (the date $IP Tokens first became available on digital asset trading platforms) through March 31, 2026, the price of $IP Tokens, as reported by Coinbase.com, ranged from a low of $0.516 to a high of $14.908. In addition, digital assets do not pay interest or returns other than staking rewards and so the ability to generate a return on investment from the net proceeds of any financings will depend on whether there is appreciation in the value of digital assets following our purchases of digital assets with the net proceeds from such financings. We treat the unlocking of tokens via staking on our validator as a form of yield for revenue purposes, consistent with GAAP. Future fluctuations in digital asset trading prices may result in our converting digital assets into cash with a value substantially below the price we paid for such digital assets. If investors perceive our share price as a proxy for $IP Tokens, the lack of a continuous redemption/creation arbitrage can cause persistent, material premiums or discounts to intrinsic value. While staking of $IP Token held by us can generate a return, there is no guarantee a market for staking of $IP Tokens will continue or expand or that the yield on such staking will remain at current levels.

We have engaged, and plan to continue to engage, in derivatives transactions, including for the purpose of generating yield by the sale of covered call options on our $IP Tokens, and such transactions may expose us to material risks that could adversely impact our business, operating results and financial condition.

Derivatives transactions are financial contracts whose value depends on, or is derived from, the price or level of some other underlying product, asset, rate, or index, such as the value of a particular commodity. Derivatives transactions include, but are not limited to, swaps, options and futures. Derivatives transactions may be employed for different purposes, including hedging or mitigating exposure to a particular asset or risk; obtaining or creating investment exposure; and monetizing and generating yield on an existing asset or position.

As discussed above, in September 2025, the Technology and Cryptocurrency Committee of our Board approved our sale of covered call options using less than 2% of the total amount of $IP Tokens we own. This authorization increased to 3 million of our $IP Tokens (approximately 5.6% of our total holdings) in January 2026. By selling such covered call options, we are paid option premiums in exchange for which the option counterparty will obtain the right, but not the obligation, to purchase a specified amount of our $IP Tokens at a designated option strike price. We sold, and expect to continue to sell, call options that can be exercised if the price of the $IP Token in the market reaches a price ranging from 20% to 50% above the $IP Token price at the time the option is sold. In this way, we expect to earn yield through the receipt of option premiums while retaining ownership of the $IP Tokens underlying such options unless the price of the $IP Token in the open market reaches the designated option strike price and the call option is exercised by the buyer. There is no guarantee that engaging in such a covered call option selling strategy will be effective to generate yield or will result in improved overall performance than if we had not engaged in such strategy. Moreover, because these covered call options will grant the option buyers the right to purchase the specified amount of $IP Tokens at the designated strike price, temporary fluctuations in the market price of $IP Tokens could result in us being obligated to sell $IP Tokens in circumstances where our overall strategy would otherwise be to hold and not sell $IP Tokens.

Derivatives transactions, including call option transactions, are complex, carry their own special risks, and may expose us to significant risk of loss. The risks generally associated with derivatives include the risk that: (1) the value of the derivative will change in a detrimental manner; (2) before purchasing a derivative, we will not have the opportunity to observe its performance under all market conditions; (3) counterparty credit risk, in that another party to the derivative (especially where the derivative is entered into on a bilateral or over-the-counter basis) may fail to comply with the terms of the derivative contract; (4) liquidity risk, in that the derivative may be difficult to purchase or sell or we may otherwise encounter difficulties exiting or closing a position; and (5) the derivative may involve leverage, such that adverse changes in the value of the underlying asset could result in a loss substantially greater than the amount invested in the derivative itself or in heightened price sensitivity to market fluctuations.

Our common stock may trade at a substantial premium or discount to the value of the $IP Tokens we hold, and our stock price may be more volatile than the price of $IP Tokens.

The market price of our common stock reflects many factors that do not affect the spot price of $IP Tokens and may therefore diverge materially, positively or negatively, from the per-share value of our $IP Token holdings (net of cash, other assets and liabilities). These factors include, among others: our corporate-level expenses; taxes; the timing, size and

pricing of equity or debt financings (including at-the-market offerings, equity line financings or convertible securities), equity awards and other sources of dilution; expectations about our future purchases or sales of $IP Tokens or staking activity; our liquidity and public float; differences in trading hours and market microstructure between our common stock and spot markets for $IP Tokens; changes in index inclusion, analyst coverage or investor sentiment toward us as an operating company; our corporate governance, financial reporting, and any actual or perceived operational, custody, technology or regulatory risks specific to us; and broader equity-market conditions independent of crypto-asset markets. As a result, our common stock may trade at a premium or discount to the value of our $IP Token holdings for extended periods, and may be more volatile than the price of $IP Tokens. Accordingly, investors could lose all or a substantial part of their investment even if the market price of $IP Tokens does not decline, and investors in our company may not benefit commensurately from increases in the market price of $IP Tokens.

$IP Tokens and other digital assets are novel assets and are subject to significant legal, commercial, tax, regulatory and technical uncertainty, which could materially adversely affect our financial position, operations and prospects.

$IP Tokens and other digital assets are relatively novel and are subject to significant uncertainty, which could adversely impact their price. The application of state and federal securities laws, taxes and other laws and regulations to digital assets is unclear in certain respects, and it is possible that regulators and tax authorities in the United States or foreign countries may interpret or apply existing laws and regulations in a manner that adversely affects the price of $IP Tokens or other digital assets, or the revenue derived therefrom.

The U.S. federal government, states, regulatory agencies, and foreign countries may also enact new laws and regulations, or pursue regulatory, legislative, enforcement or judicial actions, that could materially impact the price of $IP Tokens or the ability of individuals or institutions such as us to own or transfer $IP Tokens. For example, the U.S. executive branch, the SEC, the European Union's Markets in Crypto Assets Regulation, among others, have been active in recent years, and in the U.K., the Financial Services and Markets Act 2023 became law. Moreover, on July 18, 2025, President Trump signed into law the GENIUS Act, establishing a legislative framework for the regulation of payment stablecoins and marking the first federal legislation for the regulation of digital assets in the U.S. On July 17, 2025, the U.S. House of Representatives passed the Digital Asset Market Clarity Act of 2025 (the "CLARITY Act"), a comprehensive digital asset market structure and regulation bill. The CLARITY Act, and other digital asset market structure and regulation bills, remain under consideration and continue to evolve in the U.S. Senate. It is not possible to predict whether, or when, any of these developments will lead to Congress granting additional authorities to the SEC, the Commodity Futures Trading Commission ("CFTC"), or other regulators, or whether, or when, any other federal, state or foreign legislative bodies will take any similar actions. Changes in administration or legislative priorities can upend permissive or neutral stances toward crypto, stablecoins, staking, or Layer1s apart from $IP, producing sudden compliance burdens or bans. Statutes governing fiat backed stablecoins, digital asset market structure, and custody (including potential CFTC or SEC jurisdictional recuts) could materially alter liquidity, pricing, and our ability to hedge.

It is also not possible to predict the nature of any such additional authorities, how additional legislation or regulatory oversight might impact the ability of digital asset markets to function or the willingness of financial and other institutions to continue to provide services to the digital assets industry, nor how any new regulations or changes to existing regulations might impact the value of digital assets generally and $IP Tokens specifically. Enforcement actions against digital asset issuers, trading platforms and staking providers demonstrate shifting, sometimes inconsistent judicial and regulatory approaches. Even where complaints have been narrowed or dismissed, future administrations or courts may take a different view, and previously "safe" assets or strategies may be recharacterized retroactively. Even if we initially comply, later guidance (e.g., on crypto custody, staking, stablecoins, DeFi) could force costly remediation or unwinds. The consequences of increased regulation of digital assets and digital asset activities could adversely affect the market price of $IP Tokens and the value of $IP Tokens on our balance sheet and, in turn, adversely affect the market price of our common stock.

Moreover, the risks of engaging in a digital asset treasury strategy are relatively novel and have created, and could continue to create, complications due to the lack of experience that third parties have with companies engaging in such a strategy, such as increased costs of director and officer liability insurance, cybercrime insurance or the potential inability to obtain such coverage on acceptable terms in the future.

The growth of the digital assets industry in general, and the use and acceptance of $IP Tokens in particular, may also impact the price of $IP Tokens and is subject to a high degree of uncertainty. The pace of worldwide growth in the adoption and use of $IP Tokens may depend, for instance, on public familiarity with digital assets, ease of buying, accessing or gaining exposure to $IP Tokens, institutional demand for $IP Tokens as an investment asset, the participation of traditional financial institutions in the digital assets industry, consumer demand for $IP Tokens as a means of payment, and the availability and popularity of alternatives to $IP Tokens. Even if growth in the adoption of $IP Tokens occurs in the near or medium-term, there is no assurance that the usage of $IP Tokens will continue to grow over the long-term.

Because $IP Tokens have no physical existence beyond the record of transactions on the Story Network, a variety of technical factors related to the Story Network could also impact the price of $IP Tokens. For example, malicious attacks by validators, inadequate rewards to incentivize validating of $IP Tokens transactions, hard "forks" of the Story Network into multiple blockchains, and advances in digital computing, algebraic geometry, and quantum computing could undercut the integrity of the Story Network and negatively affect the price of $IP Tokens. Similarly, the open-source nature of the Story Network means the contributors and developers of the Story Network are generally not directly compensated for their contributions in maintaining and developing the blockchain, and any failure to properly monitor and upgrade the Story Network could adversely affect the Story Network and negatively affect the price of $IP Tokens. The veracity or accuracy of third-party validators of the Story Network and its related transactions could come into question, thereby creating doubt in the market about the overall security of the data on the blockchain.

The liquidity of $IP Tokens may also be reduced and damage to the public perception of $IP Tokens may occur, if financial institutions were to deny or limit banking services to businesses that hold $IP Tokens, provide $IP Tokens-related services or accept $IP Tokens as payment, which could also decrease the price of $IP Tokens. A number of companies and individuals or businesses associated with digital assets may have had, and may continue to have, their existing banking services discontinued with financial institutions. Although U.S. banking regulators have recently rescinded prior guidance that emphasized the risks associated with digital asset businesses, it is possible that some banking institutions may remain unwilling to provide services to companies in the digital asset space. Loss of access to fiat rails (after failures of crypto friendly banks or policy shifts) may delay settlements, tax payments, or vendor obligations, impairing liquidity.

The liquidity of $IP Tokens may also be impacted to the extent that changes in applicable laws and regulatory requirements negatively impact the ability of exchanges and trading venues to provide services for $IP Tokens and other digital assets.

Our shift towards an $IP-focused strategy requires substantial changes in our day-to-day operations and exposes us to significant operational risks.

We operate our own validator on the Story Network and do not "delegate" our $IP Tokens to third party validation service providers. In either case, staking increases the risk of loss of $IP Tokens, including through slashing penalties and through increasing vulnerabilities to hacking in the staking smart contracts. Validators also need to maintain uptime in order to maximize their rewards. In addition, the $IP ecosystem may rapidly evolve, with frequent upgrades and protocol changes that may require significant adjustments to our operational setup. The upgrades and protocol changes may require that we incur unanticipated costs and it could cause temporary service disruptions. Technical failures or operational errors could impact our ability to obtain $IP Token rewards or gas fees, which could result in our failure to meet our financial projections. Alternatively, if we had chosen to use a third-party validation service, we would have had to share our staking rewards with that third-party validator, but that third-party validator may have more sophisticated technology which would enable those rewards to be greater.

Staked $IP Tokens are also subject to lock-up periods during which they cannot be withdrawn or sold. This lack of liquidity could limit our ability to respond to market changes or our financial needs. It is possible that we may in the future seek to mitigate this risk through so-called "liquid staking" arrangements, where we deposit $IP Tokens into a smart contract and receive in exchange a "liquid staking token" that would allow us to withdraw our $IP Tokens and associated rewards. The smart contract would then automatically delegate our $IP Tokens to a third-party staking service provider. We could then engage in other DeFi activities with liquid staking tokens. While we anticipate that the price of liquid staking tokens will correlate to the price of $IP Tokens, there is a possibility that prices will diverge. This could especially happen if the validators deployed by the liquid staking contract are subject to slashing penalties, in which case we may be able to withdraw fewer $IP Tokens than we originally deposited.

Any of these operational risks could materially and adversely affect our ability to execute our $IP Tokens strategy and may prevent us from realizing positive returns and could severely hurt our financial condition.

We plan to purchase additional digital assets using primarily proceeds from equity and debt financings, but we may be unable to obtain such financings on favorable terms.

Our ability to achieve the objectives of our digital asset acquisition strategy depends in significant part on our ability to obtain equity and debt financing. The terms of debt or equity securities that we issue may require us to make periodic payments to the holders of those securities. If we are unable to obtain equity or debt financing on favorable terms or at all, we may not be able to successfully execute on our digital asset acquisition strategy.

Our ability to obtain equity or debt financing may in turn depend on, among other factors, the value of our digital asset holdings, investor sentiment and the general public perception of $IP Tokens and other digital assets, our strategy and

our value proposition. Accordingly, a significant decline in the market value of our digital asset holdings, our inability to monetize our $IP Tokens through staking or decentralized finance, or a negative shift in these other factors may create liquidity and credit risks, as such a decline or such shifts may adversely impact our ability to secure sufficient equity or debt financing to satisfy our financial obligations, including any debt and cash dividend obligations.

$IP Tokens constitute the vast bulk of assets on our balance sheet. If we are unable to secure equity or debt financing in a timely manner, on favorable terms, or at all, we may be required to sell $IP Tokens to satisfy our financial obligations, and we may be required to make such sales at prices below our cost basis or that are otherwise unfavorable. Any such sale of $IP Tokens may have a material adverse effect on our operating results and financial condition, and could impair our ability to secure additional equity or debt financing in the future. Our inability to secure additional equity or debt financing in a timely manner, on favorable terms or at all, or to sell our $IP Tokens in amounts and at prices sufficient to satisfy our financial obligations, including any debt service and cash dividend obligations, could cause us to default under such obligations. Any default on our future indebtedness or any newly issued preferred stock could have a material adverse effect on our financial condition. Such actions could cause significant variation in our operating results in any quarter.

In connection with our focus on $IP Tokens, we expect to interact with various smart contracts deployed on the Story Network, which may expose us to risks and technical vulnerabilities.

In connection with our $IP Token strategy, we expect to interact with various smart contracts deployed on the Story Network in order to optimize our strategy. Smart contracts are self-executing code that operate without human intervention once deployed. Although smart contracts are integral to the functionality of staking deposit contracts and other functionality on blockchain networks, they are subject to many known risks such as technical vulnerabilities, coding errors, security flaws, and exploits. We expect our smart contract interactions to be limited to use of the Story Network's native staking contract to (i) bond / unbond $IP Tokens that we hold, (ii) manage validator parameters (e.g., commissions on rewards related to delegated tokens), and (iii) receive protocol-defined block rewards and fees. Any vulnerability in a smart contract we interact with could result in the loss or theft of $IP Tokens or other digital assets, which could have a materially adverse impact on our business. A vulnerability in a smart contract could create an unintended and unforeseeable consequence that has adverse financial consequences, such as the inability to access funds. There is no assurance that the smart contracts we integrate with or rely upon will function as intended or remain secure. Exploitation of such vulnerabilities could have a material adverse effect on our business and financial condition.

Transactions using $IP Tokens or on the Story Network require the payment of "gas fees," which are subject to fluctuations that may result in high transaction fees.

Transactions using $IP Tokens, including purchases, sales and staking and other activities on the Story Network, require the payment of "gas fees" in $IP Tokens. Gas fees are payments made by the user to compensate for the computational energy required to process and validate transactions, such as purchases, sales and staking, on the Story Network. These fees can fluctuate and can be very expensive relative to the cost of the transaction depending upon congestion and demand on the network. If fees are high, the cost of a transaction will potentially decrease the return of the investment, which could be negative. High gas fees may also cause delays in the execution of a transaction, which could affect the preferred timing of execution and may lead to execution of a transaction during inopportune times. In addition, gas fees are paid in $IP Tokens, which would require that sufficient $IP Token balances are maintained. Future upgrades to the Story Network, regulatory changes, or technical issues could also adversely impact the cost of gas fees and could have a material adverse effect on our business, results of operations, financial condition, treasury and prospects.

Changes in regulatory interpretations could require us to register as a money services business or money transmitter, leading to increased compliance costs or operational shutdowns.

The regulatory regime for digital assets in the U.S. and elsewhere is uncertain. We may be unable to effectively react to proposed legislation and regulation of digital assets, which could adversely affect our business.

The Financial Crimes Enforcement Network, a division of the U.S. Treasury Department ("FinCEN"), regulates providers of certain services with respect to "convertible virtual currency," including $IP Tokens. Businesses engaged in the transfer of convertible virtual currencies are subject to registration and licensure requirements at the U.S. federal level and also under U.S. state laws. There is a risk that if we decide to provide staking services to third parties, FinCEN or other regulators could view such services as the provision of money transmission activities subject to regulations.

If regulatory changes or interpretations require us to register as a money services business with FinCEN under the U.S. Bank Secrecy Act, or as a money transmitter under state laws, we may be subject to extensive regulatory requirements, resulting in significant compliance costs and operational burdens. In such a case, we may incur extraordinary expenses to meet these requirements or, alternatively, may determine that continued operations are not viable. If we decide

to cease certain operations in response to new regulatory obligations, such actions could occur at a time that is unfavorable to investors.

Multiple states have implemented or proposed regulatory frameworks for digital asset businesses. Compliance with such state-specific regulations may increase costs or impact our business operations. Further, if we or our service providers are unable to comply with evolving federal or state regulations, we may be forced to dissolve or liquidate certain operations, which could materially impact our investors.

There is a possibility that $IP Tokens may be classified as a "security." If $IP Tokens are classified as a "security," that would subject us to additional regulation and could materially impact the operations of our treasury strategy and our business.

Neither the SEC nor any other U.S. federal or state regulator has publicly stated whether $IP Tokens constitute a "security," and $IP Tokens have not been formally classified under the U.S. federal securities laws. We note, however, that the 2026 MOU commits the SEC and CFTC to jointly clarifying product definitions through joint interpretations and rulemakings, and to providing a fit-for-purpose regulatory framework for crypto assets. While this commitment to rulemaking could ultimately provide greater clarity, any proposed or final rules arising from this process could also result in classifications or interpretations that are adverse to our position that $IP Tokens are not a "security" within the meaning of the U.S. federal securities laws. Although we believe that $IP Tokens are not a "security," and that registration of our company or our treasury under the Investment Company Act of 1940, as amended (the "Investment Company Act"), is therefore not required under applicable securities laws, we acknowledge the uncertainty that a regulatory body or federal court may determine otherwise in the future. If this occurs, we may face legal or regulatory action, even if our beliefs were reasonable under the circumstances, and we could be required to register as an investment company under the Investment Company Act.

As part of our ongoing review of applicable securities laws, we take into account a number of factors, including the various definitions of "security" under such laws, including but not limited to the Investment Company Act, and federal court decisions interpreting the elements of these definitions, such as the U.S. Supreme Court's decisions in the Howey and Reves cases. We also consider court rulings, reports, orders, press releases, public statements, and speeches by the SEC Commissioners and SEC Staff providing guidance on when a digital asset or a transaction to which a digital asset may relate may be a security for purposes of U.S. federal securities laws. We further consider any guidance, interpretive releases, proposed rules, or final rules issued by the SEC or the CFTC, whether jointly or individually, in connection with the interagency coordination framework established by the 2026 MOU, including any joint interpretation or rulemaking clarifying the classification of crypto assets as securities, commodities, or otherwise. Our position that $IP Tokens are not a "security" is premised, among other reasons, on our conclusion that $IP Tokens do not appear to meet certain elements of the Howey test, such as that holders of $IP Tokens do not have a reasonable expectation of profits from the efforts of any identifiable third party or group in respect of their holding of $IP Tokens.

We acknowledge, however, that the SEC, a federal court or another relevant entity could take a different view. The regulatory treatment of $IP Tokens is such that it has drawn significant attention from legislative and regulatory bodies, including the SEC and the CFTC. The application of securities laws to the specific facts and circumstances of digital assets is complex and subject to change. Our conclusion, even if reasonable under the circumstances, would not preclude legal or regulatory action based on a finding that $IP Tokens, or any other digital asset we might hold, are a "security." In this regard, we note that the 2026 MOU expressly commits the SEC and the CFTC to coordinating enforcement investigations in matters that may involve overlapping jurisdiction, including consulting prior to the issuance of Wells notices or similar instruments, and to filing parallel enforcement actions where practicable. Accordingly, any enforcement investigation by the SEC regarding the classification of $IP Tokens could promptly implicate CFTC involvement, and vice versa, potentially compounding the regulatory exposure associated with any such action. Therefore, as described below under "*If we were deemed to be an investment company under the Investment Company Act, applicable restrictions likely would make it impractical for us to continue segments of our business as currently contemplated,*" we are at risk of enforcement proceedings against us, which could result in potential injunctions, cease-and-desist orders, fines, penalties or other damages if $IP Tokens were determined to be a security by a regulatory body or a court.

Further, if $IP Tokens are viewed as a security, it may become more difficult to purchase and sell $IP Tokens, as they could only be traded through SEC-registered broker-dealers or exchanges. This would make it more difficult for us to continue our $IP treasury strategy, or to monetize $IP Tokens that we hold in the event we need to do so for working capital purposes. Such developments could adversely affect our business, results of operations, financial condition, treasury operations and prospects.

It is still early in the administrative process for the SEC and CTFC review of how each token will be classified and it is yet unclear how $IP Tokens will be viewed while that process is underway or when the final rulemaking is complete. As

such, it is not possible yet to predict whether $IP Tokens will be classified as securities or commodities and investors are advised to beware of the risk posed by the uncompleted work by the federal agencies in this regard.

The SEC-CFTC Memorandum of Understanding dated March 11, 2026 establishes a framework for heightened interagency coordination on crypto asset regulation and enforcement that could materially affect the regulatory treatment of $IP Tokens and our treasury strategy.

On March 11, 2026, the SEC and the CFTC entered into the 2026 MOU, which establishes a broad framework for harmonization, coordination, and information sharing between the two agencies across areas of common regulatory interest. The 2026 MOU supersedes the prior SEC-CFTC MOU dated July 11, 2018. Among its stated goals, the 2026 MOU expressly includes the development of a "fit-for-purpose regulatory framework for crypto assets and other emerging technologies," to be achieved in part through joint interpretations and rulemakings clarifying product definitions and through coordination to remove obstacles to the lawful introduction of novel crypto asset products to market participants. The 2026 MOU also establishes enhanced mechanisms for information sharing between the agencies, coordinated examinations of dually-regulated entities, and parallel enforcement in matters of overlapping jurisdiction.

Although the 2026 MOU does not create legally binding obligations on either agency, does not supersede any applicable laws or regulations, and does not resolve the classification of any specific digital asset — including $IP Tokens — as a security or commodity, the coordination framework it establishes has several implications material to our business and treasury strategy. First, to the extent the SEC and CFTC undertake joint rulemaking or issue joint interpretive guidance on the classification of crypto assets pursuant to the 2026 MOU, any such guidance could affect the regulatory status of $IP Tokens in ways we cannot currently predict, and could result in changes to our obligations under federal securities or commodities laws. Second, the 2026 MOU's enforcement coordination provisions — under which the agencies commit to consulting on matters involving potential overlapping jurisdiction, including prior to issuance of Wells notices, and to filing parallel actions where practicable — increase the risk that any regulatory inquiry by one agency would promptly involve the other, potentially compounding our regulatory exposure. Third, the 2026 MOU's data sharing provisions, under which the agencies agree to share information concerning matters of common regulatory interest, including information pertaining to dually-regulated entities and novel crypto asset products, could result in information about our company, our $IP Token holdings, or our transactions being shared between the agencies in connection with any examination or enforcement matter.

The 2026 MOU also reflects the agencies' stated commitment to a "minimum effective dose" regulatory strategy and to "fair notice" principles, and expressly rejects "regulating through enforcement." While these principles, if implemented consistently, could be favorable to companies like ours that have sought in good faith to comply with applicable law, these principles do not constitute legally binding commitments, do not limit either agency's authority to bring enforcement actions, and do not resolve existing legal uncertainty regarding the classification of $IP Tokens. We continue to monitor developments under the 2026 MOU, including any proposed rulemakings, interpretive releases, or joint guidance issued by the SEC and CFTC pursuant thereto, but cannot predict the ultimate outcome of this regulatory process or its effects on our business, financial condition, treasury strategy, or the market price of our common stock.

If we were deemed to be an investment company under the Investment Company Act, applicable restrictions likely would make it impractical for us to continue segments of our business as currently contemplated.

Under Sections 3(a)(1)(A) and (C) of the Investment Company Act, a company generally will be deemed to be an “investment company” if (i) it is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting, or trading in securities or (ii) it engages, or proposes to engage, in the business of investing, reinvesting, owning, holding, or trading in securities and it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities, shares of registered money market funds under Rule 2a-7 of the Investment Company Act, and cash items) on an unconsolidated basis. Rule 3a-1 under the Investment Company Act generally provides that notwithstanding the Section 3(a)(1)(C) test described in clause (ii) above, an entity will not be deemed to be an “investment company” for purposes of the Investment Company Act if no more than 45% of the value of its assets (exclusive of U.S. government securities, shares of registered money market funds under Rule 2a-7 of the Investment Company Act, and cash items) consists of, and no more than 45% of its net income after taxes (for the past four fiscal quarters combined) is derived from, securities, as defined under the Investment Company Act (“40 Act Securities”), other than U.S. government securities, shares of registered money market funds under Rule 2a-7 of the Investment Company Act, securities issued by employees’ securities companies, securities issued by qualifying majority owned subsidiaries of such entity, and securities issued by qualifying companies that are controlled primarily by such entity. We do not believe that we are an “investment company” as such term is defined in either Section 3(a)(1)(A) or Section 3(a)(1)(C) of the Investment Company Act.

With respect to Section 3(a)(1)(A) of the Investment Company Act, a substantial majority of the proceeds from our recent private placement offering of pre-funded warrants have been used to acquire $IP Tokens, which is an amount in excess of 40% of our total assets. We believe $IP Tokens are not a 40 Act Security; as such, we do not hold ourselves out as being engaged primarily, or propose to engage primarily, in the business of investing, reinvesting, or trading in 40 Act Securities within the meaning of Section 3(a)(1)(A) of the Investment Company Act. With respect to Section 3(a)(1)(C) of the Investment Company Act, we believe we satisfy the elements of Rule 3a-1 and therefore are deemed not to be an investment company under, and we intend to conduct our operations such that we will not be deemed an investment company under, Section 3(a)(1)(C). We believe that we are not an investment company pursuant to Rule 3a-1 under the Investment Company Act because, on a consolidated basis with respect to wholly-owned subsidiaries but otherwise on an unconsolidated basis, no more than 45% of the value of our total assets (exclusive of U.S. government securities, shares of registered money market funds under Rule 2a-7 of the Investment Company Act, and cash items) consists of, and no more than 45% of our net income after taxes (for the last four fiscal quarters combined) is derived from, 40 Act Securities other than U.S. government securities, shares of registered money market funds under Rule 2a-7 of the Investment Company Act, securities issued by employees' securities companies, securities issued by qualifying majority-owned subsidiaries of our company, and securities issued by qualifying companies that are controlled primarily by the Company.

$IP Tokens and other digital assets, as well as new business models and transactions enabled by blockchain technologies, present novel interpretive questions under the Investment Company Act. There is a risk that assets or arrangements that we have concluded are not securities could be deemed to be securities by the SEC or another authority for purposes of the Investment Company Act, which would increase the percentage of 40 Act Securities held by us for Investment Company Act purposes. If we were deemed to be an investment company, Rule 3a-2 under the Investment Company Act is a safe harbor that provides a one-year grace period for transient investment companies that have a bona fide intent to be engaged primarily, as soon as is reasonably possible (in any event by the termination of such one-year period), in a business other than that of investing, reinvesting, owning, holding or trading in securities, with such intent evidenced by the company's business activities and an appropriate resolution of its board of directors. The grace period is available not more than once every three years and runs from the earlier of (i) the date on which the issuer owns securities and/or cash having a value exceeding 50% of the issuer's total assets on either a consolidated or unconsolidated basis or (ii) the date on which the issuer owns or proposes to acquire investment securities having a value exceeding 40% of the value of such issuer's total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. Accordingly, the grace period may not be available at the time that we seek to rely on Rule 3a-2; however, Rule 3a-2 is a safe harbor and we may rely on any exemption or exclusion from investment company status available to us under the Investment Company Act at any given time. Furthermore, reliance on Rule 3a-2, Section 3(a)(1)(C), or Rule 3a-1 could require us to take actions to dispose of securities, limit our ability to make certain investments or enter into joint ventures, or otherwise limit or change our service offerings and operations. If we were to be deemed an investment company in the future, restrictions imposed by the Investment Company Act, including limitations on our ability to issue different classes of stock and equity compensation to directors, officers, and employees and restrictions on management, operations, and transactions with affiliated persons, likely would make it impractical for us to continue our business as contemplated, and could have a material adverse effect on our business, results of operations, financial condition, treasury and prospects.

If the SEC determines that we are an unregistered investment company, there would be a risk that we would be subject to monetary penalties and injunctive relief in an action brought by the SEC, that we would potentially be unable to enforce contracts with third parties and that third parties could seek to obtain rescission of transactions undertaken during the period for which it was established that we were an unregistered investment company. There is also a risk the SEC or Nasdaq could move to delist us from the exchange.

The availability of spot exchange-traded products ("ETPs") for digital assets may adversely affect the market price of our listed securities.

Although bitcoin and other digital assets have experienced a surge of investor attention since bitcoin was invented in 2008, until recently investors in the United States had limited means to gain direct exposure to digital assets through traditional investment channels, and instead generally were only able to hold digital assets through "hosted" wallets provided by digital asset service providers or through "unhosted" wallets that expose the investor to risks associated with loss or hacking of their private keys. Given the relative novelty of digital assets, general lack of familiarity with the processes needed to hold digital assets directly, as well as the potential reluctance of financial planners and advisers to recommend direct digital asset holdings to their retail customers because of the manner in which such holdings are custodied, some investors have sought exposure to digital assets through investment vehicles that issue shares representing fractional undivided interests in their underlying digital asset holdings.

On January 10, 2024, the SEC approved the listing and trading of spot bitcoin ETPs, the shares of which can be sold in public offerings and are traded on U.S. national securities exchanges. The SEC has also approved spot ETPs for

Ethereum and other digital assets. The listing and trading of spot ETPs for digital assets offers investors another alternative to gain exposure to digital assets, which could result in a decline in the price of our listed securities relative to the value of our digital assets.

Although we are an operating company, and we believe we offer a different value proposition than an investment vehicle such as a spot digital asset ETP, investors may nevertheless view our securities as an alternative to an investment in an ETP, and choose to purchase shares of an ETP instead of our securities. They may do so for a variety of reasons, including if they believe that ETPs offer a "pure play" exposure to digital assets that is generally not subject to federal income tax at the entity level as we are, or the other risk factors applicable to an operating business, such as ours. Additionally, unlike spot digital asset ETPs, we (i) do not seek for our common stock to track the value of the underlying digital assets we hold before payment of expenses and liabilities, (ii) do not benefit from various exemptions and relief under the Securities Exchange Act of 1934, as amended, including Regulation M, and other securities laws, which enable ETPs to continuously align the value of their shares to the price of the underlying assets they hold through share creation and redemption, (iii) are a Delaware corporation rather than a statutory trust, and do not operate pursuant to a trust agreement that would require us to pursue one or more stated investment objectives, and (iv) are not required to provide daily transparency as to our digital asset holdings or our daily NAV. Based on how we are viewed in the market relative to ETPs, and other vehicles which offer economic exposure to digital assets, such as futures exchange-traded funds ("ETFs"), leveraged futures ETFs, and similar vehicles offered on international exchanges, any premium or discount in our common stock relative to the value of our digital asset holdings may increase or decrease in different market conditions.

As a result of the foregoing factors, availability of spot ETPs for bitcoin and other digital assets could have a material adverse effect on the market price of our listed securities.

We are not subject to legal and regulatory obligations that apply to investment companies such as mutual funds and exchange-traded funds, or to obligations applicable to investment advisers.

Mutual funds, exchange-traded funds and their directors and management are subject to extensive regulation as "investment companies" and "investment advisers" under U.S. federal and state law; this regulation is intended for the benefit and protection of investors. We are not subject to, and do not otherwise voluntarily comply with, these laws and regulations. This means, among other things, that the execution of or changes to our digital asset treasury strategy, our use of leverage, the manner in which our digital assets are custodied, our ability to engage in transactions with affiliated parties and our operating and investment activities generally are not subject to the extensive legal and regulatory requirements and prohibitions that apply to investment companies and investment advisers. For example, although a significant change to our treasury reserve policy would require the approval of our Board of Directors, no stockholder or regulatory approval would be necessary. Consequently, our Board of Directors has broad discretion over the investment, leverage and cash management policies it authorizes, whether in respect of our $IP Token holdings or other activities we may pursue, and has the power to change our current policies, including our strategy of acquiring and holding digital assets.

Legislative or regulatory change regarding the regulation of "commodities" by the CFTC and the regulation of digital assets as "digital commodities" could subject us to additional regulatory burdens and oversight by the CFTC and could adversely affect the market price of $IP Tokens and the market price of our listed securities.

The CFTC has stated and judicial decisions involving CFTC enforcement actions have confirmed that at least some digital assets fall within the definition of a "commodity" under the U.S. Commodities Exchange Act of 1936 (the "CEA") and the rules promulgated by the CFTC thereunder ("CFTC Rules"). While the CFTC has enforcement authority to police against fraud and manipulation in spot commodity markets (including the spot market for digital assets that are commodities), the CFTC currently only has regulatory and supervisory jurisdiction with respect to "commodity interest" transactions, such as futures, options, and swaps on a commodity (including a digital asset commodity) and certain leveraged, margined, or financed transactions in commodities involving retail customers. Accordingly, we are not currently regulated or supervised by the CFTC and are not subject to the legal and regulatory obligations that are applicable to CFTC-registered entities under the CEA and CFTC Rules.

As discussed above, the regulation of digital assets in the U.S. is subject to change as a result of the enactment and adoption of new laws and regulations and changes in agency and judicial interpretation of existing laws and regulations. For example, the proposed CLARITY Act and other draft digital asset market structure and regulation bills have proposed granting the CFTC additional regulatory and supervisory powers with respect to spot digital assets as "digital commodities." In addition, on March 11, 2026, the SEC and CFTC entered into the 2026 MOU, which establishes a framework for the two agencies to coordinate on the development of a "fit-for-purpose regulatory framework for crypto assets and other emerging technologies," including through joint interpretations and rulemakings clarifying product definitions. To the extent such joint rulemaking addresses the circumstances under which a digital asset constitutes a "commodity" or "digital commodity" subject to expanded CFTC jurisdiction, rather than a "security" subject to SEC

jurisdiction, such guidance could have direct implications for $IP Tokens and our treasury strategy. Moreover, the 2026 MOU expressly contemplates coordination by the agencies on proposals to list or trade novel crypto asset products and on enforcement actions that could adversely impact markets or products under common jurisdiction, further increasing the practical scope of CFTC involvement in matters affecting $IP Tokens. While it is not possible to predict whether and in what form such proposals will be adopted or how any joint rulemaking under the 2026 MOU will ultimately characterize $IP Tokens, changes to or expansion of the jurisdiction of the CFTC with respect to activities in spot digital assets, including $IP Tokens, could result in the imposition of additional regulatory obligations and burdens, which could include registration, disclosure, reporting, and business conduct requirements. Such additional regulatory burdens and oversight could materially increase the cost of our business, could adversely affect the market price of $IP Tokens, and in turn could adversely affect the market price of our listed securities.

We may be deemed to be a "commodity pool" under CEA and CFTC Rules as a result of our commodity interest trading, which could have a material adverse effect on our business, financial condition and results of operations.

The CEA and CFTC Rules define a "commodity pool" as any investment trust, syndicate, or similar form of enterprise operated for the purpose of trading in "commodity interests," such as swaps, futures, and options on an underlying commodity (including any digital asset that constitutes a commodity). The CFTC has previously interpreted "for the purpose of trading" as being triggered where only one swap is executed. The legal and regulatory landscape of CFTC commodity pool regulation is currently unclear as applied to digital asset treasury companies. Accordingly, (i) no person is registered with the CFTC as a commodity pool operator ("CPO") or a commodity trading adviser ("CTA") with respect to our company; and (ii) our stockholders will not have the regulatory protections provided to investors in a commodity pool operated or advised by a registered CPO or CTA, as applicable.

If our company were determined to be a "commodity pool," including as a result of any future change in legislation, regulation, or interpretation, we may be subject to additional regulatory requirements which may be burdensome or costly or that could make it impractical or impossible for us to continue our business as currently contemplated. For example, a commodity pool must generally be operated as a separately cognizable entity from its CPO and any person acting as a CPO or CTA with respect to a commodity pool must be registered with the CFTC and as a member of the National Futures Association ("NFA"). Absent an applicable exemption, a registered CPO or CTA must generally provide investors with a "disclosure document" in compliance with the CFTC Rules and the requirements of the NFA, and must comply with a range of ongoing reporting and recordkeeping requirements on registered and certain exempt commodity pool operators. Registration can be time-consuming, expensive and restrictive, and compliance with these additional regulatory requirements could result in substantial, non-recurring expenses, adversely affecting an investment in our securities. If we determine not to comply with such regulations, we may be forced to cease or modify certain of our operations, which could negatively impact our investors. We also note that the 2026 MOU establishes enhanced information sharing between the SEC and CFTC with respect to entities, products, and markets of common regulatory interest, including investment companies and commodity pools that may be subject to overlapping jurisdiction. The 2026 MOU defines "Covered Firms" to include, among others, firms registered as both Investment Advisers and Commodity Pool Operators. While we are not currently so registered, the enhanced surveillance, data sharing, and coordinated examination framework established by the 2026 MOU means that the CFTC's visibility into our operations and holdings could increase, and that any examination or inquiry by the SEC could more readily prompt CFTC scrutiny of whether we constitute a commodity pool, or vice versa. This increased interagency coordination could reduce the practical barriers to a determination that we are a commodity pool and compound the regulatory consequences of any such determination.

Due to the unregulated nature and lack of transparency surrounding the operations of many digital asset trading venues, digital asset trading venues may experience greater fraud, security failures or regulatory or operational problems than trading venues for more established asset classes, which may result in a loss of confidence in digital asset trading venues and adversely affect the value of digital assets, and our financial position, operations and prospects.

Cryptocurrency markets, including spot markets for $IP Tokens, are growing rapidly. The digital asset trading platforms through which $IP Tokens and other cryptocurrencies trade are new and largely unregulated or may not be complying with existing regulations. These markets are local, national and international and include a broadening range of cryptocurrencies and participants. Significant trading may occur on systems and platforms with minimum predictability. Spot markets may impose daily, weekly, monthly or customer-specific transactions or withdrawal limits or suspend withdrawals entirely, rendering the exchange of $IP Tokens for fiat currency difficult or impossible. Participation in spot markets requires users to take on credit risk by transferring $IP Tokens from a personal account to a third-party's account.

Digital asset trading platforms may not be subject to, or may not comply with, regulations in a manner similar to other regulated trading platforms, such as national securities exchanges or designated contract markets. Many digital asset trading platforms are unlicensed, are unregulated, operate without extensive supervision by governmental authorities, and

do not provide the public with significant information regarding their ownership structure, management team, corporate practices, cybersecurity, and regulatory compliance. In particular, those located outside the United States may be subject to significantly less stringent regulatory and compliance requirements in their local jurisdictions. Digital asset trading platforms may be out of compliance with existing regulations.

As a result, trading activity on or reported by these digital asset trading platforms is generally significantly less regulated than trading in regulated U.S. securities and commodities markets and may reflect behavior that would be prohibited in regulated U.S. trading venues. Furthermore, many digital asset trading platforms lack certain safeguards put in place by more traditional exchanges to enhance the stability of trading on the platform and prevent flash crashes, such as limit-down circuit breakers. As a result, the prices of cryptocurrencies such as $IP Tokens on digital asset trading platforms may be subject to larger and/or more frequent sudden declines than assets traded on more traditional exchanges. Tools to detect and deter fraudulent or manipulative trading activities (such as market manipulation, front-running of trades, and wash-trading) may not be available to or employed by digital asset trading platforms or may not exist at all. As a result, the marketplace may lose confidence in, or may experience problems relating to, these venues.

No digital asset trading platform on which cryptocurrency trades is immune from these risks. The closure or temporary shutdown of digital asset trading platforms due to fraud, business failure, hackers or malware, or government-mandated regulation may reduce confidence in cryptocurrency and can slow down the mass adoption of it. Further, digital asset trading platform failures can have an adverse effect on cryptocurrency markets and the price of cryptocurrency and could therefore have a negative impact on the performance of our listed securities.

Negative perception, a lack of stability in the digital asset trading platforms, manipulation of cryptocurrency trading platforms by customers and/or the closure or temporary shutdown of such trading platforms due to fraud, business failure, hackers or malware, or government-mandated regulation may reduce confidence in cryptocurrency generally and result in greater volatility in the market price of $IP Tokens and other cryptocurrency and our listed securities. Furthermore, the closure or temporary shutdown of a cryptocurrency trading platform may impact the Company's ability to determine the value of its cryptocurrency holdings.

Digital asset holdings are less liquid than cash and cash equivalents and may not be able to serve as a source of liquidity for us to the same extent as cash and cash equivalents.

Historically, the digital asset market has been characterized by significant volatility in price, limited liquidity and trading volumes compared to sovereign currencies markets, thin order books on smaller venues, relative anonymity, a developing regulatory landscape, potential susceptibility to market abuse and manipulation, including momentum pricing and "short squeezes," compliance and internal control failures at exchanges, and various other risks inherent in its entirely electronic, virtual form and decentralized network, any of which may cause severe drawdowns that materially impair our equity value. During times of market instability, we may not be able to sell our digital assets at favorable prices or at all. Large holders (including Story Foundation, venture capitalists, or early insiders) could sell into thin liquidity, significantly impacting price. Companies financing crypto acquisitions with layered convertibles, preferred stock or margin loans face liquidity squeezes, forced sales, or dilutive recapitalizations if equity prices or token prices fall. As a result, digital asset holdings may not be able to serve as a source of liquidity for us to the same extent as cash and cash equivalents.

Additionally, we may be unable to enter into term loans or other capital raising transactions collateralized by our unencumbered digital assets or otherwise generate funds using our digital asset holdings, including in particular during times of market instability or when the price of digital assets has declined significantly. If we are unable to sell our digital assets, enter into additional capital raising transactions, including capital raising transactions using $IP Tokens as collateral, or otherwise generate funds using our $IP Tokens holdings, or if we are forced to sell our digital assets at a significant loss, in order to meet our working capital requirements, our business and financial condition could be negatively impacted.

Transacting in digital assets exposes us to counterparty credit risk.

We may transact with private counterparties or on digital asset exchanges. We are required to prefund these transactions, which causes us to take on credit risk every time we purchase or sell digital assets, and our contractual rights with respect to such transactions could be limited. Our agreements with our contractual counterparties may not include provisions sufficient to clarify that the assets associated with our prefunded trades remain our property even when held by the counterparty, and in the event of an insolvency of one of our counterparties it is possible that any digital assets or cash that we have prefunded could be viewed as part of their bankruptcy estate, leaving us in the status of an unsecured creditor as discussed below under "We face risks relating to the custody of our digital assets, including the loss or destruction of private keys required to access our digital assets and cyberattacks or other data loss relating to our digital assets, including smart contract related losses and vulnerabilities."

Although we are not initially planning to lend $IP Tokens, from time to time, we may generate income through lending of digital assets, which carries significant risks. The volatility of such digital assets increases the likelihood that borrowers may default due to market downturns, liquidity crises, fraud or other financial distress. These lending transactions may be unsecured, and so may be subordinated to secured debt of the borrower. If a borrower becomes insolvent, we may be unable to recover the loaned $IP Tokens, leading to substantial financial losses.

Additionally, digital asset lending platforms are vulnerable to operational and cybersecurity risks. Technical failures, software bugs or system outages could disrupt lending activities, delay transactions or result in inaccurate record-keeping. Cybersecurity threats, including hacking, phishing and other malicious attacks, pose further risks, potentially leading to the loss, theft or misappropriation of our loaned $IP Tokens. A successful cyberattack or security breach could materially and adversely impact our financial position, reputation and ability to conduct future lending activities.

Cybersecurity risks associated with digital assets and decentralized protocols could result in significant losses.

Digital assets are secured by "private keys" which correspond to a "public key," which is the address on the digital asset network. In order to transfer digital assets from one wallet to another, the user must "sign" the transaction with the relevant private key. The storage for these private keys is typically referred to as a "wallet." To the extent the private key(s) for a digital wallet are lost, destroyed, or otherwise compromised and no backup of the private key(s) is accessible, we will be unable to access the digital assets held in the related digital wallet. Furthermore, we cannot provide assurance that our digital wallets, nor the digital wallets that any custodians may hold on our behalf, will not be compromised as a result of a cyberattack. Blockchain ledgers have been, and may in the future be, subject to security breaches, cyberattacks, or other malicious activities.

As part of our treasury management strategy, we may engage in staking, restaking, or other activities that involve the use of "smart contracts" or decentralized applications. The use of smart contracts or decentralized applications entails certain risks including risks stemming from the existence of an "admin key" or coding flaws that could be exploited, potentially allowing a bad actor to issue or otherwise compromise the smart contract or decentralized application, potentially leading to a loss of our $IP Tokens. In addition, many decentralized applications are controlled by token holders through a public governance process, and there can be no assurance that these applications will continue to operate as they do when we initially begin using them. Like all software code, smart contracts are exposed to risk that the code contains a bug or other security vulnerability, which can lead to loss of assets that are held on or transacted through the contract or decentralized application. Smart contracts and decentralized applications may contain bugs, security vulnerabilities or poorly designed permission structures that could result in the irreversible loss of $IP Tokens or other digital assets. Exploits, including those stemming from admin key misuse, admin key compromise, or protocol flaws, have occurred in the past and may occur in the future.

Intellectual property disputes related to the open-source structure of digital asset networks exposes us to risks related to software development, security vulnerabilities and potential disruptions to digital asset technology could threaten our ability to operate.

Digital asset networks are open-source projects and, although there may be an influential group of leaders in the network community, generally there is no official developer or group of developers that formally controls the digital asset network. Without guaranteed financial incentives, there may be insufficient resources to address emerging issues, upgrade security or implement necessary improvements to the network in a timely manner. If the digital asset network's software is not properly maintained or developed, it could become vulnerable to security threats, operational inefficiencies and reduced trust, all of which could negatively impact the digital assets' long-term viability and our business.

The lack of legal recourse and insurance for digital assets increases the risk of total loss in the event of theft or destruction.

Digital assets that we acquire will not be insured against theft, loss or destruction. If an event occurs where we lose our digital assets, whether due to cyberattacks, fraud or other malicious activities, we may not have any viable legal recourse or ability to recover the lost assets. Unlike funds held in insured banking institutions, our digital assets are not protected by the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation. If our digital assets are lost under circumstances that render another party liable, there is no guarantee that the party responsible will have the financial resources to compensate us. As a result, we and our stockholders could face significant financial losses.

We face risks relating to the custody of our digital assets, including the loss or destruction of private keys required to access our digital assets and cyberattacks or other data loss relating to our digital assets, including smart contract related losses and vulnerabilities.

We currently hold our digital assets in "self-custody," which means our digital assets are held in wallets in which we control the private keys, as compared to solutions in which the keys are controlled by a regulated custodian. Self-custody requires us and our advisers to implement robust security measures to protect our digital assets from theft, loss, or unauthorized access. We maintain a number of security measures to manage and protect the keys for our digital asset wallets, including, but not limited to, the use of cold wallets, multi-signature protocols, access limited to select senior executives and experienced advisors, and various physical safeguards such as geographically dispersed multisig holders across North America. Despite these measures, there is no guarantee that we will be able to prevent all security breaches, which could result in significant financial loss. The management of digital assets through self-custody necessitates specialized knowledge and expertise. Any errors or failures in our self-custody processes, such as the loss of private keys or incorrect transaction execution, could lead to the permanent loss of digital assets.

We intend to enter into custodial agreements with one or more regulated custodians that have duties to safeguard the private keys used to transact in our digital assets. Prior to our transfer of our digital assets to custodial accounts, we will be subject to risks associated with self-custody, including the risks that our security controls will be insufficient to protect the digital assets that we hold. However, the use of digital asset custodians also may involve risks, as described under "The use of digital asset custodians could expose us to additional risks related to custodian insolvency, as well as cybersecurity and concentration risk."

Cybercriminals may attempt to deceive individuals into revealing sensitive information, such as private keys or passwords, through phishing emails or social engineering tactics. These attacks can be sophisticated and difficult to detect, posing a significant risk to the security of self-custodied digital assets. Devices used for self-custody, such as computers or smartphones, can be targeted by malware or hacking attempts designed to gain unauthorized access to digital assets. Finally, mistakes made by individuals managing self-custodied digital assets, such as sending assets to the wrong address or mishandling private keys, can result in significant losses. Because transactions on blockchains such as the Story Network are irreversible, such a mistransmission of digital assets could result in permanent loss.

Even though we maintain cyber risk insurance, this insurance may not be sufficient to cover all our losses in the event of any loss of digital assets. In addition, such insurance may not be available to us in the future on economically reasonable terms, or at all. Further, our insurance may not cover all claims made against us and could have high deductibles.

Attacks upon systems across a variety of industries, including the digital asset industry, are increasing in frequency, persistence, and sophistication, and, in many cases, are being conducted by sophisticated, well-funded and organized groups and individuals, including state actors. The techniques used to obtain unauthorized, improper or illegal access to systems and information (including personal data and digital assets), disable or degrade services, or sabotage systems are constantly evolving, may be difficult to detect quickly, and often are not recognized or detected until after they have been launched against a target. These attacks may occur on our systems or those of our third-party service providers or partners. We may experience breaches of our security measures due to human error, malfeasance, insider threats, system errors or vulnerabilities or other irregularities. In particular, unauthorized parties have attempted, and we expect that they will continue to attempt, to gain access to our systems and facilities, as well as those of our partners and third-party service providers, through various means, such as hacking, social engineering, phishing and fraud. In the past, hackers have successfully employed social engineering attacks resulting in misappropriation of digital assets held by various digital asset treasury companies. Threats can come from a variety of sources, including criminal hackers, hacktivists, state-sponsored intrusions, industrial espionage, and insiders. In addition, certain types of attacks could harm us even if our systems are left undisturbed. For example, certain threats are designed to remain dormant or undetectable, sometimes for extended periods of time, or until launched against a target and we may not be able to implement adequate preventative measures. Further, there has been an increase in such activities due to the increase in work-from-home arrangements since the onset of the COVID-19 pandemic. The risk of cyberattacks could also be increased by cyberwarfare in connection with geopolitical conflicts, such as the ongoing Russia-Ukraine conflict, including potential proliferation of malware into systems unrelated to such conflicts. Any future breach of our operations or those of others in the digital asset industry, including third-party services on which we rely, could materially and adversely affect our business.

The use of digital asset custodians could expose us to additional risks related to custodian insolvency, as well as cybersecurity and concentration risk.

While we will conduct due diligence on our custodians and any smart contract platforms we may use, there can be no assurance that such diligence will uncover all risks, including operational deficiencies, hidden vulnerabilities or legal noncompliance. The large volumes of digital assets held by custodial platforms makes them an attractive target for hackers.

For example, the digital asset exchange ByBit was recently the subject of a hack in which over $1.5 billion of customer digital assets were lost. While ByBit was able to make all of its customers whole through use of reserves and insurance policies, there is no contractual guarantee that our custodians will do the same. We intend to contract with custodians whose insurance policies cover losses of digital assets, but these policies may cover only a fraction of the value of the entirety of our digital asset holdings and the holdings of their other customers, and there can be no guarantee that such insurance will be maintained as part of the custodial services we have or that such coverage will cover losses with respect to our digital assets.

If we engage third-party custodians to hold our digital assets, this will expose us to the risk that one or more of our custodians could become subject to insolvency proceedings. Applicable insolvency law is not fully developed with respect to the holding of digital assets in custodial accounts, but it is possible that a bankruptcy court or trustee could take the view that we are a general unsecured creditor of the custodian, inhibiting our ability to exercise ownership rights with respect to such digital assets. For example, a bankruptcy court in Delaware ruled on July 18, 2025 that the digital assets held by Prime Trust LLC, a Nevada trust company and a subsidiary of Prime Core Technologies Inc., on behalf of users would be distributed proportionately to all unsecured creditors as such assets were part of the debtors' bankruptcy estate because of commingling between customer accounts and those of the debtors. This exposes us to the risk that a bankruptcy court might take a similar view in connection with a bankruptcy of one of our custodians, and that our claims on our digital assets might be limited to those of an unsecured creditor.

Any contested bankruptcy claim could result in significant delays in our ability to access our digital assets, and any loss associated with such insolvency proceedings is unlikely to be covered by any insurance coverage that we might purchase or maintain related to our digital assets. Digital assets we hold with custodians and transact with our trade execution partners does not enjoy the same protections as are available to cash or securities deposited with or transacted by institutions subject to regulation by the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation. Thus, in the event of an insolvency of one of our custodians, we will also not be protected by these schemes.

We will face risks relating to the custody of our digital assets. If we or our third-party service providers experience a security breach or cyberattack and unauthorized parties obtain access to our digital assets, or if our private keys are lost or destroyed, or other similar circumstances or events occur, we may lose some or all of our digital assets and our financial condition and results of operations could be materially adversely affected.

We expect our primary counterparty risk with respect to our $IP Tokens will be custodian performance obligations under the custody arrangements we enter into. A series of recent high-profile bankruptcies, closures, liquidations, regulatory enforcement actions and other events relating to companies operating in the digital asset industry, the closure or liquidation of certain financial institutions that provided lending and other services to the digital assets industry, SEC enforcement actions against other providers, or placement into receivership or civil fraud lawsuit against digital asset industry participants have highlighted the perceived and actual counterparty risk applicable to digital asset ownership and trading.

Additionally, if we pursue any strategies to create income streams or otherwise generate funds using our $IP Tokens holdings, we would become subject to additional counterparty risks. We will need to carefully evaluate market conditions, including price volatility as well as service provider terms and market reputations and performance, among others, prior to implementing any such strategy, all of which could affect our ability to successfully implement and execute on any such future strategy. These risks, along with any significant non-performance by counterparties, including in particular the custodian or custodians with which we will custody substantially all of our $IP Tokens, could have a material adverse effect on our business, prospects, financial condition, and operating results.

The irreversibility of digital asset transactions exposes us to risks of theft, loss and human error, which could negatively impact our business.

Digital asset transactions are not, from an administrative perspective, reversible without the consent and active participation of the recipient of the transaction or, in theory, control or consent of a majority of the processing power on that digital asset network. Once a transaction has been verified and recorded in a block that is added to the blockchain, an incorrect transfer of digital assets or a theft of digital assets generally will not be reversible, and we may not be capable of seeking compensation for any such transfer or theft.

Although we plan to regularly transfer digital assets to or from vendors, consultants and services providers, it is possible that, through computer or human error, or through theft or criminal action, such assets could be transferred in incorrect amounts or to unauthorized third parties.

To the extent we are unable to seek a corrective transaction to identify the third party which has received our digital assets through error or theft, we will be unable to revert or otherwise recover the impacted digital assets, and any such loss could adversely affect our business, results of operations and financial condition.

We are subject to significant competition in the growing digital asset industry and our business, operating results, and financial condition may be adversely affected if we are unable to compete effectively.

In carrying out our digital asset treasury strategy, we operate in a competitive environment and will compete against other companies and other entities with similar strategies, including companies with significant holdings in $IP Tokens and other digital assets, and our business, operating results, and financial condition may be adversely affected if we are unable to compete effectively.

As seen in other crypto treasury models, continued issuance of debt or equity to buy more tokens can become self-reinforcing, until market sentiment turns, at which point liquidity may evaporate, causing distressed financings or forced liquidations. As more public companies pursue token reserve business models, investors may discount our equity unless we can demonstrate durable competitive advantages, risk controls, and sustainable economics. The continued development, security, and governance of the Story Protocol may depend on a small number of contributors or a foundation. Loss of these contributors, or strategic disagreements (including over forks), could impair $IP Token's value.

The emergence or growth of other digital assets, including those with significant private or public sector backing, including by governments, consortiums or financial institutions, could have a negative impact on the price of $IP Tokens and adversely affect our securities.

As a result of our $IP Tokens strategy, we expect our assets to be concentrated in $IP Tokens holdings. Accordingly, the emergence or growth of digital assets other than $IP Tokens may have a material adverse effect on our financial condition.

Alternative digital assets that compete with $IP Tokens in certain ways include "stablecoins," which are designed to maintain a constant price related to or based on some other asset or traditional currency because of, for instance, their issuers' promise to hold high-quality liquid assets (such as U.S. dollar deposits and short-term U.S. treasury securities) equal to the total value of stablecoins in circulation. In June 2025, the U.S. Senate passed the "GENIUS Act," which would establish a federal framework for "payment stablecoins," treating them as payment systems, not securities, and mandating fiat-backed reserves, monthly disclosures, anti-money laundering safeguards, and similar measures. Stablecoins have grown rapidly as an alternative to $IP Tokens and other digital assets as a medium of exchange and store of value, particularly on digital asset trading platforms, and their use as an alternative to $IP Tokens could expand further if the GENIUS Act is enacted as law. As of July 31, 2025, two of the seven largest digital assets by market capitalization were U.S. dollar-pegged stablecoins.

Additionally, central banks in some countries have started to introduce digital forms of legal tender. For example, China's central bank digital currency ("CBDC") project was made available to consumers in January 2022, and governments including the United States, the United Kingdom, the European Union, and Israel have been discussing the potential creation of new CBDCs. Whether or not they incorporate blockchain or similar technology, CBDCs, as legal tender in the issuing jurisdiction, could also compete with, or replace, $IP Tokens and other digital assets as a medium of exchange or store of value.

Finally, a number of other blockchain-based or digital asset-oriented protocols also function as intellectual property rights management systems, including Audius, LBRY and Royal.io. The emergence or growth of competitive digital assets could cause the market price of $IP Tokens to decrease, which could have a material adverse effect on our business, prospects, financial condition, and operating results.

We may be subject to risks associated with the provision and use of validator services.

In connection with our proposed activities regarding the Story Protocol (as defined below), we will operate a validator to secure the network, and other users can delegate their $IP Tokens to our validator. In the past, the SEC has asserted that the offering of validator services to third parties constitutes an offer to the public of unregistered securities. While the SEC has recently released a statement stating that, in the views of its Division of Trading and Markets, it will not consider staking and the provision of validator services to constitute an offering of securities, this statement is not a rule, regulation, guidance, or statement of the SEC and does not alter applicable law.

Concentration of stake or validator collusion could censor transactions, cause chain reorganizations, or enable double spends, potentially irreversibly impairing the value of $IP Tokens. If we choose to operate our own validator or delegate or

$IP Tokens to another validator, we may suffer slashing or forfeiture of rewards due to downtime, misconfiguration, or malicious software, materially reducing the value of our treasury holdings.

Complex valuation controls and benchmark dependence may lead to restatements or control deficiencies.

Reliance on third-party reference rates, principal market determinations or bespoke methodologies introduces risk if those benchmarks are disrupted, manipulated, or fail benchmark principles set by the International Organizational of Securities Commissions. Net asset value or fair value determinations of our $IP Tokens could be challenged, leading to restatements or control deficiencies with respect to our financial statements.

Fair value, complex custody arrangements, staking reward recognition, fork/airdrop accounting, and tax characterization increase the risk of material weaknesses, in our accounting controls and procedures, restatements of our financial statements, and adverse auditor opinions, all of which could potentially impair our access to capital markets and adversely affect our business and financial condition and the market price of our common stock.

The Story Network is a relatively new protocol and could be subject to risks inherent in new technologies.

The Story Network is a purpose-built layer 1 blockchain designed to allow owners of intellectual property to register their ownership on-chain and add usage terms for licensees. This functionality is new and may not function as intended. For example, its technical mechanisms designed to represent and enforce digital intellectual property rights may malfunction or otherwise fail to adhere to the unique intellectual property requirements of the content they are intended to administer. In addition, there may be flaws in the cryptography underlying the Story protocol including flaws that affect functionality of the Story Network or make the network vulnerable to attack. The development of the Story Network is ongoing and any disruption could have a material adverse effect on the value of IP and an investment in the Shares. In addition, the Story Protocol's smart contract-based intellectual property rights management may not be recognized by courts or regulators. For instance, registering authorship or licensing rights on the Story Network does not constitute formal registration with the U.S. Copyright Office or any analogous body in other jurisdiction. Finally, there can be no absolute assurance that persons registering and monetizing intellectual property on the Story Network are the actual owners of such intellectual property. This could lead to disputes, claims or litigation involving intellectual property rights. While there are internal processes to prevent such issues, it is incumbent upon the applications to adopt such processes, and the failure to do so may adversely affect the value and or the use of the $IP Token and the platform as a whole. Any of the foregoing could result in decreased adoption of the Story Protocol.

$IP Token-based applications may rely on off chain data, cross chain bridges, or composable contracts, all of which have shown high exploit frequency. The Story Protocol's claims about enforceable intellectual property licenses could conflict with national intellectual property laws, treaty obligations, or public policy, and invite litigation or regulatory scrutiny that depresses adoption of the Story Protocol.

The Story Protocol relies on active engagement by users to function and decentralize, and such engagement is key to driving the value of $IP Tokens, and any failure to achieve adoption could undermine the core value proposition of $IP Tokens, thus causing their price to decrease. Story Protocol changes, contentious forks, or airdrops can create legal, tax, accounting, and operational uncertainty. We may forego, abandon or be unable to claim certain forked assets, leading to opportunity cost or disputes over entitlement.

Because of the pseudonymous nature of blockchain transactions, we may inadvertently and without knowledge, directly or indirectly engage in transactions with or for the benefit of prohibited persons under U.S. or foreign sanctions laws.

We are subject to the rules enforced by the Office of Foreign Assets Control of the U.S. Department of the Treasury ("OFAC"), including prohibitions on conducting direct or indirect business with persons named on, or owned by persons named on, OFAC's various sanctions lists, including the Specially Designated Nationals and Blocked Persons list. We are also prohibited from direct or indirect dealings with persons located in, organized in, or nationals of, jurisdictions subject to U.S. embargos (as of today, Cuba, Iran, North Korea, Syria, the so-called Donetsk People's Republic, the so-called Luhansk People's Republic, and the Crimea region of Ukraine), and may be prohibited from dealing with persons in other jurisdictions subject to targeted U.S. sanctions such as Venezuela, Russia, and Belarus. U.S. sanctions compliance obligations apply to transactions in digital assets and U.S. sanctions authorities have in recent years directed significant attention to sanctions compliance among the digital asset industry. Because of the pseudonymous nature of blockchain transactions and decentralized applications, we may inadvertently and without knowledge, directly or indirectly engage in transactions with or for the benefit of prohibited persons, especially when engaging in defi activities where it may be impossible for us to determine the identity of our counterparties. Civil liability for OFAC sanctions violations are typically regarded as "strict liability" violations, meaning we may be held responsible for transacting with prohibited parties even if we have no knowledge that a particular counterparty is a prohibited person under the OFAC sanctions regulations. In

addition, we may be subject to non-U.S. economic sanctions laws and regulations to the extent we conduct activity within the jurisdiction of other sanctions regimes, including those of the European Union and United Kingdom.

OFAC and other governmental authorities have significant discretion in the interpretation and enforcement of sanctions laws and regulations. Moreover, economic sanctions laws and regulations continue to evolve, often with little or no notice, which could raise operational or compliance challenges. If it is determined that we have transacted with prohibited persons, even inadvertently, this could result in substantial reputational harm, fines or penalties, and costs associated with governmental inquiries and investigations. Any or all of the foregoing could have a material adverse effect on our business, prospects, operations or financial condition.

We may be subject to securities or corporate governance litigation, which is expensive and could divert our management's attention.

Stockholders, token purchasers, protocol participants, or IP rights holders could bring claims alleging securities violations, misstatements, IP infringement, or governance misconduct, potentially resulting in material damages, rescission, or injunctive relief. It could be alleged that by holding $IP Tokens or using $IP Tokens to vote on governance proposals in relation to the Story Protocol, the holders of $IP Tokens, including our Company, have entered into a general partnership, unincorporated association, or some other form of legal entity or association with other $IP Token holders or a group of such holders. If this were to be found or alleged with respect to the Story Protocol and holders of $IP Tokens, we could be held responsible for the actions of the other members of the unincorporated association or general partnership, or the Story Protocol itself, and subject to up to unlimited liability with respect to those actions.

Risks Related to Our Craft Spirits Business

We face significant competition with an increasing number of products and market participants that could materially and adversely affect our business, results of operations and financial results.

Our industry is intensely competitive and highly fragmented. Our craft spirits compete with many other domestic and foreign premium whiskies and other spirits. Our products also compete with popularly-priced generic whiskies and with other alcoholic and, to a lesser degree, non-alcoholic beverages, for drinker acceptance and loyalty, shelf space and prominence in retail stores, presence and prominence on restaurant alcoholic beverage lists and for marketing focus by our distributors, many of which carry extensive portfolios of spirits and other alcoholic beverages. We compete on the basis of product taste and quality, brand image, price, service and ability to innovate in response to consumer preferences. This competition is driven by established companies and new entrants in our markets and categories. In the United States, spirits sales are relatively concentrated among a limited number of large suppliers, including Diageo plc (NYSE: DEO), Pernod Ricard SA, E & J Gallo Winery, Proximo Spirits, Sazerac Company, MGP, and Constellation Brands, Inc. (NYSE: STZ), among others. These and our other competitors may have more robust financial, technical, marketing and distribution networks and public relations resources than we have. As a result of this intense competition, combined with our growth goals, we have experienced and may continue to face upward pressure on our selling, marketing and promotional efforts and expenses. There can be no assurance that in the future we will be able to successfully compete with our competitors or that we will not face greater competition from other distilleries, producers and beverage manufacturers.

If we are unable to successfully compete with existing or new market participants, or if we do not effectively respond to competitive pressures, we could experience reductions in market share and margins that could have a material and adverse effect on our business, results of operations and financial results.

We compete in an industry that is brand-conscious, so brand name recognition and acceptance of our products are critical to our success.

Our business is substantially dependent upon awareness and market acceptance of our products and brands by our targeted consumers. In addition, our business depends on the acceptance by our independent distributors of our brands as beverage brands that have the potential to provide incremental sales growth rather than reduce distributors' existing beverage sales. Although we believe we have been successful in establishing our brands as recognizable brands in the regional Pacific Northwest premium craft spirits industry, we may be too early in the product life cycle of these brands to determine whether our products and brands will achieve and maintain satisfactory levels of acceptance by independent distributors, retail customers and consumers. We believe the success of our brands will also be substantially dependent upon acceptance of our product name brands. Accordingly, any failure of our brands to maintain or increase acceptance or market penetration would likely have a material adverse effect on our revenues and financial results.

A reduction in consumer demand for whiskey and other spirits, which may result from a variety of factors, including demographic shifts and decreases in discretionary spending, could materially and adversely affect our business, results of operations and financial results.

We rely on consumers' demand for our craft spirits. While over the past several years there have been modest increases in consumption of beverage alcohol in most of our product categories and geographic markets, there have been periods in the past in which there were substantial declines in the overall per capita consumption of beverage alcohol products in the U.S. and other markets in which we participate or plans to participate. Consumer preferences may shift due to a variety of factors, including changes in demographic or social trends, changes in discretionary income, public health policies and perceptions and changes in leisure, dining and beverage consumption patterns. Our success will require us to anticipate and respond effectively to shifts in consumer behavior and drinking tastes. If consumer preferences were to move away from our *Heritage Distilling* or other brands, our results of operations would be materially and adversely affected.

A limited or general decline in consumer demand could occur in the future due to a variety of factors, including:

- a general decline in economic or geopolitical conditions;
- a general decline in the consumption of alcoholic beverage products in on-premises establishments, such as those that may result from smoking bans and stricter laws relating to driving while under the influence of alcohol and changes in public health policies;
- a generational or demographic shift in consumer preferences away from whiskies and other spirits to other alcoholic beverages or non-alcoholic beverages;
- increased activity of anti-alcohol groups;
- increased regulation placing restrictions on the purchase or consumption of alcoholic beverage products;
- concern about the health consequences of consuming alcoholic beverage products; and
- increased federal, state, provincial, and foreign excise, or other taxes on beverage alcohol products and increased restrictions on beverage alcohol advertising and marketing.

Demand for premium spirits brands, like ours, may be particularly susceptible to changing economic conditions and consumer tastes, preferences and spending habits, particularly among younger demographic groups, which may reduce our sales of these products and adversely affect our profitability. For instance, a reduction in the overall number of consumers over the legal drinking age, but who are relatively new to the market, may choose to consume less alcohol, or to stop consuming alcohol altogether. An unanticipated decline or change in consumer demand or preference could also materially impact on our ability to forecast future production requirements, which could, in turn, impair our ability to effectively adapt to changing consumer preferences. Any reduction in the demand for our spirits products would materially and adversely affect our business, results of operations and financial results.

Adverse public opinion about alcohol could reduce demand for our products.

In the past, anti-alcohol groups have advocated successfully for more stringent labeling requirements, higher taxes and other regulations designed to discourage alcohol consumption. More restrictive regulations, negative publicity regarding alcohol consumption and/or changes in consumer perceptions of the relative healthfulness or safety of beverage alcohol could decrease sales and consumption of alcohol and thus the demand for our products. This could, in turn, significantly decrease both our revenues and our revenue growth, causing a decline in our results of operations.

We could see structural changes in the amount of alcohol purchased and consumed in our markets as the use of GLP-1 and similar weight loss drugs increase among the population, which could create more pricing competition or an overall reduction in sales and revenues associated with alcohol.

An increasing number of Americans are using GLP-1 or similar drugs as a primary means of losing weight. These drugs work by mimicking or enhancing the GLP-1 hormone produced by the body to lower blood sugar, reduce appetite, slow gastric emptying or reduce glucagon, each of which taken by themselves, or when working together, ends up curbing the appetite of patients. There are different types of GLP-1s, including semaglutide, dulaglutide, and liraglutide among others. Common brand names of such drugs include Ozempic, Wegovy, Victoza, Trulicity and Zepbound, to name a few. Patients who use these drugs report nausea, worsened or prolonged hangovers, faster intoxication and other negative side effects if they consume alcohol while using a GLP-1.

Two recent studies (Kaiser Family Foundation and RAND Corporation) indicate that nearly 12% of the adult U.S. population (one in eight American adults) reported taking GLP-1 drugs in 2025, a nearly doubling of the 6% who reported

taking such drugs in 2024. In early 2026, drug makers began marketing cheaper pill-forms of GLP-1s for mass release and based on this development, one leading trade association (the Bullvine) predicts more than 20% of American adults will be using some form of GLP-1 by 2027 (one in five American adults). If the current usage rate of GLP-1 drugs of approximately 12% stays steady or increases, a significant portion of the American alcohol consuming population may be removed from the buying pool so long as they are taking these drugs. This could lead to long-term structural changes in the entire alcohol industry impacting all sectors, including beer, wine, spirits, hard cider and RTD spirits beverages. This type of change would likely have an adverse impact on our spirits business as we compete with large and small brands alike for the consumer's attention and money.

Due to the three-tier alcohol beverage distribution system in the United States, we are heavily reliant on our distributors that resell alcoholic beverages in all states in which we do business. Our inability to obtain distribution in some states, or a significant reduction in distributor demand for our products, would materially and adversely affect our sales and profitability.

Due to regulatory requirements in the United States, we sell a significant portion of our craft spirits to wholesalers for resale to retail accounts. A change in the relationship with any of our significant distributors could harm our business and reduce our sales. The laws and regulations of several states prohibit changes of distributors, except under certain limited circumstances, making it difficult to terminate or otherwise cease working with a distributor for poor performance without reasonable justification, as defined by applicable statutes. Any difficulty or inability to replace a distributor, poor performance of our major distributors or our inability to collect accounts receivable from our major distributors could harm our business. In addition, an expansion of the laws and regulations limiting the sale of our spirits would materially and adversely affect our business, results of operations and financial results. There can be no assurance that the distributors and accounts to which we sell our products will continue to purchase our products or provide our products with adequate levels of promotional support, which could increase competitive pressure to increase sales and marketing spending and could materially and adversely affect our business, results of operations and financial results.

Failure of third-party distributors upon which we rely could adversely affect our business.

We rely heavily on third-party distributors for the sale of our products to retailers, restaurants, bars, hotels, casinos, entertainment venues and other accounts. We expect sales to distributors to represent an increasingly substantial portion of our future net sales as we continue to grow our network of wholesale distributors. Consolidation among distributors or the loss of a significant distributor could have a material adverse effect on our business, financial condition and results of operations. Our distributors may also provide distribution services to competing brands, as well as larger, national or international brands, and may be to varying degrees influenced by their continued business relationships with other larger beverage, and specifically, craft spirits companies. Our independent distributors may be influenced by a large competitor if they rely on that competitor for a significant portion of their sales. There can be no assurance that our distributors will continue to effectively market and distribute our products. The loss of any distributor or the inability to replace a poorly-performing distributor in a timely fashion, or our inability to expand our distribution network into states in which we do not currently have distribution, could slow our growth and have a material adverse effect on our business, financial condition and results of operations. Furthermore, no assurance can be given that we will successfully attract new distributors as we increase our presence in their existing markets or expand into new markets.

We incur significant time and expense in attracting and maintaining key distributors.

Our marketing and sales strategy depends largely on our independent distributors' availability and performance. We currently do not have, nor do we anticipate in the future that we will be able to establish, long-term contractual commitments or agreements from some of our distributors and some of our distributors may discontinue their relationship with us on short notice. Some distributors handle several competitive products. In addition, our products are a small part of our distributors' business. We may not be able to maintain our current distribution relationships or establish and maintain successful relationships with distributors in new geographic distribution areas. Moreover, there is the additional possibility that we may have to incur additional costs to attract and maintain key distributors in one or more of our geographic distribution areas to profitably exploit our geographic markets.

The marketing efforts of our distributors are important for our success. If our brands prove to be less attractive to our existing distributors and/or if we fail to attract additional distributors, and/or our distributors do not market and promote our products above the products of our competitors, our business, financial condition and results of operations could be adversely affected.

It is difficult to predict the timing and amount of our sales because our distributors and their accounts are not required to place minimum orders with us.

Our independent distributors and their accounts are not required to place a minimum of monthly or annual orders for our products. To reduce their inventory costs, independent distributors typically order products from us on a "just in time" basis in quantities and at such times based on the demand for the products in a particular distribution area. For products in higher demand, there is typically a minimum par level held in distributors' warehouses, and only once the inventory falls below that par level will a reorder be triggered. Accordingly, we cannot predict the timing or quantity of purchases by any of our independent distributors or whether any of our distributors will continue to purchase products from us in the same frequencies and volumes as they may have done in the past. Additionally, our larger distributors and partners may make orders that are larger than we have historically been required to fill. Shortages in inventory levels, supply of raw materials to our third-party producers or other key supplies could negatively affect us.

The sales of our products could decrease significantly if we cannot secure and maintain listings in the control states.

In the control states, the state liquor commissions act in place of distributors and decide which products are to be purchased and offered for sale in their respective states, and at what prices they will be offered to consumers. Products selected for listing must generally reach certain volumes and/or profit levels to maintain their listings. Products are selected for purchase and sale through listing procedures that are generally made available to new products only at periodically-scheduled listing intervals. Products not selected for listings can only be purchased by consumers in the applicable control state through special orders, if at all. If, in the future, we are unable to maintain our current listings in the control states, or secure and maintain listings in those states for any additional products we may produce or acquire, sales of our products could decrease significantly.

The privatization of a control state could adversely impact our sales and our results of operations.

Once products are approved for sale by the state liquor commission in a control state, the products move through the normal state warehousing, wholesale, distribution and retail sales channels established under such a system. State owned, managed or regulated stores set the prices for the products and there are rules and regulations regarding shelf placement, samplings and retail sales to consumers and bars and restaurants. In these markets, the approval for shelf space and pricing is conducted through the state process. In some control states, there are increasing levels of discussion about privatization, either because of negative views toward state ownership of the liquor system, the need for states to generate cash through the one-time sale of assets, or due to other political pressures in those states. Once a state privatizes its liquor system it creates significant disruption during the transition period towards privatization as distributors need to set up new warehouses and sales teams and new delivery routes, and bars and restaurants who were required to focus on purchasing only from their local state liquor store now must navigate a new distribution system, sometimes with new pricing and new taxes. Likewise, if spirits sales move into private stores and major retail chains, new challenges are created for small or new brands like ours which then must compete for shelf space with larger, more established or better funded brands. If we are successful in growing our brand approval and sales in control states and one or more of those control states privatizes its liquor system, our sales, revenue and profitability derived from sales in those states may be disrupted.

Substantial disruption at the distilleries and distribution facilities with which we contract or partner for our production or storage could occur.

A disruption in production at the distilleries or third-party production facilities with which we partner or contract could have a material adverse effect on our business. In addition, a disruption could occur at any of our other facilities or those of our suppliers, bottlers, co-packers or distributors. The disruption could occur for many reasons, including a full production schedule, fire, natural disasters, weather, water scarcity, manufacturing problems, disease, strikes, transportation or supply interruption, government regulation, cybersecurity attacks or terrorism. Alternative facilities with sufficient capacity or capabilities may not be available, may cost substantially more or may take a significant time to start production, each of which could negatively affect our business and financial performance.

Disruption within our supply chain, contract manufacturing or distribution channels could have an adverse effect on our business, financial condition and results of operations.

The prices of ingredients, other raw materials, packaging materials, aluminum cans, glass bottles and other containers fluctuate depending on market conditions, governmental actions, climate change and other factors beyond our control. Substantial increases in the prices of our ingredients, other raw materials, packaging materials, aluminum cans and other containers, to the extent they cannot be recouped through increases in the prices of finished beverage products, could increase our operating costs and reduce our profitability. Increases in the prices of our finished products resulting from a higher cost of ingredients, other raw materials, packaging materials, aluminum cans and other containers could affect

affordability in some markets and reduce our sales. In addition, some of our ingredients as well as some packaging containers, such as aluminum cans and glass bottles, are available from a limited number of suppliers. We and our suppliers and co-packers may not be able to maintain favorable arrangements and relationships with these suppliers, and our contingency plans may not be effective in preventing disruptions that may arise from shortages of any ingredients that are available from a limited number of suppliers. Adverse weather conditions may affect the supply of other agricultural commodities from which key ingredients for our products are derived. An increase in the cost, a sustained interruption in the supply, or a shortage of some of these ingredients, other raw materials, packaging materials, aluminum cans and other containers that may be caused by changes in or the enactment of new laws and regulations; a deterioration of our relationships with suppliers; supplier quality and reliability issues; trade disruptions; changes in supply chain; and increases in tariffs; or events such as natural disasters, widespread outbreaks of infectious diseases, power outages, labor strikes, political uncertainties or governmental instability, or the like could negatively impact our net operating revenues and profits.

Our reliance on distributors, retailers and brokers, or our inability to expand the TBN, could affect our ability to efficiently and profitably distribute and market our products, maintain our existing markets and expand our business into other geographic markets.

Our ability to maintain and expand our existing markets for our products, and to establish markets in new geographic distribution areas, is dependent on our ability to establish and maintain successful relationships with reliable distributors, retailers and brokers strategically positioned to serve those areas, and our ability to expand the reach of the TBN. Most of our distributors, retailers and brokers sell and distribute competing products and our products may represent a small portion of their business. This network's success will depend on the performance of its distributors, retailers and brokers. There is a risk that the mentioned entities may not adequately perform their functions within the network by, without limitation, failing to distribute to sufficient retailers or positioning our products in localities that may not be receptive to our products. Our ability to incentivize and motivate distributors to manage and sell our products is affected by competition from other beverage companies that have greater resources than we do. To the extent that our distributors, retailers and brokers are distracted from selling our products or do not employ sufficient efforts in managing and selling our products, including re-stocking the retail shelves with our products, our sales and results of operations could be adversely affected. Furthermore, the financial position or market share of such third parties may deteriorate, which could adversely affect our distribution, marketing and sales activities.

We also expect to expand our business into other geographic markets by expanding our TBN network and entering new relationships or joint ventures with additional North American Indian tribes. While we believe we have a significant first mover advantage in our ability to attract and expand the interest of North American Indian tribes in establishing distilleries on tribal lands, it is possible that the interest of tribes in the construction or operation of distilleries will not develop as expected or will develop at a slower pace. To the extent we are unable to expand the TBN in a timely manner or at all, our sales and results of operations could be adversely affected.

Our ability to maintain and expand our distribution network and attract additional distributors, retailers and brokers, and to expand the TBN will depend on many factors, some of which are outside our control. Some of these factors include:

- the level of demand for our brands and products in a particular distribution area;
- our ability to price our products at levels competitive with those of competing products; and
- our ability to deliver products in quantity and at the time ordered by distributors, retailers and brokers.

We may not be able to successfully manage all or any of these factors in any of our current or prospective geographic areas of distribution. Our inability to achieve success regarding any of these factors in a geographic distribution area will have a material adverse effect on our relationships in that geographic area, thus limiting our ability to maintain or expand our market, which will likely adversely affect our revenues and financial results.

Our TBN efforts may not be successful.

Our business plan includes licensing our products, services and concepts to certain third parties, including tribal business entities or American Indian tribes as part of the TBN. As planned, we would receive royalties associated with revenues earned through non-exclusive limited licenses for the right to use, sell and assign certain of our patents, trademarks, brands, recipes and other protected assets. However, these efforts may not be successful. While the current plan does not envision us providing any capital to build out and operate these licensed locations, our involvement in these efforts will require the time and efforts of our employees and executives, which may detract from their time spent building

our brand and value as a standalone entity. The risks associated with our TBN plan, which individually or in the aggregate, could harm our overall brand, reputation, perception in the market and financial position, include:

- *Sovereign Immunity and Choice of Venue* — Tribes enjoy sovereign immunity for certain activities that take place on trust land. Since it is envisioned that these partnerships will occur on trust land, we intend to seek a waiver of sovereign immunity. There can be no assurance that such a waiver will be granted, or if it would be interpreted as enforceable later. Likewise, unless a tribe grants us a waiver to seek relief in a federal or state court, there is a risk that a dispute must be heard in Tribal court, which may not provide us with a fair hearing.
- *Right of entry* — In the event we secure a waiver of sovereign immunity or the right to seek a venue for hearing in federal or state courts, there is no guarantee that we will secure an adequate right of entry onto Tribal land to enforce our rights. Such rights could include recovery of intellectual property, personal property or other property, goods, equipment, stock or other tangible assets owed to us. Even if we secure a right of entry, there can be no assurance that we will be respected or enforced by proper authorities with jurisdiction over the matter.
- *Product Quality* — There can be no assurance that our Tribal partners will adequately follow each of our prescribed procedures, recipes and protocols to ensure compliance with labeling standards or the quality of product that we otherwise insist on or they may not keep sufficiently detailed records for state and federal auditing purposes. Either event could cause products to be redistilled, dumped, impounded or disposed of in a way that adversely impacts our operating results and financial condition.
- *Failure to Produce* — Our Tribal partners might fail to produce the amount of product required to meet demand, fulfill contracts or propose new products to distribution outlets. Further, equipment, raw ingredients and/or finished ingredients or goods may not be readily available for licensed partners at any given time, which could negatively impact the cash flow and deliverability of an operation, the licensed partners and/or our brand.
- *Cross Sales into Distribution Channels* — Our Tribal partners might attempt to directly sell into the market in violation of our distribution agreements, or attempt to compete with us in distribution outside the context of a formal company-wide distribution plan, which could disrupt our contractual or legal obligations, undercut us in the market, flood the market with product or cause confusion within distribution channels.
- *Change of leadership* — Tribal organizations have regular elections for leadership positions. It is almost certain that at some point during the negotiation, design, construction or operation of a location that a change in Tribal governance will conflict with the operation of the business to the detriment of us. This could result in our decision to seek early termination of a contract to avoid disruptions in other parts of our business or to protect the integrity of our brand and reputation if the relationship with a Tribal partner materially deteriorates.
- *Failure to resell the concept* — The initial Tribes with which we work may not inspire other Tribes to join the TBN, thereby impacting the future number of TBN locations and future anticipated growth plans. Accordingly, an insufficient number of Tribal partners may decide to join the TBN, or such licensees may have an insufficient level of sales to justify or sustain continued operations.
- *Failure to take our management input into account* — Tribal partners may not consider our desire or input with respect to production, branding, marketing, sales and distribution.
- *Failure to have adequate oversight over employees, personnel, product* — As the actual employer of employees operating the new locations, tribes may not consider our hiring input or guidance as it relates to customer service, technical and quality assurance, documentation and compliance, among other issues. In such an event, we would have little recourse to remove Tribal employees from key positions.
- *Failure to have access to the books and records* — Tribal partners might withhold financial information from us such that we cannot adequately determine sales, costs and net revenues, among other financial metrics.
- *Interpretation of federal or state law; failure to follow the law* — We are one of the first entities attempting to license spirits manufacturing. There is a risk that federal, state and/or local regulators may view this activity as a violation of applicable laws, rules or regulations, such that we and our licensed partners must adapt our business plans and strategies, or to abandon our TBN plans altogether. There is also a risk that a member tribe in our TBN may not follow the law.
- *Community backlash* — Before, during or after our partnerships, Tribal or non-Tribal members might accuse us of engaging in activities that enhance or promote alcoholism and our impact on Indian communities. Such a campaign could tarnish our brand and put pressure on us or our Tribal partners to terminate our arrangements.

- *Failure to be perceived as authentically "local"* — Some consumers may not view the idea of licensed distilleries as being authentically "local," such that our brand reputation and products may be diminished in a particular region.

A non-profit or charitable partner could act in a way that damages our brand.

We currently partner with non-profits and charitable organizations to market some of our products to generate sales for our company and raise donations for charities. There is a risk one or more of these entities, or specific people within their groups, could misuse donations we provide them or act in a way not in conformity with the goals or mission of the partnership. This could cause reputational damage to us or to our brands, particularly to our brands, that may be associated with the non-profit efforts and may make it more difficult for us to secure future partners.

If we do not adequately manage our inventory levels, our operating results could be adversely affected.

We need to maintain adequate inventory levels to be able to deliver products to distributors on a timely basis. Our inventory supply depends on our ability to correctly estimate demand for our products. Our ability to estimate demand for our products is imprecise, particularly for new products, seasonal promotions and new markets. If we materially underestimate demand for our products or our third-party producers are unable to maintain sufficient inventory of raw materials, we might not be able to satisfy demand on a short-term basis. If we overestimate distributor or retailer demand for our products, we may end up with too much inventory, resulting in higher storage costs, increased trade spending and the risk of inventory spoilage. If we fail to manage our inventory to meet demand, we could damage our relationships with our distributors and retailers and could delay or lose sales opportunities, which would unfavorably impact our future sales and adversely affect our operating results. In addition, if the inventory of our products held by our distributors and retailers is too high, they will not place orders for additional products, which would also unfavorably impact our sales and adversely affect our operating results.

We or our third-party producers may not be able to replicate the flavor profiles of our products.

We may develop a following for one or more products in which we or our third-party producers might not be able to replicate the recipe or flavor profile. Our super premium aged whiskeys, rums and brandies take time to age, and we follow specific steps in our recipes. There is a chance a particular step is not taken properly or is missed entirely. In this case, it might be years before we find the impact of such actions on the final product and by that time, we may not be able to use that product for our intended purposes, which could impact our business plans and/or revenue targets. It could also mean a product we were planning to age to meet future plans might not be available, which could impact future revenues or value.

There is a long lead time for the production of our products due to the aging process for spirits.

There is a significant lead time required for us to age products to scale up for increased demand. As our footprint and sales grow, it may be difficult for us to produce and adequately age certain of our products to meet or sustain demand. Likewise, if we find suppliers of adequate supplies in the marketplace, there is no guarantee such supplies will remain available, or that if they are available, that the price for such items will be commercially reasonable.

We have a minority ownership interest in another brand, the value of which may never be realized or monetized, or which could be significantly reduced or written down.

While we have a minority interest in Flavored Bourbon LLC ("FBLLC"), the owner of the *Flavored Bourbon* brand, there is no guarantee that such brand will ever grow in value or retain its current value or any value at all. The management team of FBLLC could fail in their efforts to grow the *Flavored Bourbon* brand and our investment in such a brand may never be monetized. The majority owners of FBLLC, or FBLLC's management team, could fail to adhere to their contractual obligations to us as they relate to future distributions or payments, which could adversely affect our financial condition and results of operations. If an investor invests in us assuming a certain return or share in proceeds from the growth or sale of such brand, such investor may never realize such returns, or the value of such investor's investment in us could decrease materially.

In addition, a well-known actor and celebrity is a co-owner of FBLLC and has been publicly and prominently involved in marketing the *Flavored Bourbon* brand to consumers. If any celebrity associated with the brand falls ill and cannot fully recover, or he or she fully recovers and chooses to disengage from continuing to market the *Flavored Bourbon* brand, it could severely impact the planned growth for the brand and cause the anticipated future value to never be realized. It could also impact the ability of the *Flavored Bourbon* brand to be monetized. If an investor invests in us assuming a certain return or share in proceeds from the growth or sale of such brand because of the co-ownership and marketing support of such actor, such investor may never realize such returns, or the value of such investor's investment in us could decrease materially.

In addition, if any celebrity associated with the brand is accused of making comments or engaging in any activity that is offensive, dangerous or illegal, it could materially impact the value of the *Flavored Bourbon* brand and an investor's expectation of returns from the possible sale of such brand.

Some of our future earnings from any sale of FBLLC have been pledged as inducements to secure past financings, which could reduce or eliminate our receipt of gains from the future sale of FBLLC for the benefit of our company or our investors.

As an inducement to obtain financing in 2022 and 2023 through the sale of convertible notes, we agreed to pay to the investors in such financings a portion of the proceeds we may receive from the sale of FBLLC or the *Flavored Bourbon* brand in the amount of 150% of their subscription amounts. For additional information regarding such payment obligation, see Note 5 to our consolidated financial statements for the years ended December 31, 2025 and 2024 included elsewhere in this report. As a result of such payment obligation, purchasers of our common stock who may have anticipated a certain return, or expected to share in our proceeds, from the growth or sale of FBLLC or the *Flavored Bourbon* brand may never realize such returns, or the value of such purchasers' investment in us could decrease materially after required payments to our creditors are made.

Our interest in FBLLC or any future brand or entity in which we invest could be subject to dilution if there is a capital call in which we do not participate.

As a minority owner in FBLLC, we do not control the budget, spending or planning associated with the *Flavored Bourbon* brand, nor do we control whether there is a capital call, nor the terms of any offering that would result from a capital call. A capital call by FBLLC for which we do not have the resources to participate in full, or at all, could lead to dilution of our ownership in the *Flavored Bourbon* brand. A capital call by FBLLC could also have terms that put us in a less favorable financial position regarding any future potential earnings of the brand if we do not or cannot participate in such capital call. Conversely, if we choose to participate in a capital call, there is no guarantee of success or a return on such an investment. If an investor invests in us assuming a certain return or share in proceeds from the growth or sale of the *Flavored Bourbon* brand because of our current ownership level in FBLLC, such investor may never realize such returns, or the value of such investor's investment in us could decrease materially.

In the first quarter 2024, FBLLC completed approximately $10 million of a planned $12 million capital call to fund growth in its operations and marketing. We have no view to when, or if, the final $2 million will be raised via this facility and there should be no expectation that we will participate in the remainder of that offering if they elect to complete it.

An interruption of our operations or a catastrophic event at the facilities of any of our third-party producers or any significant supplier could negatively affect our business.

Although we require our third-party producers to maintain insurance coverage for various property damage and loss events, an interruption in or loss of operations at any of the distilleries or other production facilities of our third-party producers could reduce or postpone production of our products, which could have a material adverse effect on our business, results of operations, or financial condition. To the extent that our premium or value-added products rely on unique or proprietary processes or techniques, replacing lost production by purchasing from other outside suppliers would be difficult.

We also store a portion of our own inventory at our distribution warehouses in Gig Harbor, Washington. Some of our raw inputs are stored at supplier warehouses until our contract producers are ready to receive them. At times we have raw goods, work-in-progress inventory, or finished goods at third-party production or co-packing facilities, or in transit between any number of locations. If a catastrophic event were to occur at any of these locations or while in transit or storage, our business, financial condition or results of operations could be adversely affected. The loss of a significant amount of our aged inventory at these facilities through fire, natural disaster or otherwise could result in a reduction in supply of the affected product or products and could affect our long-term performance of affected brands.

Likewise, the facility of a TBN partner or supplier producing or storing product, inventory or aging inventory could suffer an uninsured or underinsured loss that impacts our business. This could result in a reduction in supply of the affected product or products and could materially adversely affect the long-term performance of certain of our brands.

The formulas, recipes and proportions used in the production of our products may differ materially from those we have assumed for purposes of our business plan.

The assumed formulas, recipes and proportions in our business plan, and the resulting product yields, revenues and profits, could greatly differ from what we assumed. As a result, our financial projections could change dramatically overall and on a per-bottle or per-unit basis. Such changes could result in significant reductions in the assumptions for sales, profits

and distributions for stockholders, thereby negatively impacting potential returns for investors or putting the investors' investments at risk.

We may be disparaged publicly or in the press for not being authentically "craft."

Having our product produced solely by third-party producers, increasing the scale of our operations, collaborating with larger partners to achieve our goals, licensing our brand to third parties for production, or becoming a publicly-traded company could, individually or in the aggregate, impact how and whether consumers, competitors, regulators and the media, among others, perceive us as a "craft" distiller. In addition, because we are permitted to, and often do, source intermediate and finished spirits materials in bulk, such as whiskeys and neutral grain spirits, for blending, flavoring, bottling, mixing or aging, a public accusation or pronouncement by a third party or the press of such a practice as not "craft" could cause us to come under intense scrutiny in the market such that we lose our perception as a "craft" distiller, which could result in consumer backlash, negative news stories, the removal of our products from bars, restaurants and retail stores and the dropping of our products by distributors and wholesalers. Any such scenario would likely cause significant hardship for us and could cause an investment in us to lose all or some of its value.

We are subject to seasonality related to sales of our products.

Our spirits business is subject to substantial seasonal fluctuations. Historically, a significant portion of our net sales and net earnings of our spirits segment has been realized during the period from June through August and in November and December. Accordingly, the operating results of our spirits segment may vary significantly from quarter to quarter. Our operating results for any quarter are not necessarily indicative of any other results. If for any reason our spirits sales were to be substantially below seasonal norms, our annual revenues and earnings could be materially and adversely affected.

If our inventory is lost due to theft, fire or other damage or becomes obsolete, our results of operations would be negatively impacted.

We expect our inventory levels to fluctuate to meet customer delivery requirements for our products. We are always at risk of loss of that inventory due to theft, fire or other damage, and any such loss, whether insured against or not, could cause us to fail to meet our orders and harm our sales and operating results. Also, our inventory may become obsolete as we introduce new products, cease to produce old products or modify the design of our products' packaging, which would increase our operating losses and negatively impact our results of operations.

Weather conditions may have a material adverse effect on our sales or on the price of raw materials used to produce spirits.

We operate in an industry in which performance is affected by the weather. Extreme changes in weather conditions may result in lower consumption of craft spirits and other alcoholic beverages. Unusually cold spells in winter or high temperatures in the summer can result in temporary shifts in customer preferences and impact demand for the alcoholic beverages we produce and distribute. Similar weather conditions in the future may have a material adverse effect on our sales, which could affect our business, financial condition and results of operations. In addition, inclement weather may affect the availability of grain used to produce raw spirit, which could result in a rise in raw spirit pricing that could negatively affect margins and sales.

Climate change, or legal, regulatory or market measures to address climate change, may negatively affect our spirits business, operations or financial performance, and water scarcity or poor quality could negatively impact our production costs and capacity.

Our spirits business depends upon agricultural activity and natural resources. There has been much public discussion related to concerns that carbon dioxide and other greenhouse gases in the atmosphere may have an adverse impact on global temperatures, weather patterns and the frequency and severity of extreme weather and natural disasters. Severe weather events and climate change may negatively affect agricultural productivity in the regions from which we presently source our agricultural raw materials. Decreased availability of our raw materials may increase the cost of goods for our products. Severe weather events, or changes in the frequency or intensity of weather events, can also disrupt our supply chain, which may affect production operations, insurance cost and coverage, as well as delivery of our products to wholesalers, retailers and consumers.

Water is essential in our product production and is a limited resource in some of the regions in which our third-party producers operate. If climate patterns change and droughts become more severe in any of the regions in which our third-party producers operate, there may be a scarcity of water or poor water quality which may affect our production costs or impose capacity constraints. Such events could adversely affect the results of operations and financial condition.

During the fermentation process required to make spirits, carbon dioxide is produced and vented into the atmosphere. Currently there are no regulations in the industry requiring capture of carbon dioxide. If a government decided to implement such requirements, it might not be technically feasible for our third-party producers to comply, or to comply in a way that allows us to purchase product from them profitably. Failure to implement any such rules could result in temporary or permanent loss of licenses, fines, penalties or other negative outcomes for our third-party producers, which could adversely affect our ability to acquire products from them for resale.

The equipment our third party producers use to make our products may not perform as planned or designed.

The equipment our third party producers use to make our products may not perform as planned or designed. Such failures could significantly extend the time required to make batches of products for sale. As such, our reputation could suffer, thereby impacting future sales and revenues. Further, equipment is subject to breakage and downtime, including after the lapse of a warranty period related to such equipment, which could require our third party producers to expend unanticipated resources to repair or replace such equipment, thereby delaying, reducing or otherwise impacting our anticipated revenues from the sale of products they produce for us under contract.

We operate in highly-competitive industries, and competitive pressures could have a material adverse effect on our business.

The alcoholic beverages production and distribution industries in our region are intensely competitive. The principal competitive factors in these industries include product range, pricing, distribution capabilities and responsiveness to consumer preferences, with varying emphasis on these factors depending on the market and the product. The alcoholic beverage industry competes with respect to brand recognition, product quality, brand loyalty, customer service and price. Our failure to maintain and enhance our competitive position could materially and adversely affect our business and prospects for business. Wholesaler, retailer and consumer purchasing decisions are influenced by, among other things, the perceived absolute or relative overall value of our products, including our quality or pricing, compared to competitor's products. Unit volume and dollar sales could also be affected by pricing, purchasing, financing, operational, advertising or promotional decisions made by wholesalers, state and provincial agencies, and retailers which could affect their supply of, or consumer demand for, our products. We could also experience higher than expected selling, general and administrative expenses if we find it necessary to increase the number of our personnel or our advertising or marketing expenditures to maintain our competitive position or for other reasons.

Our failure to manage growth effectively or prepare for product scalability could have an adverse effect on our employee efficiency, product quality, working capital levels and results of operations.

Any significant growth in the market for our products or our entry into new markets may require an expansion of our employee base for managerial, operational, financial, and other purposes. During any period of growth, we may face problems related to our operational and financial systems and controls, including quality control and delivery and service capacities. We would also need to continue to expand, train and manage our employee base. Continued future growth will impose significant added responsibilities upon the members of management to identify, recruit, maintain, integrate and motivate new employees.

Aside from increased difficulties in the management of human resources, we may also encounter working capital issues, as we will need increased liquidity to finance the marketing of the products we sell and the hiring of additional employees. For effective growth management, we must continue to improve our operations, management, and financial systems and controls. Our failure to manage growth effectively may lead to operational and financial inefficiencies that will have a negative effect on our profitability. We cannot assure investors that we will be able to timely and effectively meet that demand and maintain the quality standards required by our existing and potential customers.

We may not be successful in introducing new products and services.

Our success in developing, introducing, selling and supporting new and enhanced products or services depends upon a variety of factors, including timely and efficient completion of service and product design, development and approval, and timely and efficient implementation of product and service offerings. Because new product and service commitments may be made well in advance of sales, new product or service decisions must anticipate changes in the industries served. There can be no assurance that we will be successful in selecting, developing, and marketing new products and services or in enhancing our planned products or services. Failure to do so successfully may adversely affect our business, financial condition and results of operations.

Further, new product and service introductions or enhancements by our competitors, or their use of other novel technologies, could cause a decline in sales or a loss of market acceptance of our planned products and services. Specifically, our competitors may attempt to install systems or introduce products or services that directly compete with

our planned products or service offerings with newer technology or at prices we cannot meet. Depending on our customer arrangements then in effect, we could lose customers as a result.

Our success in the future may depend on our ability to establish and maintain strategic alliances, and any failure on our part to establish and maintain such relationships would adversely affect our market penetration and revenue growth.

Due to the regulated nature of the alcoholic beverage industry, we must establish strategic relationships with third parties. Our ability to establish strategic relationships will depend on many factors, many of which are outside our control, such as the competitive position of our product and marketing plan relative to our competitors. We may not be able to establish other strategic relationships in the future. In addition, any strategic alliances that we establish may subject us to several risks, including risks associated with sharing proprietary information, loss of control of operations that are material to developed business and profit-sharing arrangements. Moreover, strategic alliances may be expensive to implement and subject us to the risk that the third party will not perform its obligations under the relationship, which may subject us to losses over which we have no control or expensive termination arrangements. As a result, even if our strategic alliances with third parties are successful, our business may be adversely affected by factors outside of our control.

From time to time, we may become subject to litigation specifically directed at the alcoholic beverage industry, as well as litigation arising in the ordinary course of business.

Companies operating in the alcoholic beverage industry may, from time to time, be exposed to class action or other private or governmental litigation and claims relating to product liability, alcohol marketing, advertising or distribution practices, alcohol abuse problems or other health consequences arising from the excessive consumption of or other misuse of alcohol, including underage drinking. Various groups and governmental agencies have, from time to time, publicly expressed concern over problems related to harmful use of alcohol, including drinking and driving, underage drinking and health consequences from the use or misuse of alcohol, and efforts have been made attempting to tie the consumption of alcohol to certain diseases, including various cancers. Recently, trial lawyers and third-party groups have been advertising on social media seeking potential plaintiffs for claims related to the use of alcohol as a cause of a cancer they may suffer from, or have suffered from in the past. These efforts and campaigns could result in an increased risk of litigation against us and other companies in our industry. Lawsuits have been brought against beverage alcohol companies alleging problems related to alcohol abuse, negative health consequences from drinking, problems from alleged marketing or sales practices and underage drinking. While these lawsuits have been largely unsuccessful in the past, others may succeed in the future.

From time to time, we may also be party to other litigation in the ordinary course of our operations, including in connection with commercial disputes, enforcement or other regulatory actions by tax, customs, competition, environmental, anti-corruption and other relevant regulatory authorities, or, following this transaction, securities-related class action lawsuits, particularly following any significant decline in the price of our securities. Any such litigation or other actions may be expensive to defend and result in damages, penalties or fines as well as reputational damage to us and our spirits brands and may impact the ability of management to focus on other business matters. Furthermore, any adverse judgments may result in an increase in future insurance premiums, and any judgments for which we are not fully insured may result in a significant financial loss and may materially and adversely affect our business, results of operations and financial results.

We may not be able to maintain our production, co-branded or co-packed spirits products or win any such agreements in the future.

We have previously secured, and continue to bid on, contract production, co-branded or co-packed spirits products. However, there is no guarantee that we can maintain those contracts, or that any products produced pursuant to such contracts will have success in the market, or that we can continue to secure additional similar projects. The loss of any such current or future projects could significantly impact our cash flow, finances and equipment utilization rates.

We have affiliations with products associated with more established brands and celebrities.

More established brands with which we partner, for which we produce products or with which we are otherwise engaged in business could become the subject of public criticism for the actions, or lack thereof, related to issues in the public sphere. This could include the actions of executives, employees or spokespersons associated with such brands, or public positions related to social or political matters. Such items could negatively impact the perception of our brand by association.

We are also endorsed by certain celebrities, and we have an ownership interest in brands associated with celebrities. There is a risk that actions taken by such celebrities could negatively impact our brand or the perception of our goods and services. Any brands in which we have an ownership interest that are associated with public figures could have a diminished value due to certain actions taken by such public figures.

We may be subject to vandalism or theft of our products or equipment.

We may be subject to vandalism or theft of our products or equipment, including, but not limited to, theft by our employees or "shrinkage." Loss of a product or equipment could take a long time to replace, causing disruptions in our cash flow and overall financial position. Such events may not be covered by insurance, in whole or in part. If covered by insurance, the cost of our deductible could be high. Any such event could pose a material challenge to our ability to maintain operations. Further, if loss is the result of employee theft or shrinkage of products, federal or state agency audits may result in a penalty for loss of product outside of allowed norms.

We are testing the use of Artificial Intelligence (AI) in our marketing, branding and other efforts, which could create several risks for our operations.

We are testing various AI tools and efforts to achieve multiple objectives, including but not limited to, creating new creative material to support our brands and marketing efforts, creating new designs for packaging and marketing, creating content for social media and other uses, streamlining the placement of paid advertising via streaming services or social media to maximize efficacy, speed up development of such efforts or to cut costs associated with these efforts. Such efforts may not yield the results we want or provide a satisfactory return on investment.

In addition, some of companies offering AI tools we use or may use in the future, which may be free or may be accessible in beta testing mode, may begin to charge us for their services or increase their fees to use such tools. These costs or cost increases could become unaffordable for us or not fit within our budget parameters. If we have become reliant upon such tools and we can no longer afford to use them, our revenue and profitability may be affected in a negative way. If the loss of such tools results in fewer sales and less revenue, our business operations may be negatively impacted, which could adversely affect the value of our common stock.

It is also possible that some of the AI tools we become reliant upon may be acquired by third parties that will restrict their use, making it either not economically feasible for us to continue using them, or not give us access to the tools at all. In this case, we may be required to hire new employees or consultants, find new outside vendors, or change strategies or tactics to meet our planned objectives, sales targets, revenue and profitability. If the use of such AI tools drives new revenue, increases our sales or profitability, or lowers our costs, the resulting loss of access to them could have an overall negative impact on our business.

Recent court cases have determined that AI-generated content may not qualify for copyright protection. As such, a product, good, service, design, element or some other item we create using AI tools and put into commerce to market or sell a brand, service or product may not qualify for such protection, which could weaken our intellectual property portfolio and allow competitors to use such elements for their own or competing purposes. This could lead to product or brand confusion in the marketplace with little to no way for us to enforce intellectual property rights we might otherwise rely upon.

The AI tools we may come to rely upon may create third-party liability for our company.

The use of AI for business-related activities is still in its very early days and the use of AI is still unproven. In some cases, we may use AI tools to create new branding, marketing materials, strategies, content, or documents to achieve our goals or objectives. Because AI tools work with ever-changing inputs in the background and we have no visibility to how the AI tools are performing their work, there is a risk that a product produced by an AI tool for us infringes on another person's, brand's or entity's intellectual property, or that the finished product was also provided by the AI tool to other persons, brands, entities or businesses who may or may not be in competition with us. The use of similar finished products in marketing, branding, advertising, strategies, or tactics could cause confusion in the marketplace or open us up to accusation of plagiarism or the violation of another's intellectual property rights. Such accusations, if proven true, could cause disruptions for us, cause us to have to change tactics or strategies resulting in fewer sales and less revenue, or subject us to liability for monetary compensation.

There is also a risk that the work product coming from AI tools we use may result in a finished product that is based on the biases of the inputs of the creators, programmers or engineers of such AI tools. Further, such biases could be built into how the algorithms driving such AI are constructed, altering the outputs in a way that makes our use of the finished work product less effective or not consistent with our company or our brand objectives.

There is a risk that competitors, members of the public or others who want to hurt our company or our brand, begin to post false information on social media about our company or our brands that causes a backlash among consumers, or use AI to create false narratives about our company. There is also a risk that social media influencers, pundits or public

personalities who may be viewed as controversial attempt to align themselves with our company or our brands that causes a backlash among consumers.

AI tools are being used to create fake video clips and fake images. Some AI tools can also allow users to create videos in which it appears someone is doing or saying something that never took place. These videos are becoming very difficult, if not impossible, to identify as fake. There is a risk that someone could create videos or clips purporting to show one of our employees, executives, directors, contractors, suppliers, vendors, partners, influencers or other party or affiliate associated with our company saying something offensive, hurtful, defamatory, or otherwise designed in such a way as to harm our reputation or the reputation of our brands. In such cases, the resulting public backlash or boycotts of our products, the potential for cancelled partnerships, or the removal of our products or brands from distribution, bars, restaurants, retail shelves or other locations where they are sold and served, could cause us to lose sales and revenue and impact our operations or business prospects. Such actions could also cause reputational harm to our company and our brands that cannot be overcome, thereby impacting our ability to conduct business or to generate sales or profits, and ultimately negatively impact the value of our common stock.

There is also a risk that social media influencers, pundits or public personalities who may be viewed as controversial by some group or community attempt to align themselves with our company or our brands that causes a backlash among consumers or specific groups or communities. These people, acting on their own or in concert with others, could feel they are making positive posts about us or our brands, but communities or groups with opposing viewpoints from those posting about us could attempt to create a backlash against our company or our brands due to the appearance of the association with such people. If we or our brands were to get swept up in a backlash or boycott of our products, goods or services simply because of the public comments made by others, even if we are not involved and do not condone or sanction such comments, our sales, revenue and profits could be impacted, and it could ultimately negatively impact the value of our common stock.

Our failure to adequately maintain and protect the personal information of our customers or our employees in compliance with evolving legal requirements could have a material adverse effect on our business.

We collect, use, store, disclose or transfer (collectively, "process") personal information, including from employees and customers, in connection with the operation of our business. A wide variety of local and international laws as well as regulations and industry guidelines apply to the privacy and collecting, storing, use, processing, disclosure and protection of personal information and may be inconsistent among countries or conflict with other rules. Data protection and privacy laws and regulations are changing, subject to differing interpretations and being tested in courts and may result in increasing regulatory and public scrutiny and escalating levels of enforcement and sanctions.

A variety of data protection legislation apply in the United States at both the federal and state level, including new laws that may impact our operations. For example, the State of California has enacted the California Consumer Privacy Act of 2018 ("CCPA") and the California Privacy Rights Act ("CPRA"), which significantly modifies the CCPA, which generally require companies that collect, use, share and otherwise process "personal information" (which is broadly defined) of California residents to make disclosures about their data collection, use, and sharing practices, allows consumers to opt-out of certain data sharing with third parties or the sale of personal information, allows consumers to exercise certain rights with respect to any personal information collected and provides a new cause of action for data breaches. Additionally, the Federal Trade Commission, and many state attorneys general are interpreting federal and state consumer protection laws to impose standards for the online collection, use, dissemination, and security of data. The burdens imposed by the CCPA and other similar laws that have been or may be enacted at the federal and state level may require us to modify our data processing practices and policies and to incur additional expenditures to comply.

Compliance with these and any other applicable privacy and data protection laws and regulations is a rigorous and time-intensive process, and we may be required to put in place additional mechanisms ensuring compliance with the new privacy and data protection laws and regulations. Our actual or alleged failure to comply with any applicable privacy and data protection laws and regulations, industry standards or contractual obligations, or to protect such information and data that we processes, could result in litigation, regulatory investigations, and enforcement actions against us, including fines, orders, public censure, claims for damages by employees, customers and other affected individuals, public statements against us by consumer advocacy groups, damage to our reputation and competitive position and loss of goodwill (both in relation to existing customers and prospective customers) any of which could have a material adverse effect on our business, financial condition, results of operations, and cash flows. Additionally, if third parties that we work with, such as vendors or developers, violate applicable laws or our policies, such violations may also place personal information at risk and have an adverse effect on our business. Even the perception of privacy concerns, whether or not valid, may harm our reputation, subject us to regulatory scrutiny and investigations, and inhibit adoption of our spirits and other products by existing and potential customers.

Contamination of our products and/or counterfeit or confusingly similar products could harm the image and integrity of, or decrease customer support for, our brands and decrease our sales.

The success of our brands depends upon the positive image that consumers have of them. Contamination, whether arising accidentally or through deliberate third-party action, or other events that harm the integrity or consumer support for our brands, could affect the demand for our products. Contaminants in raw materials purchased from third parties and used in the production of our products or defects in the distillation and fermentation processes could lead to low beverage quality as well as illness among, or injury to, consumers of our products and could result in reduced sales of the affected brand or all of our brands. Also, to the extent that third parties sell products that are either counterfeit versions of our brands or brands that look like our brands, consumers of our brands could confuse our products with products that they consider inferior. This could cause them to refrain from purchasing our brands in the future and in turn could impair our brand equity and adversely affect our sales and operations.

Risks Related to Our Intellectual Property

It is difficult and costly to protect our proprietary rights.

Our commercial success will depend in part on obtaining and maintaining trademark protection and trade secret protection of our products and brands, as well as successfully defending these trademarks against third-party challenges. We will only be able to protect our intellectual property related to our trademarks and brands to the extent that we have rights under valid and enforceable trademarks or trade secrets that cover our products and brands. Changes in either the trademark laws or in interpretations of trademark laws in the U.S. and other countries may diminish the value of our intellectual property. Accordingly, we cannot predict the breadth of claims that may be allowed or enforced in our issued trademarks or in third-party patents. The degree of future protection for our proprietary rights is uncertain because legal means afford only limited protection and may not adequately protect our rights or permit us to gain or keep our competitive advantage.

We may face intellectual property infringement claims that could be time-consuming and costly to defend, and could result in our loss of significant rights and the assessment of treble damages.

From time-to-time we may face intellectual property infringement, misappropriation or invalidity/non-infringement claims from third parties. Some of these claims may lead to litigation. The outcome of any such litigation can never be guaranteed, and an adverse outcome could affect us negatively. For example, were a third party to succeed on an infringement claim against us, we may be required to pay substantial damages (including up to treble damages if such infringement were found to be willful). In addition, we could face an injunction barring us from conducting the allegedly infringing activity. The outcome of the litigation could require us to enter into a license agreement that may not be acceptable, commercially reasonable, or on practical terms, or we may be precluded from obtaining a license at all. It is also possible that an adverse finding of infringement against us may require us to dedicate substantial resources and time to developing non-infringing alternatives, which may or may not be possible.

Finally, we may initiate claims to assert or defend our own intellectual property against third parties. Any intellectual property litigation, irrespective of whether we are the plaintiff or the defendant, and regardless of the outcome, is expensive and time-consuming, and could divert our management's attention from our business and negatively affect our operating results or financial condition.

We may be subject to claims by third parties asserting that our employees or we have misappropriated our intellectual property, or claiming ownership of what we regard as our own intellectual property.

Although we try to ensure that we and our employees and independent contractors do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or our employees or independent contractors have used or disclosed intellectual property in violation of others' rights. These claims may cover a range of matters, such as challenges to our trademarks, as well as claims that our employees or independent contractors are using trade secrets or other proprietary information of any such employee's former employer or independent contractors. As a result, we may be forced to bring claims against third parties, or defend claims they may bring against us, to determine the ownership of what we regard as our intellectual property. If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in prosecuting or defending against such claims, litigation could result in substantial costs and be a distraction to management.

Our new Salute Series lines of spirits may be subject to claims of misuse or unapproved use of certain imagery or terms associated with the U.S. military or first responders. We may come under attack for not having authentic military or first responder roots for a particular line or design under this product line.

Although we try to ensure that we do not infringe on any third-party trademark, or use unapproved logos or images in our marketing, certain branches of the U.S. military or first responders may object to our brand positioning under our *Salute Series* or related spirits lines or to our use of certain terms, marks, images or logos. While we have successfully navigated this issue over the past seven years with our 1st Special Forces Group Whiskey honoring the 1st Special Forces Group at Joint Base Lewis McChord, another branch of the military may take issue with our brand positioning related to that branch or to a particular product or its packaging. Likewise, there is no guarantee that the TTB will approve our label designs for any such branch or that after approval by the TTB that such approval may later be rescinded. Such results would require us to rethink our branding or designs for one or more branches or products. Any successful challenge to our effort around this line of products could diminish our ultimate future growth opportunities from this product concept.

Likewise, people who have served in specific branches or units of the military or as first responders tend to be very protective and parochial about their history. If we develop a product, line or image in which we do not have a company founder or employee with specific ties to a branch, unit or group, we could be attacked in public or in social media by members of such group that think we are trying to position ourselves in this brand at the expense of others, even though we will endeavor to advance this line with honor and respect and in partnership with select non-profits that will benefit from the sales of products under this line. Successful attacks on our brand or efforts in this way could diminish the value of our efforts, the value of the brand and ultimately sales to the public.

Risks Related to Regulation

We are subject to extensive government regulation and are required to obtain and renew various permits and licenses; changes in or violations of laws or regulations or failure to obtain or renew permits and licenses could materially adversely affect our business and profitability.

Our business of marketing and distributing craft spirits and other alcoholic beverages in the United States is subject to regulation by national and local governmental agencies. These regulations and laws address such matters as licensing and permit requirements, regarding the production, storage and import of alcoholic products; competition and anti-trust matters; trade and pricing practices; taxes; distribution methods and relationships; required labeling and packaging; advertising; sales promotion; and relations with wholesalers and retailers. Loss of production capacity due to regulatory issues can negatively affect our sales and increase our operating costs as we attempt to increase production at other facilities during that time to offset the lost production. It is possible that we could have similar issues in the future that will adversely impact our sales and operating costs. Additionally, new or revised regulations or requirements or increases in excise taxes, customs duties, income taxes, or sales taxes could materially adversely affect our business, financial condition and results of operations.

In addition, we are subject to numerous environmental and occupational, health and safety laws and regulations in the countries in which we plan to operate. We may incur significant costs to maintain compliance with evolving environmental and occupational, health and safety requirements, to comply with more stringent enforcement of existing applicable requirements or to defend against challenges or investigations, even those without merit. Future legal or regulatory challenges to the industry in which we operate, or our business practices and arrangements could give rise to liability and fines, or cause us to change our practices or arrangements, which could have a material adverse effect on us or our revenues and profitability.

Governmental regulation and supervision as well as future changes in laws, regulations or government policy (or in the interpretation of existing laws or regulations) that affect us, our competitors or our industry generally, strongly influence our viability and how we operate our business. Complying with existing laws, regulations and government policy is burdensome, and future changes may increase our operational and administrative expenses and limit our revenues.

Additionally, governmental regulatory and tax authorities have a high degree of discretion and may at times exercise this discretion in a manner contrary to law or established practice. Our business would be materially and adversely affected if there were any adverse changes in relevant laws or regulations or in their interpretation or enforcement. Our ability to introduce new products and services may also be affected if we cannot predict how existing or future laws, regulations or policies would apply to such products or services.

Our industry may be subject to further demands to increase warnings on labels, specifically as it relates to cancer.

In January 2025, the United States Surgeon General issued a report calling for more regulation on the warnings that should be put on labels for alcoholic beverages, specifically as it relates to his belief that specific amounts of consumption

may increase incidences of cancer. There is a risk that such additional warnings, if required, could depress the market for alcoholic beverages among consumers, which could impact the demand for our products specifically. There is a related risk that as more news stories are written about the proposal that it leads to consumers reducing their consumption of such beverages ahead of any such label change mandates. This too, could lead to reduced demand for our products, thereby reducing our ability to generate revenue from the sale of our products or services, or those of our TBN partners, distributors and retailers who feature our products. There is also a related risk that investors could view the capital stock of producers, distributors or retailers of alcohol-related products as carrying more risk due to the discussion about these label proposals and the societal and consumer conversations that arise from the topic. In such a case, it could make the capital stock of producers, distributors or retailers of alcohol-related products, including ours, less valuable or more difficult to trade.

We are subject to regulatory overview by the Federal Alcohol and Tobacco Tax and Trade Bureau and state liquor control agencies.

We are required to secure certain label and formula approvals for the products we make. Such approvals are made at the discretion of the TTB. The TTB could deny our applications for labels and/or formulas entirely or force us to change them so that the result would be different from that which we currently sell or plan to sell. The TTB could also force us to change labels it has already approved and that we have already begun to sell or could revoke approval for existing formulas and/or labels. Any such delays in formula and/or label approval could cause delays in bringing products to market and could force us to limit or curtail all or some operations or sales, thereby negatively impacting our financial performance significantly.

Similarly, one or more state liquor control agencies may not approve a product for sale even though we have received federal approval to produce and sell the product.

Our regulatory licenses may be suspended or revoked, or we may fail to secure or retain required permits or licenses.

We might not be able to secure or keep permits and/or licenses required to operate our business, including but not limited to building and trades permits, Conditional Use/Special Use Permits or other zoning permits, health permits, our federal TTB license, federal Food and Drug Administration license, state liquor licenses or other licenses or permits. Any such suspension or losses could negatively impact our financial results.

We are subject to various insurance and bonding requirements.

We are required by the TTB to secure and maintain insurance for various aspects of our operations. We may not be able to secure all of the insurance our business requires or, once we obtain the required insurance, such insurance could be cancelled or terminated. We may also only be able to secure insurance at rates that we deem to be commercially unreasonable.

We are also required by the TTB to provide bonds for the distilled spirits products we make, store, bottle and prepare for sale. Such bonds could be revoked, or the cost of bonding might become materially more expensive than we currently anticipate. As production and storage grows, there is a chance we may not be able to secure an increase in our bonding adequate to cover federal obligations, or our operations could exceed our bonded authority. This could require us to halt our operations until such increased bonding is secured, if at all. Further, as a condition of obtaining a bond, a bonding company could require that we set aside dedicated funds to backstop the bond. Such a requirement would hamper our ability to use funds for revenue generating purposes, thereby changing our plans for growth. In any of these situations, we would be forced to limit or curtail all or some of our operations, thereby negatively impacting our financial performance significantly.

We are subject to certain record-keeping requirements to which we may not properly adhere.

We are required to track the source of products we make, produce and/or bottle, including raw ingredients used, mashing, fermentation, distillation, storage, aging, blending, bottling, removal from bond and sales. Historically, we may not have accurately captured, or in the future may not accurately capture, all of such data. Moreover, in the event of an audit, state or federal revenue officers may interpret our data differently than we do, which could lead to a finding that we either underpaid or overpaid federal excise and state sales taxes.

As we open new locations, the staff at those locations may not properly track and record all data. The failure to adequately track production could put some products at risk from a labeling or valuation standpoint or cause the TTB to impound certain of our products from future sales. Failure to properly track and report the required data could also result in fines and/or penalties levied against us, or the suspension or rescission of our permits or licenses. Suspension or rescission of a permit or license would put us at risk of not being able to continue operations.

We operate in a highly-regulated industry subject to state and federal regulation, and it is possible that state or federal legislative or regulatory bodies could change or amend laws that impact us.

We operate in a highly-regulated industry subject to state and federal regulation, and it is possible that state or federal legislative or regulatory bodies could change or amend laws that impact us. Such changes could include, but are not limited to:

- the amount of product we can produce annually;
- regulations on the manufacturing, storage, transportation and sale of our distilled spirits;
- license rates we must pay to the state;
- tax rates on products we make and sell;
- how, where and when we can advertise our products;
- how products are classified; and
- labeling and formulation approvals.

In addition, it is possible that legislative bodies could amend or revoke the statutes that allow us to operate, in whole or in part. In such an event, we may be forced to cease operations, which would materially affect our value and any investment made in us.

The failure of Congress to pass federal spending bills could impact our ability to secure federal permits that are critical to our business and our growth plans.

The chance that continued inaction in Congress to secure final passage of annual spending bills puts us at risk of a government shutdown, which could impact our ability to secure certain federal permits through the TTB, including transfer in bond permits, and formula or label approvals. Likewise, tribal partners we are working with to open *Heritage*-branded distilleries and tasting rooms will rely on securing their own TTB permits. Any government shutdown could slow down progress on the development, opening or operating of those locations.

We may become subject to audits by government agencies that find the mis-collection or mis-payment of taxes or fees.

We may become subject to audits by government agencies that could find the mis-collection or mis-payment of taxes or fees. Such an event could require us to allocate financial resources and personnel into areas to which we are not currently planning to allocate and to subject us to fines, interest and penalties in addition to the taxes or fees that may be owed. In the past, we have not timely filed and paid certain taxes, but no fines or penalties have been assessed for such late filings to date. However, a governmental entity could attempt to institute fines and/or assess other penalties for our past late tax filings and payments. Such an action could also include a suspension or termination of one or more of our permits or licenses.

Our products could be subject to a voluntary or involuntary recall.

Our products could be subject to a voluntary or involuntary recall for any number of reasons. In such an event, we may be forced to repurchase products we have already sold, cover other costs associated with the products or the recall, cease the sale of product already in the sales pipeline, or destroy product still in our control or that we are still processing. Any such product recalls could negatively impact our financial performance and impugn our reputation with consumers.

Our agreements with partners may be perceived as de facto franchise relationships.

Our agreements with partners, including American Indian tribes or other licensees, allowing such partner to operate a Heritage-branded location could be interpreted by a state or federal court or administrative body as being a de facto franchise relationship, in which case we may need to revise the terms of our licensing arrangement with such partner, thereby altering our anticipated return and risk profile. If an agreement with a partner is determined to be a de facto franchise relationship, we may be required to file franchise documents with state and the federal governments for approval and we will be liable for fines or penalties for not pre-filing such franchise documents.

Direct to consumer shipping could become more regulated or be curtailed or terminated through government regulation or enforcement.

We currently use a three-tier compliant third-party retailer that resells, ships and handles fulfillment for certain of our products directly to consumers in 45 states and the District of Columbia. There are several risks associated with direct-to-consumer shipping, including that one or more states could decide such activities do not comport with their specific laws or

regulations. In addition, there is a risk the third-party fulfillment firm could be forced to curtail or cease operations by virtue of a federal or state demand or reinterpretation of statute or rule, or that such firm could exit the market on its own free will. In any of these cases, the loss of direct-to-consumer shipping would likely lead to fewer sales, less revenue, and less profitability for our company, which could impact the value of our common stock. The loss of such sales and revenue could also negatively impact our operating plan as we would have less operating cash flow to work with, which could force us to alter our growth and marketing plans. There is also a risk that a third-party delivery company that is delivering the product to a consumer could leave a package where an individual under the age of 21 can gain access to it, or that such company could deliver a package to a location and fail to verify the person's age. In such case, a state or local enforcement entity could attempt to claim we are partially culpable in the delivery to a person who is not 21 years of age. If that person were to consume the product and engage in an activity dangerous to themselves or others that causes death or serious bodily injury, a claim could be made against us as being part of the transaction. We could fail to successfully defend any such claims, in addition to paying monetary damages. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management or negatively impact the reputation of our company.

Risks Related to Ownership of Our Common Stock

The market price of our common stock may be highly volatile, and you could lose all or part of your investment.

In addition to changes to market prices based on our results of operations and the factors discussed elsewhere in this "Risk Factors" section, the market price of and trading volume for our common stock may change for a variety of other reasons, not necessarily related to our actual operating performance. The capital markets have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock. In addition, the average daily trading volume of the securities of small companies can be very low, which may contribute to future volatility. Factors that could cause the market price of our common stock to fluctuate significantly include:

- actual or anticipated fluctuations in our financial condition and operating results;
- actual or anticipated fluctuations in the market price of $IP Tokens;
- announcements of developments relating to the Story Network or the usage of the Story Network for intellectual property content-centric use cases related to the ownership, permissions and usage rights associated with digital works;
- announcements of new product offerings or technological innovations by us or our competitors or by the Story Network or competitors of the Story Network;
- negative sentiment in the cryptocurrency markets in general that drag down the $IP Token's value and / or our stock price'
- announcements by our customers, partners or suppliers relating directly or indirectly to our products, services or technologies;
- overall conditions in our industry and market;
- addition or loss of significant customers;
- changes in laws or regulations applicable to our products;
- actual or anticipated changes in our growth rate relative to our competitors;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures, capital commitments or achievement of significant milestones;
- additions or departures of key personnel;
- competition from existing products or new products that may emerge;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;
- disputes or other developments related to proprietary rights, including patents, litigation matters or our ability to obtain intellectual property protection for our technologies;
- announcement or expectation of additional financing efforts;
- sales of our common stock by us or our stockholders;
- stock price and volume fluctuations attributable to inconsistent trading volume levels of our shares;

- reports, guidance and ratings issued by securities or industry analysts; and
- general economic and market conditions.

Any of these factors may result in large and sudden changes in the trading volume of our common stock and could seriously harm the market price of our common stock, regardless of our operating performance. This may prevent you from being able to sell your shares at or above the price you paid for your shares of our common stock, if at all. In addition, stock markets in general and the market for companies in our industry in particular have experienced price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may negatively impact the market price of our common stock. You may not realize any return on your investment in us and may lose some or all of your investment.

Investors could experience a reduction in share price for our common stock they own, or dilution resulting from the exercise of warrants into common stock or the conversion of preferred stock into common stock, or the vesting and settlement of equity grants to employees, directors and consultants.

As warrant holders exercise warrants to purchase common stock, or holders of preferred stock convert their preferred stock into common stock, and then attempt to sell those shares into the market, if there is not demand for shares of our common stock equal to, or greater than, the number of shares such security holders seek to sell, the price of our common stock could decline. If an employee, director or consultant who received restricted stock units or other equity awards as part of a compensation plan attempts to sell those shares into the market without equal or greater demand in the market for those shares, such attempted sales of our common stock could negatively impact the price of our common stock. The creation of common stock from warrants or preferred stock conversions, or the granting of stock or other equity under a compensation plan that results in the issuance of common stock, will create dilution for common stock holders, and potentially impact the per share value of our common stock, impacting their investments.

We may be subject to securities litigation, which is expensive and could divert our management's attention.

The market price of our securities may be volatile, and in the past companies that have experienced volatility in the market price of their securities have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, which could seriously harm our business.

Our failure to meet the continued listing requirements of the Nasdaq could result in de-listing of our common stock.

If we fail to satisfy the continued listing requirements of Nasdaq, such as the corporate governance requirements or the minimum closing bid price requirement, Nasdaq may take steps to de-list our common stock. In April 2025, we received a notice from Nasdaq that indicated that we were not in compliance with Nasdaq Listing Rule 5550(a)(2), as the closing bid price for our common stock was below $1.00 per share for the prior thirty (30) consecutive business days. We were able to resolve the deficiency and regain compliance with the Nasdaq minimum bid price requirement following the reverse stock split of our common stock that we effected in November 2025.

On March 20, 2026, we received a written notice from Nasdaq notifying us that it has determined to delist our common stock as we were not in compliance with Nasdaq Listing Rule 5550(a)(2) as the bid price of our common stock closed below $1.00 per share for 30 consecutive business days from February 5, 2026 through March 19, 2026. Although companies are typically provided a 180-calendar-day compliance period to regain compliance with the minimum bid price requirement, the notice further stated that, pursuant to Nasdaq Listing Rule 5810(c)(3)(A)(iv), we were not eligible for any compliance period because we effected a reverse stock split within the prior one-year period, specifically a 1-for-20 reverse stock split on November 5, 2025. As a result, Nasdaq determined that our common stock would be delisted, and Nasdaq would file a Form 25 with the SEC to effect the delisting and deregistration of our common stock under Section 12(b) of the Securities Exchange Act of 1934, on March 31, 2026 unless we timely requested a hearing to appeal the Nasdaq staff's determination by March 27, 2026. On March 27, 2026, we filed with Nasdaq an appeal of its delisting determination and a hearing on the appeal has been scheduled by Nasdaq for April 30, 2026. Our filing of the appeal has stayed the suspension of our common stock and the filing of the Form 25 pending the outcome of the hearing. In anticipation of such hearing, on April 10, 2026, our stockholders approved a proposal to authorize a reverse stock split of our common stock at a ratio of 1:3 to 1:20, the actual ratio to be determined by our board of directors on or prior to June 30, 2026. We expect to effect such a reverse stock split prior the scheduled Nasdaq hearing of our appeal.

There can be no assurance or guarantee that our Nasdaq appeal will be successful. Any de-listing of our common stock in the future would likely have a negative effect on the price of our common stock and could impair your ability to

sell or purchase our common stock when you wish to do so. In the event of a de-listing, we would take actions to try to restore our compliance with the Nasdaq marketplace rules, but our common stock may not be listed again, and such actions may not stabilize the market price or improve the liquidity of our common stock, prevent our common stock from dropping below the Nasdaq minimum bid price requirement or prevent future non-compliance with the Nasdaq marketplace rules.

In addition, Nasdaq has proposed changes to its continued listing standards that, if approved by the SEC, would require companies listed on the Nasdaq Global Market and Nasdaq Capital Market to maintain a minimum Market Value of Listed Securities ("MVLS") of at least $5 million. Under the proposal, which Nasdaq filed with the SEC on January 13, 2026, a company whose MVLS remains below $5 million for 30 consecutive business days would be subject to a Staff Delisting Determination, immediate suspension of trading on Nasdaq, and eventual delisting, without any compliance period or automatic stay of suspension during an appeal. The proposed rule change was published for comment by the SEC on January 26, 2026, and the public comment period, which was originally set to expire on February 19, 2026, was extended to April 29, 2026. Nasdaq's rule filing remains subject to SEC review, and it may be approved, disapproved, or modified. If the proposal is adopted in its current form, and if we fail to maintain MVLS above the new threshold, Nasdaq could suspend trading in, or ultimately delist, our common stock, which could materially and adversely affect the liquidity and market price of our securities and impose burdens on holders seeking to sell their shares.

If our shares become subject to the penny stock rules, it would become more difficult to trade our shares.

The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a price of less than $5.00, other than securities registered on certain national securities exchanges or authorized for quotation on certain automated quotation systems, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system. If we do not retain our listing on Nasdaq and if the price of our common stock is less than $5.00, our common stock will be deemed a penny stock. The penny stock rules require a broker-dealer, before a transaction in a penny stock not otherwise exempt from those rules, to deliver a standardized risk disclosure document containing specified information. In addition, the penny stock rules require that before effecting any transaction in a penny stock not otherwise exempt from those rules, a broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive (i) the purchaser's written acknowledgment of the receipt of a risk disclosure statement; (ii) a written agreement to transactions involving penny stocks; and (iii) a signed and dated copy of a written suitability statement. These disclosure requirements may reduce the trading activity in the secondary market for our common stock, so stockholders may have difficulty selling their shares.

We could use shares of our common stock to acquire a position in, or all of, another company or brand, which could result in dilution for stockholders of record at that time.

In the future we could use shares of our common stock as a form of currency to invest in or acquire other companies, assets or brands. The issuance of these shares would be dilutive to other stockholders of our company. Our management and our board of directors will make these decisions and stockholders may have little to no view or say in these transactions. As such, the issuance of such shares creating dilution could result in lower returns for investors. Any company, assets or brand that we invest in or acquire might not fit our portfolio and might not yield a return for us or our stockholders. The strategy may not work and may result in a dilutive effect from the issuance of those shares that could result in a loss of some or all of the investment for stockholders.

We are an "emerging growth company" and the reduced disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act. We may remain an emerging growth company until as late as December 31, 2029 (the fiscal year-end following the fifth anniversary of the completion of our initial public offering), though we may cease to be an emerging growth company earlier under certain circumstances, including (1) if the market value of our common stock that is held by non-affiliates exceeds $700 million as of any June 30, in which case we would cease to be an emerging growth company as of the following December 31, or (2) if our gross revenue exceeds $1.235 billion in any fiscal year. Emerging growth companies may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. Investors could find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

In addition, Section 102 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended, or the Securities Act, for complying with new or revised accounting standards. An emerging growth company can therefore delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected to avail ourselves of this exemption from new or revised accounting standards and, therefore, we are not subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

We incur significant costs from operating as a public company, and our management expects to devote substantial time to public company compliance programs.

As a public company, we incur significant legal, accounting and other expenses due to our compliance with regulations and disclosure obligations applicable to us, including compliance with the Sarbanes-Oxley Act, as well as rules implemented by the SEC and Nasdaq. Stockholder activism, the current political environment and the current high level of government intervention and regulatory reform may lead to substantial new regulations and disclosure obligations, which may lead to additional compliance costs and impact, in ways we cannot currently anticipate, the way we operate our business. Our management and other personnel devote, and likely will continue to devote, a substantial amount of time to these compliance programs and monitoring of public company reporting obligations and as a result of the new corporate governance and executive compensation related rules, regulations and guidelines prompted by the Dodd-Frank Act and further regulations and disclosure obligations expected in the future, we will likely need to devote additional time and costs to comply with such compliance programs and rules. These rules and regulations will cause us to incur significant legal and financial compliance costs and will make some activities more time-consuming and costlier.

To comply with the requirements of being a public company, we may need to undertake various actions, including implementing new internal controls and procedures and hiring new accounting or internal audit staff. The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file with the SEC is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that information required to be disclosed in reports under the Exchange Act, is accumulated and communicated to our principal executive and financial officers. Our current controls and any new controls that we develop may become inadequate and weaknesses in our internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls when we become subject to this requirement could negatively impact the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we may be required to include in our periodic reports we will file with the SEC under Section 404 of the Sarbanes-Oxley Act, harm our operating results, cause us to fail to meet our reporting obligations or result in a restatement of our prior period financial statements. If we are not able to demonstrate compliance with the Sarbanes-Oxley Act, that our internal control over financial reporting is perceived as inadequate or that we are unable to produce timely or accurate financial statements, investors may lose confidence in our operating results and the price of our common stock could decline. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on Nasdaq.

Our management team has limited experience managing a public company.

We became a public company on November 25, 2024. Most members of our management team have limited experience managing a publicly-traded company, interacting with public company investors and complying with the increasingly complex laws pertaining to public companies. Our management team may not successfully or efficiently manage our transition to being a public company subject to significant regulatory oversight and reporting obligations under the federal securities laws and the continuous scrutiny of securities analysts and investors. These new obligations and constituents will require significant attention from our senior management and could divert their attention away from the day-to-day management of our business, which could adversely affect our business, financial condition and operating results.

Because we have elected to use the extended transition period for complying with new or revised accounting standards for an emerging growth company our financial statements may not be comparable to companies that comply with public company effective dates.

We have elected to use the extended transition period for complying with new or revised accounting standards under Section 102(b)(1) of the JOBS Act. This election allows us to delay the adoption of new or revised accounting standards that have different effective dates for public and private companies until those standards apply to private companies. As a result of this election, our financial statements may not be comparable to companies that comply with public company

effective dates, and thus investors may have difficulty evaluating or comparing our business, performance or prospects in comparison to other public companies, which may have a negative impact on the value and liquidity of our common stock.

If securities or industry analysts do not publish research, or publish inaccurate or unfavorable research, about our business, our common stock price and trading volume could decline.

The trading market for our common stock will depend, in part, on the research and reports that securities or industry analysts publish about us or our business. Securities and industry analysts do not currently, and may never, publish research on us. If no securities or industry analysts commence coverage of us, the price for our common stock could be negatively impacted. In the event securities or industry analysts initiate coverage, if one or more of the analysts who cover us downgrade our common stock or publish inaccurate or unfavorable research about our business, the prices of our common stock could decline. In addition, if our operating results fail to meet the forecast of analysts, the prices of our common stock could decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our common stock could decrease, which might cause the prices of our common stock and trading volume to decline.

Anti-takeover provisions in our charter documents and under Delaware law could make the acquisition of our company, which may be beneficial to our stockholders, more difficult and may prevent attempts by our stockholders to replace or remove our current management and limit the market price of our common stock.

Provisions in our third amended and restated certificate of incorporation and second amended and restated bylaws may delay or prevent a change of control of our company or changes in our management and include provisions that:

- provide for a staggered board of directors;
- authorize our board of directors to issue, without further action by the stockholders, additional shares of undesignated existing preferred stock;
- require the affirmative vote of the holders of at least 2/3 of the voting power of all of our outstanding shares of voting stock, voting together as a single class, to amend, alter, change or repeal our bylaws or certain provisions of our third amended and restated certificate of incorporation;
- specify that, except as required by applicable law, special meetings of our stockholders can be called only by our board of directors pursuant to a resolution adopted by the majority of the board of directors;
- establish an advance notice procedure for stockholder approvals to be brought before an annual meeting of our stockholders, including proposed nominations of persons for election to our board of directors;
- provide that our directors may be removed only for cause; and
- provide that vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which limits the ability of stockholders owning more than 15% of our outstanding voting stock to merge or combine with us.

Our Third Amended and Restated Certificate of Incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for certain litigation that may be initiated by our stockholders.

Our third amended and restated certificate of incorporation filed on February 17, 2026 with the Delaware Secretary of State provides that the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for the following types of actions or proceedings under Delaware statutory law or Delaware common law, subject to certain exceptions: (1) any derivative action or proceeding brought on our behalf; (2) any action asserting a claim of breach of a fiduciary duty or other wrongdoing by any of our directors, officers, employees or agents to us or our stockholders; (3) any action asserting a claim against us arising pursuant to provisions of the Delaware General Corporation Law or our third amended and restated certificate of incorporation or second amended and restated bylaws; or (4) any action asserting a claim governed by the internal affairs doctrine. The choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, employees or agents, which may discourage such lawsuits against us and our directors, officers, employees, and agents. Stockholders who do bring a claim in the Court of Chancery could face additional litigation costs in pursuing any such claim, particularly if they do not reside in or near the State of Delaware. The Court of Chancery may also reach different judgments or results than would other courts, including courts where a stockholder considering an action may be located or would otherwise choose to bring the action,

and such judgments or results may be more favorable to us than to our stockholders. Alternatively, if a court were to find the choice of forum provision contained in our third amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could adversely affect our business and financial condition. By agreeing to the exclusive forum provisions, investors will not be deemed to have waived our compliance obligations with any federal securities laws or the rules and regulations thereunder.

This exclusive forum provision will not apply to claims under the Exchange Act. In addition, our third amended and restated certificate of incorporation provides that, to the fullest extent permitted by law, the federal district courts of the United States of America shall be the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with our company or any of our directors, officers, other employees or stockholders, which may discourage lawsuits with respect to such claims, although our stockholders will not be deemed to have waived our compliance with federal securities laws and the rules and regulations thereunder. We cannot be certain that a court will decide that this provision is either applicable or enforceable, and if a court were to find the choice of forum provision to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, operating results and financial condition. In addition, although the Delaware Supreme Court ruled in March 2020 that federal forum selection provisions purporting to require claims under the Securities Act be brought in federal court were facially valid under Delaware law, there is uncertainty as to whether other courts will enforce our federal forum selection clause.

We do not anticipate paying any cash dividends on our common stock in the foreseeable future and, as such, capital appreciation, if any, of our common stock will be your sole source of gain for the foreseeable future.

We have never declared or paid cash dividends on our common stock and we do not anticipate paying any cash dividends on our common stock in the foreseeable future. We currently intend to retain all available funds and any future earnings to fund the development and growth of our business. In addition, any loan arrangement we enter into in the future may contain terms prohibiting or limiting the number or amount of dividends that may be declared or paid on our common stock. As a result, capital appreciation, if any, of our common stock will be your sole source of gain for the foreseeable future.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

We acknowledge the increasing importance of cybersecurity in today's digital and interconnected world. Cybersecurity threats pose significant risks to the integrity of our systems and data, potentially impacting our business operations, financial condition, and reputation.

As a smaller reporting company, we currently do not have formalized cybersecurity measures, a dedicated cybersecurity team or specific protocols in place to manage cybersecurity risks. We have two employees in our IT department that manage all technology for our company, and we rely on trusted third party platforms and software that is constantly under review for cyber threats. Our approach to cybersecurity is in the developmental stage, and we have not yet conducted comprehensive risk assessments, established an updated incident response plan or engaged with external cybersecurity consultants for assessments or services.

Given our current stage of cybersecurity development, we have not experienced any significant cybersecurity incidents to date. However, we recognize that the absence of a formalized cybersecurity framework may leave us vulnerable to cyberattacks, data breaches, and other cybersecurity incidents. Such events could potentially lead to unauthorized access to, or disclosure of, sensitive information, disrupt our business operations, result in regulatory fines or litigation costs, and negatively impact our reputation among customers and partners.

We are in the process of evaluating our cybersecurity needs and developing appropriate measures to enhance our cybersecurity posture. This includes considering the engagement of external cybersecurity experts to advise on best practices, conducting vulnerability assessments, and developing an incident response strategy. Our goal is to establish a cybersecurity framework that is commensurate with our size, complexity, and the nature of our operations, thereby reducing our exposure to cybersecurity risks.

In addition, our board of directors created a Technology and Cryptocurrency Committee that oversees our cybersecurity risk management framework and approves any cybersecurity policies, strategies, and risk management practices.

Despite our efforts to improve our cybersecurity measures, there can be no assurance that our initiatives will fully mitigate the risks posed by cyber threats. The landscape of cybersecurity risks is constantly evolving, and we will continue to assess and update our cybersecurity measures in response to emerging threats.

For a discussion of potential cybersecurity risks affecting us, please refer to the "Risk Factors" section.

Item 2. Properties

We maintain our principal corporate offices and a distribution warehouse in leased facilities in Gig Harbor, Washington. We believe our facilities are adequate for our current needs and that suitable additional space will be available on commercially-acceptable terms as required.

Item 3. Legal Proceedings

We may be subject to legal disputes and subject to claims that arise in the ordinary course of business. Although the results of such litigation and claims in the ordinary course of business cannot be predicted with certainty, we believe that the final outcome of such matters will not have a material adverse effect on our business, results of operations, cash flows or financial condition. Regardless of outcome, litigation can have an adverse impact on us because of defense costs, diversion of management resources and other factors. Currently, there is no litigation pending against our company that could materially affect our company.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

We completed our initial public offering of our common stock on November 25, 2024. Our common stock is traded on The Nasdaq Capital Market under the symbol "IPST." As of March 31, 2026, there were 10,283,427 shares of our common stock outstanding. There were approximately 290 stockholders of record on our stock ledger at March 31, 2026 in addition to the number of public stockholders holding shares in street name, the details of which are not reported to us. Because many of our shares are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

Dividends

We do not anticipate paying cash dividends on our common stock in the foreseeable future. We currently intend to retain all available funds and any future earnings to support our operations and finance the growth and development of our business. Any future determination related to our dividend policy will be made at the discretion of our board of directors and will depend upon, among other factors, our results of operations, financial condition, capital requirements, contractual restrictions, business prospects, the requirements of current or then-existing debt instruments and other factors our board of directors may deem relevant.

Securities Authorized for Issuance under Equity Compensation Plans

Information required by Item 5 of Form 10-K regarding our equity compensation plans is incorporated herein by reference to Item 12 of Part III of this Annual Report on Form 10-K.

Recent Sales of Unregistered Securities

Other than as previously disclosed in our Current Reports on Form 8-K or Quarterly Reports on Form 10-Q filed with the SEC, we did not issue any unregistered equity securities during the twelve months ended December 31, 2025.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes and other financial information included elsewhere in this filing. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the section titled "Risk Factors" and elsewhere in this filing. Unless the context otherwise requires, for the purposes of this section, "IP Strategy," "we," "us," "our," or the "Company" refer to IP Strategy Holdings, Inc. and its consolidated subsidiaries, including its principal operating subsidiary, Heritage Distilling Company, Inc. ("Heritage," "Heritage Distilling" or "HDC").

Business Overview

In connection with the development of our cryptocurrency treasury reserve policy, on August 15, 2025, we completed a $223.8 million private investment in public equity ("PIPE") transaction wherein we ended up owning 53.2 million $IP Tokens in our digital asset treasury. Details of the PIPE transaction are summarized below. The $IP Token is the native cryptocurrency of the Story Network, running on the Story IP layer 1 blockchain. The $IP protocol and related $IP Tokens can be used to pay for computational services on the Story Network, to mint or manage digital rights objects, or to transfer value in network-native transactions. These tokens can also be exchanged for fiat currencies, such as the U.S. dollar, at rates determined on digital asset trading platforms or in individual end-user-to-end-user transactions using decentralized trading protocols. As part of our treasury reserve strategy, we set up a validator business as a reporting segment to generate ongoing recurring revenue from activities associated with such validation efforts.

In our spirits segment we produce, market and sell super premium whiskeys and premium flavored whiskeys. We believe we have developed differentiated products that are responsive to consumer desires for rewarding and novel taste experiences. We sell our spirits products through our DtC channel, via wholesale distributors and through TBN partners.

Our Crypto and Related Business

In August 2025, we determined to focus our growing cryptocurrency efforts on the native cryptocurrency of the Story Network referred to as $IP Tokens. As part of this business segment, we established a new validator business related to $IP Tokens, staking 43.5 million of the 53.2 million $IP Tokens we secured in the August 15, 2025 PIPE transaction. To become a network validator, a holder of $IP Tokens is required to put up or "stake" $IP Tokens as collateral (like a security deposit) that shows the Story Network that it has "skin in the game." A cryptocurrency validator is like a digital "notary" or "referee" in a blockchain network. Its job is to check that transactions on the network are real and follow the network rules. Validators are randomly selected to propose a new block of transactions to be added to the blockchain. When a participant attempts a transaction, that participant is required to pay a minimum "gas" fee. A participant also can opt to pay an additional fee to ensure that its transaction is added to the blockchain more quickly. These fees are denominated in the same cryptocurrency that is evidenced by the blockchain. The validator chosen to propose a block will (when that block is successfully confirmed by the other validator nodes) receive the gas fees for all transactions in the block (known as "execution layer rewards"). In addition, the blockchain automatically issues cryptocurrency as rewards to validators who successfully propose a block. While we currently operate our own Story Network validator services, in the future we may seek to "delegate" a portion of our $IP Tokens to third-party validation service providers in exchange for a percentage of its validation fees.

Our Spirits Business

Our spirits business operates in the craft segment of the approximately $288 billion global spirits market. Our growth strategy is centered on three primary initiatives. First, we are expanding higher-margin DtC sales through a compliant third-party platform that enables shipments to consumers in 46 states, representing approximately 96.8% of the U.S. population, allowing us to build direct customer relationships and leverage consumer data to drive repeat purchases and targeted marketing. Second, we aim to increase wholesale volume through key national and regional accounts by using DtC brand-building efforts to support distributor partnerships and retail pull-through. Third, we are growing the TBN model, under which tribal partners own and operate production and retail businesses using our brands, intellectual property and operational support in exchange for royalties on gross sales. We believe this regional production and distribution network enhances brand localization, drives trial and awareness, and creates synergies with our wholesale channels as both footprints expand.

Key Factors Affecting Our Operating Results

Management believes that our performance and future success depend on many factors that present significant opportunities, but also pose challenges, including the following:

Market Price of the $IP Token

We use the fair value method of accounting to report our operating results, in accordance with U.S. GAAP. We currently own approximately 52.2 million $IP Tokens, some of which were acquired at a significant discount to the then market value. For each reporting period, our $IP Token treasury will be reflected at the market price of $IP Tokens and the aggregate change in the fair value of our treasury of $IP Tokens will be reflected as a gain or loss in our consolidated statement of operations. For each reporting period, our consolidated statement of operations will reflect a net gain or loss commensurate with the respective change in market value of a $IP Token (across the number of $IP Tokens that we hold in our treasury). Accordingly, assuming the number of $IP Tokens we hold remains constant at approximately 52.2 million, every $1.00 increase in the market value of a $IP Token will represent a gain of approximately $52.2 million that we must recognize; and conversely, every $1.00 decrease in the market price of a $IP Token will represent a loss of approximately $52.2 million that we must recognize. The more the $IP Token price increases or decreases in the market, the greater the gain or loss we will be required to report, and depending on market conditions from quarter to quarter, we could see significant swings in gains or losses simply due to marking the value of the $IP tokens we hold to their market value.

Pricing, Product Cost and Margins

Previous to August 2025, most of our revenue was generated by retail sales of our spirits in our retail tasting rooms, which we closed on December 31, 2025, wholesale spirits sold through distributors, and spirits sold through our eCommerce platform. Beginning in September 2025 we established a validator program to begin deriving revenue from staking rewards tied to our $IP Token holdings, which now accounts for the majority of our revenue at margins exceeding 95%. Going forward, as we transition spirits production to third parties we expect our expenses related to production, sales and marketing of our spirits brands will go down. Also, as we focus on the highest margin spirits brands while we shed high overhead real estate leases, equipment and depreciation expenses, we expect to see margins associated with our sprits brands to increase. Given our relatively small production volumes compared to the broader spirits market, we believe that disciplined cost management and favorable barrel pricing position us to improve topline revenue and profitability within our spirits segment as volumes grow, although continued macroeconomic uncertainty could impact overall consumer demand.

Development of our Cryptocurrency Validator Business

In September 2025, we completed the testing of a validator to stake a large portion of those tokens to earn yield. By mid-September 2025, we completed the testing and onboarding of the bulk of our $IP Tokens onto the validator, from which we earn significant yield on a daily basis in the form of new $IP Tokens awarded to us. We will report our earnings from our validator services quarterly, reporting the income in U.S. dollars, with the value of any $IP Token rewards to be determined based on the market price of the $IP Token as reported publicly on Coinbase as of the time such rewards are earned.

Key Components of Results of Operations

Net Revenues

Our validator business revenue is primarily generated through blockchain rewards from participation in proof-of-stake networks (“Staking Revenue”), where we validate or create blocks on the Story Network using staking validators we control. In exchange for these validation services, we earn $IP Tokens, the native token of the Story Network. Revenue is recognized at the point in time when a block is successfully created or validated and the related rewards are transferred to digital wallets we control. Each block validation represents a distinct performance obligation. For the year ended December 31, 2025, we recognized blockchain rewards revenue (Staking Revenue) on a gross basis, as we act as principal of our contracts by providing the $IP Tokens required for staking. Blockchain rewards are recorded in crypto and related revenue on the consolidated statements of operations. Revenue is measured based on the number of tokens received and their fair value at contract inception.

Our spirits business net revenues consist primarily of the sale of spirits and services domestically in the United States. Customers consist primarily of wholesale distributors and direct consumers. Substantially all revenue is recognized from products transferred at a point in time when control is transferred, and contract performance obligations are met. Service revenue represents fees for distinct value-added services that we provide to third parties, including production, bottling,

marketing, consulting and other services, including for the TBN, aimed at growing and improving brands and sales. Service revenue is recognized over the period in which the service is provided.

Cost of Revenue

We recognize the staking and validator business cost of revenue in the same manner that the related revenue is recognized. Our cost of revenue consists of AWS data center incidences that run the validator protocol and software, financial software to track each token earned and their value, consulting agreements related to managing the validator work and contracted computer programmers to insure validator uptime.

We recognize the spirits business cost of revenue in the same manner that the related revenue is recognized. Our cost of revenue consists of product costs, including manufacturing costs, duties and other applicable importing costs, shipping and handling costs, packaging, warranty replacement costs, fulfillment costs, warehousing costs, and certain allocated costs related to management, facilities and personnel-related expenses associated with supply chain logistics.

Gross Profit and Gross Margin

Our gross profit for both our crypto and spirits business is the difference between our revenues and cost of revenue. Gross margin percentage is obtained by dividing gross profit by our revenue. Our gross profit and gross margin are, or may be, influenced by several factors, including:

- Market conditions that may impact the market value of our investment in intangible digital assets (SIP Tokens);
- Market conditions that impact the market value of the blockchain rewards (staking revenue);
- Staking yields for work performed on the validator;
- The cost of third party computer services that house our validator;
- The volume of tokens that we stake or commit to covered calls, and the terms of the related contracts;
- The volume of third party tokens assigned to our validator;
- Market conditions that may impact our pricing;
- Our cost structure for manufacturing operations, including contract manufacturers, relative to volume, and our product support obligations;
- Our capacity utilization and overhead cost absorption rates;
- Our ability to maintain our costs on the components that go into the manufacture of our products;
- Seasonal sales offerings or product promotions in conjunction with plans created with our distributors or retail channels;
- Our closure of our tasting rooms; and
- Our closure of our distillery operations and shift to third party production.

We expect our gross profit and gross margin to fluctuate over time, depending on the factors described above.

Sales and Marketing

Sales and marketing expenses through December 31, 2025 consisted primarily of employee-related costs for individuals working in our sales and marketing departments, our tasting room general managers and our hourly tasting room associates up to the date we closed all retail tasting rooms on December 31, 2025. It also included the executives to whom all general managers reported, and the executives whose primary function was sales or marketing, and rent and associated costs for running each tasting room up through the closing date of December 31, 2025. The expenses included our personnel responsible for managing our e-commerce platform, wages, commissions and bonuses for our outside sales team members who market and sell our products to distributors and retail end users and the associated costs of such sales. Sales and marketing expenses also included the costs of social media, influencers, and other traditional marketing costs, costs related to trade shows and events and an allocated portion of overhead costs. We expect our sales and marketing costs reduce given our restructuring of the spirits business. We also expect significant cost reductions in sales and marketing moving forward as a result of closing the tasting rooms and the resulting head count reductions otherwise reported.

General and Administrative

General and administrative expenses consist primarily of personnel-related expenses associated with our executive, finance, legal, insurance, information technology and human resources functions, as well as professional fees for legal, audit, accounting and other consulting services, and an allocated portion of overhead costs. We expect our general and administrative expenses will increase on an absolute dollar basis as a result of operating as a public company, including expenses necessary to comply with the rules and regulations applicable to companies listed on a national securities exchange and related to compliance and reporting obligations pursuant to the rules and regulations of the SEC, as well as increased expenses for general and director and officer insurance, investor relations, directors fees and other administrative and professional services. In addition, we expect to incur additional costs as we hire additional personnel and enhance our infrastructure to support the anticipated growth of our business. We expect that the one-time large costs associated with preparing our initial public offering will not need to be recurring expenses, allowing us to focus on baseline costs.

As of December 31, 2025, we had outstanding restricted stock units ("RSUs") that, upon vesting, will settle into an aggregate of 431,566 shares based upon the grant date with a fair value of $4,150,465.11. We recognized an aggregate of $2,684,995 of previously-unrecognized compensation expense for RSU awards upon completion of our initial public offering ("IPO").

Interest Expense

Interest expenses include cash interest accrued on our secured debt, cash interest and non-cash interest paid or accrued on our notes payable, interest on leased equipment or assets, and costs and interest on credit cards.

Change in Fair Value of Intangible Digital Assets

Our intangible digital assets consist solely of $IP Tokens in our digital treasury. These assets are remeasured to fair value at the end of each reporting period, with changes recognized in Change in Fair Value of Intangible Digital Assets on the consolidated statements of operations. For the year ended December 31, 2025, we recognized a fair value loss of approximately $118,200,000, driven by market fluctuations in the $IP Token. As of December 31, 2025, the fair value of intangible digital assets on our consolidated balance sheet was $91,701,000 using the closing price per $IP Token of $1.72. We continue to hold substantially all $IP Tokens for investment and may stake them periodically.

Change in Fair Value of Convertible Notes and Warrant Liabilities

We elected the fair value option for the convertible notes we issued in 2022 and 2023 (the "Convertible Notes") and the warrants that were issued in connection with the Convertible Notes under ASC Topic 825, *Financial Instruments*, with changes in fair value reported in our consolidated statements of operations as a component of other income (expense). We believe the fair value option better reflects the underlying economics of the Convertible Notes and the related warrants given their embedded conversion or exercise features. As a result, the Convertible Notes and the related warrants were recorded at fair value upon issuance and were subsequently remeasured at each reporting date until settled or converted upon the occurrence of our IPO on November 25, 2024. Accordingly, the Convertible Notes and the related warrants are recognized initially and subsequently (through and including their exchange for common stock, or in the case of the warrants, the fixing of their exercise price) at fair value, inclusive of their respective accrued interest at their stated interest rates, which are included in convertible notes on our consolidated balance sheets. The changes in the fair value of the Convertible Notes and related warrants were recorded as "changes in fair value" as a component of other income (expenses) in our consolidated statements of operations. The changes in fair value related to the accrued interest components of the Convertible Notes were also included within the single line of change in fair value of convertible notes on our consolidated statements of operations. Upon the initial public offering of our common stock (on November 25, 2024), the fair value of the Convertible Notes and related warrants were converted to equity effective November 25, 2024.

Changes in Fair Value of Investment in Flavored Bourbon, LLC

As of December 31, 2025 and December 31, 2024, respectively, we had a 11.8% and 12.2% ownership interest in Flavored Bourbon, LLC, respectively, and did not record any impairment charges related to our investment in Flavored Bourbon, LLC for the year ended December 31, 2023. In January 2024, Flavored Bourbon LLC conducted a capital call, looking to raise $12 million from current and new investors at the same valuation as its last raise. We chose not to participate in the raise, but still retained our rights to full recovery of our capital account of $25.3 million, with the Company being guaranteed a pay out of this $25.3 million, which we must be paid in the event the brand is sold to a third party, or we can block such sale. As of the end of 2024, a total of $9,791,360 of the $12 million had been raised, and it was unclear if an effort would be made to round out the remainder of the initial targeted raise. We retain a 11.8% ownership interest in this entity plus a 2.5% override in the waterfall of distributions. As a result of the January 2024 capital call, in accordance with adjusting for observable price changes for similar investments of the same issuer pursuant to ASC 321 as

noted above, we performed a qualitative assessment of our Investment in Flavored Bourbon, LLC. On the basis of our analysis we determined that the fair value of our Investment in Flavored Bourbon, LLC, should be adjusted to $14,285,222, with the resulting increase in fair value of $3,421,222 recorded as gain on increase in value of Flavored Bourbon, LLC on our condensed consolidated statement of operations for the six months ended June 30, 2024, and recorded no further adjustment in the value of Flavored Bourbon, LLC through the remainder of 2024.

As of December 31, 2025, we evaluated qualitative impairment indicators for our non-controlling minority equity investment in Flavored Bourbon, LLC as of the measurement date. There have been no observable share sales, financing rounds, or brand-level transactions to provide direct price discovery. Therefore, we estimated fair value using Level 3 inputs consistent with ASC 820 (market participant assumptions).

Based on (i) the reported contraction in craft spirits, (ii) the reported slowdown in overall alcohol participation and spirits supplier revenue, (iii) reported flavored whiskey category softness, (iv) continued distributor-tier consolidation and sales force reductions, (v) lack of consistent marketing or sales activity for the brand for the latter half of 2025, and (vi) public-company earnings deterioration and impairment activity, management concluded the investment's carrying value exceeds fair value. A write-down of 23.5%, or $3,357,027, from the previously recorded $14,285,222 down to $10,928,195 as of December 31, 2025, is the best estimate within a supportable 20%–25% range.

Gain on Extinguishment of Debt

Gain on extinguishment of debt consisted of gain recognized in conjunction with the August 2025 settlement of the Silverview loan, for which approximately $2,611,000 was recognized as gain on settlement. The approximately $12,666,000 in principal and interest due on the loan was paid with approximately $7,092,000 in cash and 200,000 warrants (with a value of approximately $2,964,000).

Changes in Fair Value of Convertible Notes

As of September 30, 2024, the fair value of the Convertible Notes that were issued in 2022 and 2023 and were exchanged in October and November 2023 for a fixed number of shares of common stock and prepaid warrants, was revalued to $18,482,353, which reflected the impact of the then-anticipated pricing of our initial public offering of $100 per share in the valuation calculation methodology. Upon the effectiveness of our initial public offering (on November 25, 2024), the fair value of the Convertible Notes decreased and was reclassified from a liability to equity in the amount of $15,278,168 (representing the 165,607 shares of common stock and 25,369 prepaid warrants for which the Convertible Notes were exchanged multiplied by the price per share of our common stock of $80 in the November 25, 2024 initial public offering, with the remaining $3,204,185 recorded as a gain for the decrease in fair value of those Convertible Notes for the period from September 30, 2024 to the date of our initial public offering (November 25, 2024), which is the date on which the contingent treatment of the liability associated with such convertible notes is relieved and they were reclassified to equity.

As of September 30, 2024, the fair value of the convertible notes issued in 2023 and 2024 (the "Whiskey Notes") and related warrant liabilities, which notes and warrants were exchanged for 119,954 shares of common stock and 27,346 prepaid warrants in April 2024, was $14,283,752 and $18,658, respectively, which reflected the impact of the then-anticipated pricing of our initial public offering of $100 per share in the valuation calculation methodology. Upon the effectiveness of our initial public offering (on November 25, 2024), the fair value of such convertible promissory notes and related warrant liabilities decreased and was reclassified from a liability to equity in the aggregate amount of $11,784,068 (representing the 119,954 shares of common stock and 27,346 prepaid warrants for which the Whiskey Notes were exchanged, multiplied by the price per share of our common stock of $80 in our November 25, 2024 initial public offering, with the remaining $2,499,684 recorded as a gain for the decrease in fair value of those convertible notes and related warrant liabilities for the period from September 30, 2024 to the date of our initial public offering (November 25, 2024), which is the date on which the contingent treatment of the liability associated with such convertible notes is relieved and they were reclassified to equity.

As the exchange of the Convertible Notes to common stock was conditioned upon the closing of our initial public offering of common stock prior to a specified date, the aggregate fair value of the Convertible Notes continued to be reflected as a liability on our consolidated balance sheet until the closing of our initial public offering (November 25, 2024), at which time the Convertible Notes were reclassified from convertible notes payable to equity, as the remaining contingency to the exchange of the Convertible Notes to common stock was then satisfied. With the satisfaction of that remaining contingency, the exchange of the convertible notes payable for common stock qualified for equity classification.

Changes in Fair Value of Warrant Liabilities

We issued certain warrants for the purchase of shares of our common stock in connection with the issuance of certain Convertible Notes and classified such warrants as a liabilities on our consolidated balance sheet pursuant to ASC Topic 480 because, when issued, the warrants were to settle by issuing a variable number of shares of our common stock based on the then-unknown price per share of our common stock in our IPO. The warrant liabilities were initially recorded at fair value on the issuance date of each warrant and are subsequently remeasured to fair value at each reporting date. Changes in the fair value of the warrant liabilities are recognized as a component of other income (expense) in the consolidated statements of operations. As originally drafted, changes in the fair value of the warrant liabilities are recognized until the warrants are exercised, expire or qualify for equity classification.

In April 2024, certain of such warrants and the related Convertible Notes were exchanged (contingent upon the consummation of our initial public offering, which occurred on November 25, 2024, which contingency is now lifted) for common stock. The remaining warrants, which remain outstanding subsequent to the closing of our initial public offering, were amended to fix the exercise price at $120 per share effective upon the closing of our initial public offering, thereby removing the floating price optionality. The fixing of the exercise price allowed us to reclassify the warrant liabilities as equity on a pro forma basis, per ASC Topic 420 as of November 25, 2024 (the date of our initial public offering).

Restructure Costs

On October 23, 2025, we announced that we would close our five owned and operated tasting rooms in Washington and Oregon effective December 31, 2025, along with the transition of our production from in-house production to third party contract producers beginning in the first quarter of 2026 (the "Restructuring"). As of December 31, 2025, we wrote off and expensed approximately $3,393,000 of: property and equipment; operating lease ROU assets and lease liabilities; and other related expenses as part of the Restructuring.

Income Taxes

Section 382 Ownership Changes and Limitation on Net Operating Loss Carryforwards

We engaged an outside accounting firm to perform an analysis under Internal Revenue Code ("IRC") Section 382 to determine whether changes in ownership of our stock could limit the future utilization of our NOL carryforwards and certain tax credits. The analysis covered the period beginning March 22, 2018, when we ceased operating as an S corporation and became a C corporation, through December 31, 2025.

Under IRC Section 382, if a corporation undergoes an "ownership change," generally defined as a cumulative increase of more than 50 percentage points in the ownership of 5% shareholders over a rolling three-year period, the corporation's ability to utilize its pre-change NOLs and certain tax attributes may be subject to an annual limitation. The limitation is generally calculated based on the fair market value of the corporation immediately prior to the ownership change multiplied by the long-term tax-exempt rate, subject to certain adjustments.

Based on the analysis, we experienced ownership changes on November 25, 2024 and August 15, 2025, primarily in connection with our initial public offering and subsequent equity transactions. These ownership changes resulted in limitations on our ability to utilize certain NOL carryforwards and tax credits generated prior to those dates.

As of December 31, 2024, we had approximately $61.5 million of federal NOL carryforwards and approximately $192 thousand of federal tax credits subject to Section 382 limitations. During the year ended December 31, 2025, we generated additional federal NOLs of approximately $13.3 million and $32,000 of federal tax credit, resulting in total federal NOL carryforwards of approximately $74.8 million and federal tax credit approximately $224,000 as of December 31, 2025, before consideration of any limitations under Section 382. Following the ownership changes, our ability to utilize its NOLs and certain tax credits is limited on an annual basis.

Based on the Section 382 limitation analysis, we expect that our tax attributes will be released and available for use gradually over multiple years rather than immediately. For example, estimated annual availability includes approximately:

- $0.8 million available in 2024 (partial year following the ownership change);
- approximately $5.4 million per year from 2025 through 2028;
- approximately $4.7 million in 2029; and
- approximately $1.0 million per year thereafter until the remaining attributes are fully utilized.

The additional NOLs generated during 2025 of approximately $13.3 million may also be subject to the Section 382 limitation to the extent such losses are treated as pre-change attributes or otherwise limited under applicable tax rules. As a result, we expect that a portion of its NOL carryforwards, including those generated in 2025, will be utilizable only over an extended period of time in accordance with the applicable annual limitation amounts.

As reflected in the rollout schedule included in the analysis, a portion of our tax attributes will become available over time through approximately 2044 and subsequent tax years, subject to our generating sufficient taxable income to utilize those attributes.

The analysis also indicates that approximately $189,000 of tax credits may be permanently limited and therefore unavailable for utilization as a result of the Section 382 limitations. We will update this estimate to reflect the impact of additional NOLs generated in 2025 of approximately $13.3 million and any resulting changes in the amount of tax attributes that may be limited or available in future periods.

We will continue to evaluate the impact of these limitations as part of our ASC 740 income tax accounting, including the assessment of deferred tax assets and related valuation allowances. Future ownership changes, additional losses generated in 2025 and subsequent years, or changes in taxable income projections could further impact our ability to utilize our NOL carryforwards and other tax attributes.

Comparison of the Results of Operations for the Years Ended December 31, 2025 and 2024

The numbers presented below that have been rounded for presentation purposes have been rounded individually. As a result, totals may reflect the effect of differences between: aggregating the individually rounded component numbers; and the rounding of the total of the individual (non-rounded) component numbers. In cases where rounding occurred, the amount of the rounding difference is generally $1,000 or less. Such differences are considered to be insignificant.

The following table summarizes our results of operations for the years ended December 31, 2025 and 2024.

	For the Years Ended December 31,		
	2025	2024	Change
REVENUE			
Crypto and Related	$ 4,951,565	$ —	$ 4,951,565
Spirits Products	4,198,887	6,614,933	(2,416,046)
Spirits Services	968,935	1,787,555	(818,620)
Total Net Revenues	10,119,387	8,402,488	1,716,899
COST OF REVENUE			
Crypto and Related	234,590	—	234,590
Spirits Products	4,258,037	6,173,189	(1,915,152)
Spirits Services	66,670	103,452	(36,782)
Total Cost of Revenue	4,559,297	6,276,641	(1,717,344)
Gross Profit	5,560,090	2,125,847	3,434,243
OPERATING EXPENSES			
Sales and Marketing	5,497,018	6,038,636	(541,618)
General and Administrative	12,414,810	11,006,021	1,408,789
Change in Fair Value of Intangible Digital Assets	118,199,949	—	118,199,949
Restructure Costs	3,392,744	—	3,392,744
Total Operating Expenses	139,504,521	17,044,657	122,459,864
Operating Income / (Loss)	(133,944,431)	(14,918,810)	(119,025,621)
Other Income (Expense)			
Interest Expense	(1,642,234)	(2,535,701)	893,467
Impairment (Loss) / Gain on Investment	(3,357,027)	3,421,222	(6,778,249)
Gain on Extinguishment of Debt	1,673,127	—	1,673,127
Change in Fair Value of Convertible Notes	—	14,028,067	(14,028,067)
Change in Fair Value of Warrant Liabilities	—	736,580	(736,580)
Change in Fair Value of Contingency Liability	(62,424)	—	(62,424)
Other Income / (Expense)	(390,816)	(11,750)	(379,066)
Total Other Income / (Expense)	(3,779,374)	15,638,418	(19,417,792)
Income / (Loss) Before Income Taxes	(137,723,805)	719,608	(138,443,413)
Income Taxes	8,490	(9,150)	17,640
Net Income / (Loss)	$ (137,715,315)	$ 710,458	$ (138,425,773)
Net Income / (Loss) Per Share, Basic	$ (16.03)	$ 0.98	$ (17.01)
Weighted Average Common Shares Outstanding, Basic	8,619,951	64,066	8,555,885
Net Income / (Loss) Per Share, Diluted (See Note 16)	$ (16.03)	$ (39.46)	$ 23.43
Weighted Average Common Shares Outstanding, Diluted	8,619,951	353,887	8,266,064

Cost of Revenue of approximately $4,559,000 and $6,277,000, and Operating Expenses of approximately $139,505,000 and $17,045,000 for the years ended December 31, 2025 and 2024, respectively, included non-cash share-based compensation for employees (personnel) and consultants of approximately $4,487,000 and $4,892,000, respectively, as follows:

	Years Ended December 31, (rounded to $000's)		
	2025	2024	Change
Production / Cost of Revenue	$ 121,000	$ 178,000	$ (57,000)
Sales and Marketing	647,000	730,000	(609,000)
General and Administrative	3,699,000	2,414,000	(1,767,000)
Subtotal Employee Compensation	4,467,000	3,322,000	(2,433,000)
Professional Fees	20,000	1,570,000	(1,550,000)
Total Non-Cash Share-Based Compensation	$ 4,487,000	$ 4,892,000	$ (3,983,000)

Netting out the non-cash share-based compensation from the Total Operating Expenses resulted in cash based Operating Expenses for the year ended December 31, 2025 of approximately $13,424,000, compared to approximately $12,153,000 for the year ended December 31, 2024, an increase of approximately $1,271,000.

Net Revenues - Crypto and Related Business

	Years Ended December 31, (rounded to $000's)		
Net Revenues - Crypto and Related	**2025**	**2024**	**Change**
Validator Business - Blockchain Rewards (Staking Revenue)	$ 4,952,000	$ —	$ 4,952,000
	$ 4,952,000	$ —	$ 4,952,000

Net revenues were approximately $4,952,000 and $0 for the years ended December 31, 2025 versus 2024, respectively, an increase of approximately $4,952,000, or 100%, period over period. There were no comparable revenues in 2024 as we began recognizing staking and validator revenues on September 18, 2025. For the year ended December 31, 2025, substantially all Crypto and Related Revenue was related to Self-Staking.

Of the total revenues related to cryptocurrency we drive operational revenues in two ways: 1) self-staking (tokens we own being staked on our own validator); and 2) staking of third-party tokens. Revenue is recognized at the point when the block creation or validation is complete and the rewards are transferred into a digital wallet that we control. Validator services were tested in early September and were fully functional as of September 18, 2025, meaning the revenue from this activity was only active for the fourth quarter of 2025, and approximately two weeks of the twelve weeks of the third quarter of 2025.

Cost of Revenue — Crypto and Related Business

Cost of revenue was approximately $235,000 and $0 for the years ended December 31, 2025 and 2024, respectively, an increase of approximately $235,000 from $0 period over period. Cost of revenue consisted primarily of technology platform expenses, external engineering support, consulting services, and blockchain transaction fees and blockchain rewards payable to third party delegators related to crypto operating activities. There were no comparable cost of revenue in 2024 as we began recognizing staking and validator revenues and incurring related cost of revenue once our validator services was operational on September 18, 2025.

	Years Ended December 31, (rounded to $000's)		
Cost of Revenue - Crypto and Related	**2025**	**2024**	**Change**
Blockchain Fees	$ 86,000	$ —	$ 86,000
Validator Fees	149,000	—	149,000
	$ 235,000	$ —	$ 235,000

Gross Profit — Crypto and Related Business

Gross profit was approximately $4,717,000 and $0 for the years ended December 31, 2025 and 2024, respectively, a increase of approximately $4,717,000, or 100%, period over period, and included:

	Years Ended December 31, (rounded to $000's)		
Total Gross Profit - Crypto and Related	**2025**	**2024**	**Change**
Blockchain Rewards (Staking Revenue) Gross Profit	$ 4,612,000	$ —	$ 4,612,000
Validator Gross Profit	105,000	—	105,000
	$ 4,717,000	$ —	$ 4,717,000

	Years Ended December 31,		
Total Gross Margin - Crypto and Related	**2025**	**2024**	**Change**
Blockchain Rewards (Staking Revenue) Gross Profit	98.2 %	— %	98.2 %
Validator Gross Profit	41.3 %	— %	41.3 %
	95.3 %	— %	95.3 %

It is important to note that there were no comparable cost of revenue in 2024 as we began recognizing staking and validator revenues and incurring related cost of revenue upon beginning our validator service on September 18, 2025.

Gross Profit Analysis — Crypto and Related Business

Gross Margin numbers above are based on the total revenues for the years ended December 31, 2025 and 2024 as follows:

	Years Ended December 31, (rounded to $000's)		
Total Revenues - Crypto and Related	**2025**	**2024**	**Change**
Validator Business - Blockchain Rewards (Staking Revenue)	$ 4,698,000	$ —	$ 4,698,000
Validator Business - Internal Token	241,000	—	240,000
Validator Business - Third Party Token	13,000	—	13,000
	$ 4,952,000	$ —	$ 4,952,000

- Gross margin was approximately 95.3% and 0% for the years ended December 31, 2025 and 2024, respectively, based upon total net revenues of approximately $4,952,000 and $0, respectively.

Net Revenues - Spirits Business

	Years Ended December 31, (rounded to $000's)		
Net Revenues - Spirits Business	**2025**	**2024**	**Change**
Products	$ 4,199,000	$ 6,615,000	$ (2,416,000)
Services	969,000	1,787,000	(818,000)
	$ 5,168,000	$ 8,402,000	$ (3,234,000)

Net revenues were approximately $5,168,000 and $8,402,000 for the years ended December 31, 2025 and 2024, respectively, a decrease of approximately $3,234,000, or 38.5%, period over period.

The approximately $2,416,000 net decrease in products sales, period over period, included:

Product Revenues - Spirits Business	Years Ended December 31, (rounded to $000's) 2025	2024	Change
Wholesale	$ 1,241,000	$ 1,596,000	$ (355,000)
Retail	2,958,000	3,899,000	(941,000)
Third Party	—	1,120,000	(1,120,000)
	$ 4,199,000	$ 6,615,000	$ (2,416,000)

- The approximately $355,000 decrease in wholesale product revenues was primarily the result of reducing focus on lower margin items and the timing of orders through the wholesale channel moving between quarters.
- The approximately $1,120,000 decrease in third-party products sales was primarily a result of winding down our contracts on producing bulk whiskey for third parties in 2024 as we continue to shift our focus and resources into higher margin activities.

The approximately $818,000 decrease in net sales of services period over period included:

Services Revenue - Spirits Business	Years Ended December 31, (rounded to $000's) 2025	2024	Change
Third Party Production	$ 22,000	$ 99,000	$ (77,000)
Retail Services	913,000	1,442,000	(529,000)
Consulting and Other	34,000	246,000	(212,000)
	$ 969,000	$ 1,787,000	$ (818,000)

- Net sales of services decreased by approximately $818,000 period over period, driven by an approximately $529,000 decrease in retail services due to reduced operating hours at select locations, an approximately $212,000 decrease in consulting fees as certain TBN projects progressed from development into construction following the completion of the Stillaguamish project, and an approximately $77,000 decrease in third-party production revenue following the intentional exit of a low-margin bottling contract in early 2024 as we shifted focus toward higher-margin activities.

Cost of Revenue — Spirits Business

Cost of revenue was approximately $4,325,000 and $6,276,000 for the years ended December 31, 2025 and 2024, respectively, an approximately $1,951,000 or 31.1% decrease, period over period. Cost of Revenue for the years ended December 31, 2025 and 2024 included approximately $121,000 and $178,000, respectively, of non-cash share-based compensation expenses related to RSU grant awards recognized for production employees.

Cost of Revenue - Spirits Business	Years Ended December 31, (rounded to $000's) 2025	2024	Change
Products	$ 4,258,000	$ 6,173,000	$ (1,915,000)
Services	67,000	103,000	(36,000)
	$ 4,325,000	$ 6,276,000	$ (1,951,000)

The approximately $1,915,000 decrease in net products cost of sales period over period included: a decrease in product cost of approximately $1,757,000 to approximately $1,866,000 for the year ended December 31, 2025, from approximately $3,623,000 for the year ended December 31, 2024 which included an approximately $158,000 decrease in unabsorbed overhead to approximately $2,392,000 as of December 31, 2025 from approximately $2,550,000 as of December 31, 2024. We made the choice to move our sales focus onto higher margin products and away from low margin well-based products, resulting in fewer cases sold in 2025 relative to 2024. Fewer cases of production carrying the same amount of overhead increases the unabsorbed overhead, and the associated cost per case, using standard cost accounting methodologies. Assuming all other factors remain steady in the business, as we work to grow our *Salute Series* volume sales, which is our highest margin item, we will begin to see reductions in our unabsorbed overhead overall and per case,

leading to higher gross margins. This is purely a function of how much excess capacity we have in our production system at the time while we transition from low margin, but high volume production to higher margin products.

Services cost of revenue decreased by approximately $36,000 to approximately $67,000 for the year ended December 31, 2025 from approximately $103,000 for the year ended December 31, 2024 primarily resulting from our ending a low-margin third party production contract for another brand and the wind down of barrel production for third parties.

	Years Ended December 31, (rounded to $000's)		
Components of Products Cost of Revenue - Spirits Business	**2025**	**2024**	**Change**
Product Cost (from inventory)	$ 1,866,000	$ 3,623,000	$ (1,757,000)
Overhead – Unabsorbed	2,392,000	2,550,000	(158,000)
	$ 4,258,000	$ 6,173,000	$ (1,915,000)

	Years Ended December 31,		
Components of Products Cost of Revenue - Spirits Business	**2025**	**2024**	**Change**
Product Cost (from inventory)	43.8 %	58.7 %	(14.9)%
Overhead – Unabsorbed	56.2 %	41.3 %	14.9 %
	100.0 %	100.0 %	— %

- Unabsorbed overhead as a component of Product Cost of 56.2% and 41.3% for the years ended December 31, 2025 and 2024, respectively, are significant contributors to our current overall low products gross margins. Unabsorbed overhead is a function of costs attributable to the excess capacity and associated overhead in our system. As we move to third party production in 2026 and we move into 2026 with a significantly reduced headcount, we expect unabsorbed overhead to be greatly reduced on a full year basis in 2026. (See below for our discussion on Gross Margins related to unabsorbed overhead in *Non-GAAP Financial Measures*).

The approximately $1,757,000 decrease in products cost of revenue period over period is further detailed as follows:

	Years Ended December 31, (rounded to $000's)		
Cost of Revenue Product Sales - Spirits Business	**2025**	**2024**	**Change**
Spirits – Wholesale	$ 852,000	$ 1,143,000	$ (291,000)
Spirits – Retail	914,000	946,000	(32,000)
Spirits – Third Party	—	1,116,000	(1,116,000)
Merchandise and Prepared Food	100,000	418,000	(318,000)
Unabsorbed Overhead	2,392,000	2,550,000	(158,000)
	$ 4,258,000	$ 6,173,000	$ (1,915,000)

- Products cost of revenue decreased by approximately $1.76 million period over period, driven primarily by a $291,000 reduction in wholesale product costs as we continued shifting away from lower-margin wholesale volume toward higher-margin direct-to-consumer sales, the elimination of third-party production costs due to no such activity in 2025, and a $158,000 decrease in unabsorbed overhead reflecting improved capacity utilization as production focus evolved. (See below for our discussion on Gross Margins related to unabsorbed overhead in *Non-GAAP Financial Measures*).

Gross Profit -- Spirits Business

Gross profit was approximately $843,000 and $2,126,000 for the years ended December 31, 2025 and 2024, respectively, an approximately $1,283,000 decrease, or 60.3%, period over period, and included:

	Years Ended December 31, (rounded to $000's)		
Total Gross Profit - Spirits Business	**2025**	**2024**	**Change**
Spirits Products	$ (59,000)	$ 442,000	$ (501,000)
Spirits Services	902,000	1,684,000	(782,000)
	$ 843,000	$ 2,126,000	$ (1,283,000)

	Years Ended December 31,		
Total Gross Margin - Spirits Business	**2025**	**2024**	**Change**
Products	(1.4)%	6.7 %	(8.1)%
Services	93.1 %	94.2 %	(1.1)%
	16.3 %	25.3 %	(9.0)%

	Years Ended December 31, (rounded to $000's)		
Net Revenues - Spirits Business	**2025**	**2024**	**Change**
Products	$ 4,199,000	$ 6,615,000	$ (2,416,000)
Services	969,000	1,787,000	(818,000)
	$ 5,168,000	$ 8,402,000	$ (3,234,000)

It is important to note that for the years ended December 31, 2025 and 2024, respectively, the approximately $(59,000) and $442,000 in Products Gross Profit / (Loss), and the resulting low Gross Margin of (1.4)% and 6.7%, is after layering in the approximately $2,392,000 and 2,550,000 in unabsorbed overhead costs. As we move to third party production in 2026 and we move into 2026 with a significantly reduced headcount, we expect unabsorbed overhead to be greatly reduced on a full year basis in 2026.

- Product gross profit of approximately $(59,000) and $442,000 for 2025 and 2024, respectively, resulted in low gross margins of (1.4)% and 6.7%, primarily due to the impact of approximately $2.4 million and $2.6 million of unabsorbed overhead in each period, as well as prior low-margin production contracts and inventory adjustments. Overall gross margins declined to 16.3% from 25.3% on lower net sales, but management expects meaningful improvement going forward as the Company reduces excess capacity and headcount, transitions to third-party production in 2026, and focuses on higher-margin initiatives, including direct-to-consumer and online sales, premium product expansion, and more efficient utilization of production capacity. (*See also below our comments related to this in more detail in Non-GAAP Financial Measures*).

Gross Profit - Analysis of Exclusion of Unabsorbed Overhead - Spirits Business

To provide a more detailed view to our performance for products and services based purely on the direct input costs we remove unabsorbed overhead expenses for the following analysis. Gross profit excluding unabsorbed overhead was approximately $3,235,000 and $4,676,000 for the years ended December 31, 2025 and 2024, respectively, a decrease of approximately $1,441,000, or 7.0%, period over period, and included:

	Years Ended December 31, (rounded to $000's)		
Total Gross Profit - Excluding Unabsorbed Overhead - Spirits Business	**2025**	**2024**	**Change**
Products Gross Profit	$ (59,000)	$ 442,000	$ (501,000)
Add Back: Unabsorbed Overhead	2,392,000	2,550,000	(158,000)
Products Gross Profit Excluding Unabsorbed Overhead	2,333,000	2,992,000	(659,000)
Services Gross Profit	902,000	1,684,000	(782,000)
Total Gross Profit Excluding Unabsorbed Overhead	$ 3,235,000	$ 4,676,000	$ (1,441,000)

Total Gross Margin - Excluding Unabsorbed Overhead - Spirits Business	Years Ended December 31, (rounded to $000's) 2025	2024	Change
Products Gross Profit	(1.1)%	5.3 %	(6.4)%
Add Back: Unabsorbed Overhead	46.3 %	30.3 %	15.9 %
Products Gross Profit Excluding Unabsorbed Overhead	45.1 %	35.6 %	9.5 %
Services Gross Profit	17.5 %	20.0 %	(2.6)%
Total Gross Profit Excluding Unabsorbed Overhead	62.6 %	55.6 %	7.0 %

Gross Margin excluding unabsorbed overhead of 62.6% for the year ended December 31, 2025 compared to 55.6% for the same period in 2024 shows consistent performance, and remains a solid improvement compared to the 54.8% we reported for the full year 2023, indicating our efforts aimed at reducing overhead expenses and focusing on high margin items are starting to bear fruit.

Gross Profit Analysis - Spirits Business

Gross Margin numbers above are based on the total sales for the years ended December 31, 2025 and 2024 as follows:

Net Revenues - Spirits Business	Years Ended December 31, (rounded to $000's) 2025	2024	Change
Products	$ 4,199,000	$ 6,615,000	$ (2,416,000)
Services	969,000	1,787,000	(818,000)
	$ 5,168,000	$ 8,402,000	$ (3,234,000)

- Spirits business gross margin was approximately 16.3% in 2025 compared to approximately 25.3% in 2024 (or approximately 62.6% and 55.6%, respectively, excluding unabsorbed overhead) on net sales of approximately $5.2 million and $8.4 million, reflecting the significant impact of unabsorbed overhead and prior low-margin production contracts that were exited in 2024. Product gross margins were approximately (1.4)% in 2025 compared to approximately 6.7% in 2024 (or approximately 55.6% and 45.2%, respectively, excluding unabsorbed overhead), similarly impacted by excess capacity and overhead absorption. Management expects gross profit and margins to improve in 2026 as the Company transitions to third-party production, reduces headcount, and lowers unabsorbed overhead. (*See also below our comments related to this in more detail in Non-GAAP Financial Measures*).

Sales and Marketing Expenses

Sales and marketing expenses were approximately $5,497,000 and $6,039,000 for the years ended December 31, 2025 and 2024, respectively, as follows:

Sales and Marketing Expense	Years Ended December 31, (rounded to $000's) 2025	2024	Change
Personnel - Cash Wages and Related Expense	$ 2,844,000	$ 2,903,000	$ (59,000)
Personnel - Share-Based Compensation	647,000	730,000	(83,000)
Tasting Room	73,000	144,000	(71,000)
Leases and Rentals	808,000	740,000	68,000
Sales and Marketing Expenses	416,000	503,000	(87,000)
Other	709,000	1,019,000	(310,000)
	$ 5,497,000	$ 6,039,000	$ (542,000)

- The overall approximately $542,000 decrease in Sales and Marketing Expense was the result of a mix of reduced headcount in the wholesale sales team and retail tasting room sales staff, reduced retail tasting room hours as we responded to market conditions, a reduction in the issuance of equity compensation and the resulting associated expense recognition, and reduced spend on marketing activities.

General and Administrative Expenses

General and administrative expenses were approximately $12,414,000 for the year ended December 31, 2025, compared to approximately $11,006,000 for the year ended December 31, 2024. This approximately $1,408,000 increase included:

	Years Ended December 31, (rounded to $000's)		
General and Administrative Expense	**2025**	**2024**	**Change**
Personnel - Cash Wages and Related Expense	$ 1,460,000	$ 2,056,000	$ (596,000)
Personnel - Share-Based Compensation	3,699,000	2,414,000	1,285,000
Recruiting and retention	(5,000)	20,000	(25,000)
Professional Fees	2,097,000	2,195,000	(98,000)
Professional Fees - Share-Based Compensation	589,000	1,571,000	(982,000)
Leases and Rentals	521,000	593,000	(72,000)
Depreciation	899,000	1,022,000	(123,000)
Other	3,154,000	1,135,000	2,019,000
	$ 12,414,000	$ 11,006,000	$ 1,408,000

- General and administrative expenses increased by approximately $1.4 million to $12.4 million million for the year ended December 31, 2025, from approximately $11.0 million in 2024, driven primarily by an approximately $1.3 million increase in non-cash share-based compensation, including RSU grants tied to deferred compensation and employee incentives, and an approximately $2.0 million increase in other general and administrative expense reflecting broader increases across operating categories such as insurance, public company director expenses, and a one-time accounting expense related to renegotiating warehouse leases. These increases were partially offset by an approximately $1.1 million decrease in professional fees, largely due to lower IPO-related audit costs in 2025, and an approximately $0.6 million decrease in cash wages and related expenses. Non-cash share-based compensation remained a significant component of G&A, representing approximately one-third of total expenses in both periods.

Interest Expense

Interest expense decreased by approximately $893,000 to approximately $1,642,000 for the year ended December 31, 2025, compared to approximately $2,536,000 for the year ended December 31, 2024. The decrease was primarily due to the settlement of the Silverview loan in August 2025.

Gain / (Loss) on Intangible Digital Assets

Change in fair value of intangible digital assets resulted in a loss of approximately $127,961,000 for the year ended December 31, 2025, (based on a closing price on December 31, 2025 of $1.72 per $IP Token), compared to $0 for the year ended December 31, 2024, as we had no similar $IP Tokens held for investment in 2024 and began recognizing fair value adjustments on $IP Tokens in 2025. The loss was primarily attributable to unfavorable market movements in the quoted price of $IP Tokens held for investment. We measure fair value using quoted prices in our principal market at the end of each reporting period, with changes recognized in Change in Fair Value of Intangible Digital Assets on the consolidated statements of operations.

Restructure Costs

On October 23, 2025, we announced the Restructuring. As of December 31, 2025, we wrote off and expensed approximately $3,393,000 of: property and equipment; operating lease ROU assets and lease liabilities; and other related expenses as part of the Restructuring. We had no such Restructuring Costs for the year ended December 31, 2024.

Gain on Extinguishment of Debt

In conjunction with the settlement of the Silverview loan in August 2025 approximately $2,611,000 was recognized as gain on settlement. The approximately $12,666,000 in principal and interest due on the loan was paid with approximately $7,092,000 in cash and 200,000 warrants (with a value of approximately $2,964,000).

Income Taxes

As of December 31, 2024, the Company had approximately $61.5 million of federal NOL carryforwards and approximately $192 thousand of federal tax credits subject to Section 382 limitations. During the year ended December 31, 2025, the Company generated additional federal NOLs of approximately $13.3 million, resulting in total federal NOL carryforwards of approximately $74.8 million as of December 31, 2025, before consideration of any limitations under Section 382. Following the ownership changes, our ability to utilize our NOLs and certain tax credits is limited on an annual basis. The analysis determined an initial base annual Section 382 limitation of approximately $1.0 million, which may be increased in certain years by recognized built-in gains attributable to our assets.

Based on the Section 382 limitation analysis, we expect that our tax attributes will be released and available for use gradually over multiple years rather than immediately. For example, estimated annual availability includes approximately:

- $0.8 million available in 2024 (partial year following the ownership change);
- approximately $5.4 million per year from 2025 through 2028;
- approximately $4.7 million in 2029; and
- approximately $1.0 million per year thereafter until the remaining attributes are fully utilized.

The additional NOLs generated during 2025 of approximately $13.3 million may also be subject to the Section 382 limitation to the extent such losses are treated as pre-change attributes or otherwise limited under applicable tax rules. As a result, we expect that a portion of our NOL carryforwards, including those generated in 2025, will be utilizable only over an extended period of time in accordance with the applicable annual limitation amounts.

As reflected in the rollout schedule included in the analysis, a portion of the Company's tax attributes will become available over time through approximately 2044 and subsequent tax years, subject to the Company generating sufficient taxable income to utilize those attributes.

The analysis also indicates that approximately $189,000 of tax credits may be permanently limited and therefore unavailable for utilization as a result of the Section 382 limitations. We will update this estimate to reflect the impact of additional NOLs generated in 2025 of approximately $13.3 million and any resulting changes in the amount of tax attributes that may be limited or available in future periods.

We will continue to evaluate the impact of these limitations as part of its ASC 740 income tax accounting, including the assessment of deferred tax assets and related valuation allowances. Future ownership changes, additional losses generated in 2025 and subsequent years, or changes in taxable income projections could further impact our ability to utilize our NOL carryforwards and other tax attributes.

Reverse Stock Splits

On May 11, 2024, our Board and stockholders approved, and on May 14, 2024 we effected, a .57-for-1 reverse stock split. On September 18, 2025, our stockholders approved an amendment to our Certificate of Incorporation to effect a reverse stock split of our common stock at a reverse stock split ratio ranging from 1-for 5 to 1-for-20, without reducing the authorized number of shares of common stock, and to authorize the Board to determine, at its discretion, the timing of the amendment and the specific ratio of the reverse stock split, without further approval or authorization of our stockholders. On October 26, 2025, the Board approved, and on November 5, 2025 we effected, a 1-for-20 reverse stock split. All share and per share numbers included in this filing as of and for all periods presented reflect the effect of that such reverse stock split unless otherwise noted.

All share and per share numbers presented in this filing have been rounded individually. As a result, totals may reflect the effect of differences between: aggregating the individually rounded component numbers; and the rounding of the total of the individual component numbers. In cases where rounding occurred, the amount of the rounding difference is not material and are considered to be insignificant.

Restructuring and Closure of Tasting Rooms; Production Transition

On October 23, 2025, we announced the Restructuring. These Restructuring actions are expected to result in significant reductions in our net expenses with a resulting positive impact to our net income, along with significant reduction in our headcount and overhead. The elimination of our in-house production and the eventual termination of our leases associated with operations is also expected to greatly reduce our unabsorbed overhead expense for every case of product we sell, thereby greatly improving our spirits business margins. We will continue to sell spirits through distributors and direct to consumers online, and will continue to work with Tribes to license the Heritage Distilling Company brand and

our products for production and sale by Tribes in HDC-branded tasting rooms (the TBN model) in or near their casino properties.

Non-GAAP Financial Measures

To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we use certain non-GAAP financial measures, as described below, to understand and evaluate our core operating performance. These non-GAAP financial measures, which may be different than similarly titled measures used by other companies, are presented to enhance investors' overall understanding of our financial performance and should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

Adjusted Gross Profit excluding unabsorbed overhead and Adjusted Gross Margin excluding unabsorbed overhead: Adjusted gross profit excluding unabsorbed overhead represents GAAP gross profit adjusted for (excluding) unabsorbed overhead. Adjusted Gross Margin excluding unabsorbed overhead represents Adjusted Gross Profit excluding unabsorbed overhead as a percentage of total net sales. We use these measures (i) to compare operating performance on a consistent basis for the raw inputs, direct labor and direct overhead to a produce a product removing unused production capacity or overhead, (ii) for planning purposes, including the preparation of our internal annual operating budget, and (iii) to evaluate the performance and effectiveness of operational strategies as we work to reduce overhead.

Adjusted Gross Profit and Adjusted Gross Margin: Adjusted gross profit represents GAAP gross profit adjusted for any nonrecurring gains and losses. Adjusted Gross Margin represents Adjusted Gross Profit as a percentage of total net sales. We use these measures (i) to compare operating performance on a consistent basis, (ii) for planning purposes, including the preparation of our internal annual operating budget, and (iii) to evaluate the performance and effectiveness of operational strategies.

EBITDA and Adjusted EBITDA: EBITDA represents GAAP net income / (loss) adjusted for (i) depreciation of property and equipment; (ii) interest expense; (iii) share-based compensation; and (iv) provision for income taxes. Adjusted EBITDA represents EBITDA adjusted for the recognition of share-based compensation, non recurring gains and losses; and other one-time items. We believe that EBITDA and adjusted EBITDA help identify underlying trends in our business that could otherwise be masked by the effect of the expenses that we include in GAAP operating loss. These non-GAAP financial measures should not be considered in isolation from, or as substitutes for, financial information prepared in accordance with GAAP. There are several limitations related to the use of this non-GAAP financial measure compared to the closest comparable GAAP measure. Some of these limitations are that:

- Adjusted Gross Profit, EBITDA and adjusted EBITDA do not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments;
- Adjusted Gross Profit, EBITDA and adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted Gross Profit, EBITDA and adjusted EBITDA exclude certain recurring, non-cash charges such as depreciation of property and equipment and, although this is a non-cash charge, the assets being depreciated may have to be replaced in the future;
- Adjusted Gross Profit, EBITDA and adjusted EBITDA exclude income tax benefit (expense); and
- Other companies in our industry may calculate non-GAAP financial measures differently than we do, limiting their usefulness as comparative measures.

The following table presents a reconciliation of our spirits business GAAP Gross Profit to Adjusted Gross Profit by removing unabsorbed overhead for the years ended December 31, 2025 and 2024. Adjusted Gross Margin excluding unabsorbed overhead is the percentage obtained by dividing Adjusted Gross Profit after removing unabsorbed overhead by our GAAP total net sales. It is an analysis that assumes all excess production capacity and space has been used in production and generating revenue, assigning all such overhead costs across all production and revenue. It is especially important in forecasting to larger entities that may be looking to acquire brands or entities about the amount of

inefficiencies they can wring out of a products or production if such products or ventures were acquired and absorbed into their larger and more efficient systems.

Gross Profit - Excluding Unabsorbed Overhead - Spirits Business	Years Ended December 31, (rounded to $000's) 2025	2024
Products Sales	$ 4,199,000	$ 6,615,000
Products Gross Profit	(59,000)	442,000
GAAP Gross Profit Additions/(Deductions):		
Add Back: Unabsorbed Overhead	2,392,000	2,550,000
Products Gross Profit Excluding Unabsorbed Overhead	$ 2,333,000	$ 2,992,000
GAAP Gross Margin	(1.4)%	6.7 %
Adjusted Gross Margin excluding unabsorbed overhead	55.6 %	45.2 %

The above Adjusted Gross Margin excluding unabsorbed overhead shows the cost of production of our products and services based on raw inputs and direct labor and overhead, removing all unabsorbed overhead expenses for unused capacity. This allows us to examine the cost of each product and its margin as we evaluate where our areas of product focus should be. Considering we had low margin activity in our portfolio in 2024 (for example, well vodka and third-party production) an Adjusted Gross Margin excluding unabsorbed overhead greater than 50% is remarkable for a craft producer. As we increase the use of unused capacity, reduce capacity and continue to shift away from low margin activities towards our focus on higher margin products, we would expect to see both the GAAP Gross Margin and the Adjusted Gross Margin excluding unabsorbed overhead increase.

It is important to note specifically that the Adjusted Gross Margin excluding unabsorbed overhead includes revenue from low margin barrel production contracts we had in 2024 that we do not expect to be performing for the foreseeable future as we focus on higher margin activities.

In an ideal scenario a producer would be at 100% utilization and producing high margin items exclusively. Knowing this, we are examining operations, assets and our existing real estate footprint to drive better utilization and reduce overhead with the goal of driving down unabsorbed overhead and decreasing unused asset capacity.

The following table presents a reconciliation of net income / (loss) to EBITDA and adjusted EBITDA for the years ended December 31, 2025 and 2024.

EBITDA Analysis	Years Ended December 31, (rounded to $000's) 2025	2024
Net Income / (Loss)	$ (137,715,000)	$ 710,000
Add (Deduct):		
State Taxes	8,000	9,000
Federal Income Taxes and Other	(17,000)	—
Interest Expense	1,642,000	2,536,000
Depreciation and Amortization	1,064,000	1,285,000
EBITDA	**$ (135,018,000)**	**$ 4,540,000**
Change in Fair Value of Intangible Digital Assets	118,199,949	—
Change in Fair Value of Convertible Notes	—	(14,028,000)
Change in Fair Value of Warrant Liabilities	—	(737,000)
Investment (Gain) / Loss	3,357,000	(3,421,000)
Share-Based Compensation	4,487,000	4,892,000
Adjusted EBITDA	**$ (8,974,000)**	**$ (8,754,000)**

Liquidity and Capital Resources

We have experienced recurring operating losses, negative operating cash flows, and periods of negative working capital. These factors, along with the volatility in the market price of our digital token holdings, represent conditions that could impact our near-term liquidity if not managed appropriately.

We have evaluated our current operating plan, expected revenues, and cost structure and believes that, based on current projections, existing cash resources and anticipated cash flows from operations are sufficient to support ongoing operations and meet obligations as they come due for at least the next twelve months. These projections assume continued execution of our business plan and stabilization of key revenue drivers.

A significant component of our liquidity is derived from its holdings of digital tokens, the value of which is subject to market conditions and price volatility. Accordingly, our liquidity position is, in part, dependent on the future market price of these tokens.

To mitigate potential liquidity constraints and maintain financial flexibility, we have the ability to monetize a portion of its digital token holdings. We intend to actively monitor token market conditions and, if necessary, may sell tokens in an orderly manner to generate cash and support operations. We believe that this flexibility provides an additional source of liquidity that can be utilized to address potential adverse movements in token prices or other market conditions.

We will continue to evaluate its liquidity position, operating performance, and market conditions and may take additional actions, as necessary, to preserve liquidity and support our strategic objectives, including the disposition of digital assets for cash. Based on the foregoing, we believe we will continue as a going concern for at least the next twelve months from the date of issuance of the financial statements.

Cash Flows

The following table sets forth a summary of cash flows for the periods presented:

	Years ended December 31, (rounded to $000's)	
Summary of Cash Flows	**2025**	**2024**
Net Cash Provided by / (Used in) Operating Activities	$ (15,328,000)	$ (11,216,000)
Net Cash Provided by / (Used in) Investing Activities	(16,519,000)	(101,000)
Cash Flow from Financing Activities	31,640,000	11,693,000
Net Increase / (Decrease) in Cash	$ (208,000)	$ 376,000

Net Cash Provided By / (Used in) Operating Activities

During the years ended December 31, 2025 and 2024, net cash provided by / (used in) operating activities was approximately $(15,328,000) and $(11,216,000), respectively, including net income / (loss) of approximately $(137,715,000) and $710,000, respectively. During the years ended December 31, 2025 and 2024, approximately $(8,183,000) and $(1,022,000), respectively, of cash was generated / (used) by changes in account balances of operating assets and liabilities. Non-cash adjustments to reconcile net income / (loss) to net cash used in operating activities were approximately $130,570,000 and $(10,904,000) in the respective periods.

The approximately $130,570,000 of non-cash adjustments in the year ended December 31, 2025 included approximately: $1,064,000 of depreciation expense; $423,000 of non-cash amortization of operating lease right-of-use assets; $992,000 of loss on disposal of property and equipment; $3,393,000 of restructuring expense; $118,200,000 of change in fair value of intangible digital assets; $3,357,000 of impairment loss on investment; $1,673,000 of gain on restructuring of debt; $4,487,000 of non-cash share-based compensation; and $140,000 of non-cash interest expense primarily associated with our notes payable.

The approximately $(10,904,000) of non-cash adjustments for the year ended December 31, 2024 consisted primarily of approximately: $14,028,000 of gain on change in fair value of convertible notes; $737,000 of gain on change in fair value of warrant liabilities; $3,421,000 of gain on investment; offset by $4,892,000 of non-cash share-based compensation; $1,285,000 of depreciation expense; $508,000 of non-cash amortization of operating lease right-of-use assets; $242,000 of loss on disposal of property and equipment; and $346,000 of non-cash interest expense primarily associated with our notes payable.

Net Cash Provided By / (Used in) Investing Activities

During the years ended December 31, 2025 and 2024, net cash provided by / (used in) investing activities was approximately $(16,519,000) and $(101,000), respectively. Investing activities during the year ended December 31, 2025 were primarily comprised of approximately $21,020,000 from the purchase of intangible digital assets; $4,457,000 from sales of intangible digital assets; $119,000 in proceeds from sales of assets; and $75,000 from the net purchase of property

and equipment. Investing activities during the year ended December 31, 2024 were primarily comprised of approximately, $106,000 from the net purchase of property and equipment.

Net Cash Provided By Financing Activities

During the years ended December 31, 2025 and 2024, net cash provided by /(used in) financing activities was approximately $31,640,000 and $11,693,000, respectively.

The cash proceeds received in the year ended December 31, 2025 were primarily comprised of approximately: $2,917,000 of proceeds from the sale of Series B Convertible Preferred Stock, par value $0.0001 per share ("Series B Preferred Stock") (of which $480,000 as from a related party); $4,817,000 proceeds from ELOC sales of common stock; and $30,077,000 from proceeds of our PIPE offering; offset by repayment of notes payable of $6,169,000.

The cash proceeds received in the year ended December 31, 2024 were primarily comprised of approximately: $3,656,000 of proceeds from the sale of convertible notes (of which $1,433,000 was from a related party); $695,000 proceeds from notes payable; $5,960,000 from proceeds of our initial public offering; $1,398,000 from proceeds of common warrants; $2,025,000 from the sale of Series A Convertible Preferred Stock, par value $0.0001 per share ("Series A Preferred Stock"); offset by $313,000 of expenses related to our initial public offering (which was recorded to additional paid-in-capital, net against initial public offering proceeds);repayment of notes payable of $1,723,000; and $4,000 of other expenditures.

Supplemental Cash Flow Information

During the year ended December 31, 2025, supplemental cash flow activity included approximately: $3,621,000 of cash paid for interest expense; $59,000,000 purchase of $IP Tokens with USDC; $188,358,000 sale of prepaid warrants for $IP Tokens and USDC in our PIPE offering; $4,097,000 of warrants issued for debt settlements; and $2,286,000 of leased assets released in exchange for operating lease liabilities.

During the year ended December 31, 2024, supplemental cash flow activity included approximately: $2,189,000 of cash paid for interest expense; $1,266,000 of Series A Preferred Stock issued in exchange for inventory and barrels; $720,000 of Series A Preferred Stock issued in exchange for factoring agreement and related accrued interest and fees; $671,000 of common stock issued in conjunction with acquisition of Thinking Tree Spirits; $15,278,000 from the conversion of 2022 and 2023 convertible notes to equity; $1,873,000 from 2022 convertible notes warrants reclassified from liability to equity; $11,784,000 from conversion of the Whiskey Notes and related warrant liabilities to equity; $1,676,000 of unpaid deferred initial public offering transaction costs that were recorded as a deferred expense on the balance sheet and recorded in accounts payable and other current liabilities; and $2,054,000; and $153,000 of leased assets obtained in exchange for operating lease liabilities.

Recent Accounting Pronouncements

A discussion of recent accounting pronouncements is included in Note 2 to our consolidated financial statements for the years ended December 31, 2025 and 2024 included elsewhere in this filing.

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the U.S. The preparation of our consolidated financial statements and related disclosures requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, costs and expenses, and the disclosure of contingent assets and liabilities in our consolidated financial statements. We base our estimates on historical experience, known trends and events and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are described in more detail in the notes to our consolidated financial statements, we believe that the following estimates are those most critical to the judgments and estimates used in the preparation of our consolidated financial statements.

Valuation of Convertible Notes

The fair value of the convertible notes at issuance and at each reporting period is estimated based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy. We use a probability weighted expected return method ("PWERM") and the Discounted Cash Flow ("DCF") method to incorporate estimates

and assumptions concerning our prospects and market indications into a model to estimate the value of the notes. The most significant estimates and assumptions used as inputs in the PWERM and DCF valuation techniques impacting the fair value of the convertible notes are the timing and probability of an initial public offering, de-SPAC Merger, held to maturity, and default scenario outcomes. Specifically, we discounted the cash flows for fixed payments that were not sensitive to our equity value by using annualized discount rates that were applied across valuation dates from issuance dates of the convertible notes to each reporting period. The discount rates were based on certain considerations including time to payment, an assessment of our credit position, market yields of companies with similar credit risk at the date of valuation estimation, and calibrated rates based on the fair value relative to the original issue price from the convertible notes.

Valuation of Warrant Liabilities

The fair value of the warrant liabilities at issuance and at each reporting period are estimated based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy. The warrants are free-standing instruments and determined to be liability-classified in accordance with ASC 480. We use the PWERM and the Monte Carlo Simulation ("MCS") to incorporate estimates and assumptions concerning our prospects and market indications into the models to estimate the value of the warrants. The most significant estimates and assumptions used as inputs in the PWERM and MCS valuation techniques impacting the fair value of the warrant liabilities are the timing and probability of an initial public offering, de-SPAC Merger, held to maturity, and default scenario outcomes. The most significant estimates and assumptions used as inputs in the PWERM and MCS valuation techniques impacting the fair value of the warrant liabilities are those utilizing certain weighted average assumptions such as expected stock price volatility, expected term of the warrants, and risk-free interest rates.

Valuation of Future Lease Payments

The interest rate used to determine the present value of the future lease payments is our incremental borrowing rate, because the interest rate implicit in our operating leases is not readily determinable. The incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in the economic environments where the leased asset is located. The incremental borrowing rate is calculated by modeling our credit rating on our historical arm's-length secured borrowing facility and estimating an appropriate credit rating for similar secured debt instruments. Our calculated credit rating on secured debt instruments determines the yield curve used. In addition, an incremental credit spread is estimated and applied to reflect our ability to continue as a going concern. Using the spread adjusted yield curve with a maturity equal to the remaining lease term, we determine the borrowing rates for all operating leases.

Stock-Based Compensation

We measure compensation for all stock-based awards at fair value on the grant date and recognize compensation expense over the service period on a straight-line basis for awards expected to vest.

The fair value of options granted is estimated on the grant date using the Black-Scholes option pricing model. We use a third-party valuation firm to assist in calculating the fair value of our options. This valuation model requires us to make assumptions and judgment about the variables used in the calculation, including the volatility of our common stock and assumed risk-free interest rate, expected years until liquidity, and discount for lack of marketability. Since we do not have sufficient trading history of our common stock, we estimate the expected volatility of our options at the grant date by taking the average historical volatility of a group of comparable publicly traded companies over a period equal to the expected term of the options. We use the U.S. Treasury yield for our risk-free interest rate that corresponds with the expected term. We determine the expected term based on the average period the options are expected to remain outstanding using the simplified method, generally calculated as the midpoint of the options' vesting term and contractual expiration period, as we do not have sufficient historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior. We utilize a dividend yield of zero, as we do not currently issue dividends, nor do we expect to do so in the future. Forfeitures are accounted for and are recognized in calculating net expense in the period in which they occur. Stock-based compensation from vested options, whether forfeited or not, is not reversed.

Stock option awards generally vest on time-based vesting schedules. Stock-based compensation expense is recognized based on the value of the portion of stock-based payment awards that is ultimately expected to vest and become exercisable during the period. We recognize compensation expense for all stock-based payment awards made to employees, directors, and non-employees using a straight-line method, generally over a service period of four years.

We grant stock options to purchase common stock with exercise prices equal to the value of the underlying stock, as determined by the Board of Directors on the date the equity award was granted. The fair value of the common stock

underlying our stock-based awards has historically been determined by our board of directors, with input from management and corroboration from contemporaneous third-party valuations. We believe that our board of directors has the relevant experience and expertise to determine the fair value of our common stock. Given the absence of a public trading market of our common stock, and in accordance with the American Institute of Certified Public Accountants Practice Aid, Valuation of Privately Held Company Equity Securities Issued as Compensation, our board of directors exercised reasonable judgment and considered numerous objective and subjective factors to determine the best estimate of the fair value of our common stock at each grant date. These factors include:

- contemporaneous valuations of our common stock performed by independent third-party specialists;
- the lack of marketability inherent in our common stock;
- our actual operating and financial performance;
- our current business conditions and projections;
- the hiring of key personnel and the experience of our management;
- our history and the introduction of new products;
- our stage of development;
- the likelihood of achieving a liquidity event, such as an initial public offering, a merger, or acquisition of our company given prevailing market conditions;
- the operational and financial performance of comparable publicly traded companies; and
- the U.S. and global capital market conditions and overall economic conditions.

In valuing our common stock, the fair value of our business was determined using various valuation methods, including combinations of income and market approaches with input from management. The income approach estimates value based on the expectation of future cash flows that a company will generate. These future cash flows are discounted to their present values using a discount rate that is derived from an analysis of the cost of capital of comparable publicly traded companies in our industry or similar business operations as of each valuation date and is adjusted to reflect the risks inherent in our cash flows. The market approach estimates value based on a comparison of the subject company to comparable public companies in a similar line of business. From the comparable companies, a representative market value multiple is determined and then applied to the subject company's financial forecasts to estimate the value of the subject company. The fair value of our business determined by the income and market approaches is then allocated to the common stock using either the option-pricing method (OPM), or a hybrid of PWERM and OPM methods.

Application of these approaches and methodologies involves the use of estimates, judgments, and assumptions that are highly complex and subjective, such as those regarding our expected future revenue, expenses, and future cash flows, discount rates, market multiples, the selection of comparable public companies, and the probability of and timing associated with possible future events. Changes in any or all of these estimates and assumptions or the relationships between those assumptions impact our valuations as of each valuation date and may have a material impact on the valuation of our common stock.

For valuations, our board of directors will determine the fair value of each share of underlying common stock based on the closing price of our common stock as reported on the date of grant. Future expense amounts for any period could be affected by changes in our assumptions or market conditions.

Income Taxes

We follow the Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 740, "*Income Taxes*" for establishing and classifying any tax provisions for uncertain tax positions. Our policy is to recognize and include accrued interest and penalties related to unrecognized tax benefits as a component of income tax expenses. We are not aware of any entity level uncertain tax positions.

Income taxes are accounted for under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in our consolidated financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and the tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in operations in the period that includes the enacted date.

Impairment of Long-Lived Assets

All long-lived assets used are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Factors that we consider in deciding when to perform an impairment review include significant underperformance of the business in relation to expectations, significant negative industry or economic trends and significant changes or planned changes in the use of the assets. When such an event occurs, future cash flows expected to result from the use of the asset and its eventual disposition are estimated. If the undiscounted expected future cash flows are less than the carrying amount of the asset, an impairment loss is recognized for the difference between the asset's fair value and its carrying value. We did not record any impairment losses on long-lived assets for the years ended December 31, 2025 or 2024.

Off-Balance Sheet Arrangements

We had no obligations, assets or liabilities that would be considered off-balance sheet arrangements as of December 31, 2025 or for the periods presented. We do not participate in transactions that create relationships with unconsolidated entities or financial partnerships, often referred to as variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements. We have not entered any off-balance sheet financing arrangements, established any special purpose entities, guaranteed any debt or commitments of other entities, or purchased any non-financial assets.

Emerging Growth Company Status

The JOBS Act permits an "emerging growth company" such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies until those standards would otherwise apply to private companies. We have elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, we will not be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies, and our financial statements may not be comparable to other public companies that comply with new or revised accounting pronouncements as of public company effective dates. We may choose to early adopt any new or revised accounting standards whenever such early adoption is permitted for private companies.

We will cease to be an emerging growth company on the date that is the earliest of (i) the last day of the fiscal year in which we have total annual gross revenues of $1.235 billion or more, (ii) the last day of our fiscal year following the fifth anniversary of the date of the closing of our initial public offering (November 25, 2029), (iii) the date on which we have issued more than $1.0 billion in nonconvertible debt during the previous three years or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC.

Further, even after we no longer qualify as an emerging growth company, we may still qualify as a "smaller reporting company," which would allow us to take advantage of many of the same exemptions from disclosure requirements, including reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our share price may be more volatile.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks from fluctuations in interest rates, which may adversely affect the results of operations and our financial condition. We seek to minimize these risks through regular operating and financing activities.

Inflation Risk

We do not believe that inflation had a significant impact on our results of operations for any periods presented in our consolidated financial statements. Nonetheless, if our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs, and our inability or failure to do so could harm our business, financial condition and results of operations.

Item 8. Financial Statements and Supplementary Data

Our annual audited financial statements for the years ended December 31, 2025 and 2024, together with the notes thereto and the report of Marcum LLP thereon, are included in this Annual Report on pages F-1 through F-55

Index to Consolidated Financial Statements

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

None.

Item 9A. Controls and Procedures

Evaluation of disclosure controls and procedures.

Our management, with the participation of our Chief Executive Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on management's evaluation, our Chief Executive Officer concluded that, as a result of the material weaknesses described below, as of December 31, 2025, our disclosure controls and procedures are not designed at a reasonable assurance level and are not effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer, as appropriate, to allow timely decisions regarding required disclosure. The material weaknesses, which relate to internal control over financial reporting, that were identified are:

a) due to our small size, we do not have a proper segregation of duties in certain areas of our financial reporting process. The areas where we have a lack of segregation of duties include cash receipts and disbursements, approval of purchases and approval of accounts payable invoices for payment. This control deficiency, which is pervasive in nature, results in a reasonable possibility that material misstatements of the consolidated financial statements will not be prevented or detected on a timely basis; and

b) the lack of the quantity of resources to implement an appropriate level of review controls to properly evaluate the completeness and accuracy of transactions entered into by our company, resulting in material post-closing and audit adjustments.

c) the lack of internal control at third-party service providers that we have engaged with to track all activities related to our digital asset treasury strategy.

We are committed to improving our financial organization. In addition, we will look to increase our personnel resources and technical accounting expertise within the accounting function to resolve non-routine or complex accounting matters.

Changes in internal control over financial reporting.

There were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance

This information will be contained in our definitive proxy statement for the 2026 Annual Meeting of Stockholders, to be filed within 120 days following the end of our fiscal year, and is incorporated herein by reference.

Item 11. Executive Compensation

This information will be contained in our definitive proxy statement for the 2026 Annual Meeting of Stockholders, to be filed within 120 days following the end of our fiscal year, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

This information will be contained in our definitive proxy statement for the 2026 Annual Meeting of Stockholders, to be filed within 120 days following the end of our fiscal year, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions and Director Independence

This information will be contained in our definitive proxy statement for the 2026 Annual Meeting of Stockholders, to be filed within 120 days following the end of our fiscal year, and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

This information will be contained in our definitive proxy statement for the 2026 Annual Meeting of Stockholders, to be filed within 120 days following the end of our fiscal year, and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) *Exhibits.*

(a)(1) Financial Statements

Report of Independent Registered Public Accounting Firm (PCAOB ID 199)
Report of Independent Registered Public Accounting Firm (PCAOB ID 688)
Consolidated Balance Sheets as of December 31, 2025 and 2024
Consolidated Statements of Operations for the Years Ended December 31, 2025 and 2024
Consolidated Statements of Changes in Stockholders' Equity / (Deficit) for the Years Ended December 31, 2025 and 2024
Consolidated Statements of Cash Flows for the Years Ended December 31, 2025 and 2024
Notes to Consolidated Financial Statements

(a)(2) Financial Statement Schedules

No financial statements have been filed under this section because they are either not required, not applicable, or because the information required is included in the consolidated financial statements or the notes thereto.

(a)(3) Exhibits

The Exhibits listed in the Exhibit Index are filed as part of this annual report on Form 10-K. Each management contract or compensatory plan or agreement listed on the Exhibit Index is identified by a hashtag.

EXHIBIT INDEX

Exhibit Number	Description of Exhibits	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
3.1	Third Amended and Restated Certificate of Incorporation of IP Strategy Holdings, Inc.	8-K	001-42411	3.1	February 18, 2026
3.2	Second Amended and Restated Bylaws of IP Strategy Holdings, Inc.	8-K	001-42411	3.2	February 18, 2026
3.3	Certificate of Designations, Preferences and Rights of the Series A Convertible Preferred Stock of IP Strategy Holdings, Inc.	S-1/A	333-279382	3.8	October 3, 2024
4.1	Form of Common Stock Certificate of IP Strategy Holdings, Inc.†				
4.2	Form of Preferred Stock Certificate of IP Strategy Holdings, Inc.†				
4.3	Form of Series A Common Stock Purchase Warrant	S-1/A	333-279382	4.7	July 5, 2024
4.4	Form of Legacy Common Stock Purchase Warrants	S-1/A	333-279382	4.8	October 25, 2024
4.5	Form of Representative Common Stock Purchase Warrant (from initial public offering)	8-K	001-42411	4.1	November 26, 2024
4.6	Form of Whiskey Note Exchange Common Stock Purchase Warrant	10-K	001-42411	4.10	April 28, 2025
4.7	Form of Series B Common Stock Purchase Warrant	8-K	001-42411	4.1	June 3, 2025
4.8	Form of Advisory Common Stock Purchase Warrant	8-K	001-42411	4.2	August 11, 2025
4.9	Form of Placement Agent Common Stock Purchase Warrant	8-K	001-42411	4.3	August 11, 2025
4.10	Form of PIPE Pre-Funded Common Stock Purchase Warrant	8-K	001-42411	4.1	August 18, 2025

Exhibit Number	Description of Exhibits	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
4.11	Form of Debtor Exchange Common Stock Purchase Warrant†				
4.12	Form of Series B Exchange Common Stock Purchase Warrant	S-1/A	333-289870	4.15	October 16, 2025
4.13	Description of the Registrant's Securities†				
10.1	2019 Stock Incentive Plan#†				
10.2	2024 Equity Incentive Plan#†				
10.3	Form of restricted stock unit award agreement†				
10.4	Form of October 2023 Exchange Agreement	S-1/A	333-279382	10.6	October 3, 2024
10.5	Form of Amendment to October 2023 Exchange Agreement	S-1/A	333-279382	10.7	October 3, 2024
10.6	Amendment dated October 24, 2024 to October 2023 Exchange Agreement	S-1/A	333-279382	10.11	October 25, 2024
10.7	Form of April 2024 Exchange Agreement	S-1/A	333-279382	10.8	October 3, 2024
10.8	Form of Registration Rights Agreement, dated as of August 11, 2025, between Company and each Purchaser (as defined therein)	8-K	001-42411	10.2	August 11, 2025
10.9	Placement Agency Agreement dated as of August 11, 2025, among the Company, Cantor Fitzgerald & Co., and Roth Capital Partners, LLC	8-K	001-42411	10.3	August 11, 2025
10.10	Form of August 2025 Series B Preferred Stock Exchange Agreement	S-1/A	333-289870	10.21	October 16, 2025
10.11	Employment Agreement dated as of October 1, 2025 of Justin Stiefel#	8-K	001-42411	10.1	October 3, 2025
10.12	Employment Agreement dated as of October 1, 2025 of Jennifer Stiefel#	8-K	001-42411	10.2	October 3, 2025
10.13	Employment Agreement dated as of October 1, 2025 of Michael Carrosino#	8-K	001-42411	10.3	October 3, 2025
19	Insider Trading Policy†				
21.1	Subsidiaries of the Registrant†				
23.1	Consent of Independent Registered Public Accounting Firm (CBIZ CPAs P.C.)†				
23.2	Consent of Independent Registered Public Accounting Firm (Marcum LLP)†				
31.1	Certification of the Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002†				
31.2	Certification of the Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002†				
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002†				
97	IP Strategy Holdings, Inc. Clawback Policy adopted November 21, 2024†				
101.INS	Inline XBRL Instance Document.†				
101.SCH	Inline XBRL Taxonomy Extension Schema Document.†				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.†				

Exhibit Number	Description of Exhibits	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
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).				

# Indicates a management contract or compensatory plan.
† Filed herewith

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Gig Harbor, State of Washington, on April 14, 2026.

IP STRATEGY HOLDINGS, INC.

By: /s/ Justin Stiefel
Justin Stiefel
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this report has been signed by the following persons in their capacities and on the dates indicated.

Signature	Title	Date
/s/ Justin Stiefel Justin Stiefel	Chairman and Chief Executive Officer (Principal Executive Officer)	April 14, 2026
/s/ Michael Carrosino Michael Carrosino	Executive Vice President, Finance and Chief Financial Officer (Principal Financial and Accounting Officer)	April 14, 2026
/s/ Jennifer Stiefel Jennifer Stiefel	Director	April 14, 2026
/s/ Troy Alstead Troy Alstead	Director	April 14, 2026
/s/ Christopher H. Smith Christopher H. Smith	Director	April 14, 2026
/s/ Matthew J. Swann Matthew J. Swann	Director	April 14, 2026
/s/ Eric S. Trevan Eric S. Trevan, Ph.D.	Director	April 14, 2026
/s/ Andrew M. Varga Andrew M. Varga	Director	April 14, 2026
/s/ Jeffrey P. Wensel Jeffrey P. Wensel, M.D., Ph.D.	Director	April 14, 2026

IP STRATEGY HOLDINGS, INC.
CONSOLIDATED FINANCIAL STATEMENTS

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of
IP Strategy Holdings, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of IP Strategy Holdings, Inc. (the “Company”) as of December 31, 2025, the related consolidated statements of operations, stockholders’ equity / (deficit) and cash flows for the year ended December 31, 2025, 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, 2025, and the results of its operations and its cash flows for the year ended December 31, 2025 , in conformity with accounting principles generally accepted in the United States of America.

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 audits provide a reasonable basis for our opinion.

Emphasis of Matter – Investment in Story ($IP Tokens)

In forming our opinion, we have considered the adequacy of disclosure within Risks and Uncertainties in Note 1 to the financial statements, which describes the significant risks and uncertainties that could materially affect the Company’s financial condition and results of operations. As discussed in Note 1, the Company holds a substantial concentration in $IP Tokens, a digital asset that is subject to high market volatility and speculative trading, regulatory uncertainties, cybersecurity threats, and risks related to its custody and legal status. These factors may result in material adverse effects, including potential losses, increased variability in earnings, and exposure to additional regulatory requirements and operational disruptions.

/s/ CBIZ CPAs P.C.

CBIZ CPAs P.C.

We have served as the Company’s auditor since 2022 (such date takes into account the acquisition of the attest business of Marcum LLP by CBIZ CPAs P.C. effective November 1, 2024).

Costa Mesa, California

April 14, 2026

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of
IP Strategy Holdings, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of IP Holdings, Inc. (the "Company") as of December 31, 2024, the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the year ended December 31, 2024, 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 ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

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 audits. 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 served as the Company's auditor from 2022 to 2025

Costa Mesa, California

April 28, 2025 (except for the effects of the stock split discussed in Note 1 and the discussions regarding liquidity in Note 1, as to which the date is April 14, 2026)

IP Strategy Holdings, Inc.
Consolidated Balance Sheets

	As of December 31,	
	2025	**2024**
ASSETS		
Current Assets		
Cash	$ 245,282	$ 453,162
Accounts Receivable	347,763	638,890
Inventory	1,643,020	2,471,567
Other Current Assets	510,440	355,928
Total Current Assets	2,746,505	3,919,547
Long Term Assets		
Property and Equipment, net of Accumulated Depreciation (Note 18)	1,238,662	5,449,412
Operating Lease Right-of-Use Assets, net (Note 18)	2,125,540	3,303,158
Investment in Flavored Bourbon LLC	10,928,195	14,285,222
Intangible Digital Assets (Notes 8 and 18)	91,701,203	—
Other Intangible Assets (Notes 10 and 18)	—	421,151
Goodwill (Note 10)	—	589,870
Other Long Term Assets	17,965	31,666
Total Long Term Assets	106,011,565	24,080,479
Total Assets	$ 108,758,070	$ 28,000,026
LIABILITIES & STOCKHOLDERS' EQUITY / (DEFICIT)		
Current Liabilities		
Accounts Payable	$ 1,979,942	$ 4,979,353
Accrued Payroll	1,586,121	950,974
Accrued Tax Liability	1,559,316	1,535,628
Other Current Liabilities	536,017	1,253,052
Operating Lease Liabilities, Current (Note 18)	730,935	1,131,545
Notes Payable, Current	2,353,998	3,758,595
Accrued Interest	138,692	202,367
Total Current Liabilities	8,885,021	13,811,514
Long Term Liabilities		
Operating Lease Liabilities, net of Current Portion (Note 18)	1,436,077	2,810,015
Notes Payable, net of Current Portion	220,842	9,482,339
Accrued Interest, net of Current Portion	—	977,316
Other Long Term Liabilities	—	127,075
Total Long-Term Liabilities	1,656,919	13,396,745
Total Liabilities	10,541,940	27,208,259
Commitments and Contingencies (Note 13)		
Stockholders' Equity / (Deficit)		
Preferred Stock - par value $0.0001 per share; 10,000,000 and 5,000,000 shares authorized as of December 31, 2025 and 2024, respectively:		
Series A Convertible, 500,000 shares designated; 210,700 and 494,840 shares issued and outstanding as of December 31, 2025 and 2024, respectively	21	49
Series B Convertible, 850,000 and 0 shares designated; 0 and 0 shares issued and outstanding as of December 31, 2025 and 2024, respectively	—	—
Common Stock, par value $0.0001 per share; 985,000,000 and 70,000,000 shares authorized; 9,651,081 and 263,680 shares issued and outstanding as of December 31, 2025 and 2024, respectively	962	26
Additional Paid-In-Capital	310,064,480	74,925,710
Accumulated Deficit	(211,849,333)	(74,134,018)
Total Stockholders' Equity / (Deficit)	98,216,130	791,767
Total Liabilities & Stockholders' Equity / (Deficit)	$ 108,758,070	$ 28,000,026

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

IP Strategy Holdings, Inc.
Consolidated Statement of Operations

	For the Years Ended December 31,	
	2025	**2024**
REVENUE		
Crypto and Related	$ 4,951,565	$ —
Spirits Products	4,198,887	6,614,933
Spirits Services	968,935	1,787,555
Total Net Revenues	10,119,387	8,402,488
COST OF REVENUE		
Crypto and Related	234,590	—
Spirits Products	4,258,037	6,173,189
Spirits Services	66,670	103,452
Total Cost of Revenue	4,559,297	6,276,641
Gross Profit	5,560,090	2,125,847
OPERATING EXPENSES		
Sales and Marketing	5,497,018	6,038,636
General and Administrative	12,414,810	11,006,021
Change in Fair Value of Intangible Digital Assets	118,199,949	—
Restructure Costs	3,392,744	—
Total Operating Expenses	139,504,521	17,044,657
Operating Income / (Loss)	(133,944,431)	(14,918,810)
OTHER INCOME / (EXPENSE)		
Interest Expense	(1,642,234)	(2,535,701)
Impairment (Loss) / Gain on Investment	(3,357,027)	3,421,222
Gain on Extinguishment of Debt	1,673,127	—
Change in Fair Value of Convertible Notes	—	14,028,067
Change in Fair Value of Warrant Liabilities	—	736,580
Change in Fair Value of Contingency Liability	(62,424)	—
Other Income / (Expense)	(390,816)	(11,750)
Total Other Income / (Expense)	(3,779,374)	15,638,418
Income / (Loss) Before Income Taxes	(137,723,805)	719,608
Income Taxes	8,490	(9,150)
Net Income / (Loss)	$ (137,715,315)	$ 710,458
Net Income / (Loss) Per Share, Basic	$ (16.03)	$ 0.98
Weighted Average Common Shares Outstanding, Basic	8,619,951	64,066
Net Income / (Loss) Per Share, Diluted (See Note 16)	$ (16.03)	$ (39.46)
Weighted Average Common Shares Outstanding, Diluted	8,619,951	353,887

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

IP Strategy Holdings, Inc.
Consolidated Statements of Stockholders' Equity / (Deficit)

	Common Stock		Preferred Stock - Series A		Preferred Stock - Series B				
	Number of Shares	Par Value	Number of Shares	Par Value	Number of Shares	Par Value	Additional Paid-in Capital	Retained Earnings / (Accumulated Deficit)	Total Stock-holders' Equity / (Deficit)
Beginning Balance December 31, 2024	263,680	$ 26	494,840	$ 49	—	$ —	$ 74,925,710	$ (74,134,018)	$ 791,767
PIPE Placement of Prepaid Warrants	—	—	—	—	—	—	215,198,214	—	215,198,214
PIPE Advisor Common Stock Compensation	323,854	32	—	—	—	—	3,499,431	—	3,499,463
PIPE Prepaid Warrants Converted to Common Stock	7,180,833	718	—	—	—	—	(718)	—	—
Private Placement of Series B Preferred Stock (and warrants) (See Note 9)	—	—	—	—	291,681	29	2,916,781	—	2,916,810
Exercise of ELOC Commitment Warrant	3,358	—	—	—	—	—	67	—	67
ELOC Agreement Sales of Common Stock	598,140	60	—	—	—	—	4,817,174	—	4,817,234
Exercise of Prepaid Warrants to Purchase Common Stock	601,816	60	—	—	—	—	40	—	100
Exercise of Common Warrants to Purchase Common Stock	21,126	2	—	—	—	—	186	—	188
Exchange of Prepaid Warrants to Purchase Common Stock for Series B Preferred Stock	—	—	—	—	55,917	4	(4)	—	—
Exchange of Series A Preferred Stock and Related Warrants for Series B Preferred Stock	—	—	(284,140)	(28)	409,256	43	(14)	—	1
Exchange of Series B Preferred Stock for Common Stock	235,880	24	—	—	(756,854)	(76)	52	—	—
Issued Prepaid Warrants in exchange for debt and vendor payables	—	—	—	—	—	—	4,097,287	—	4,097,287
Exercise of Debt Exchange Warrants to Purchase Common Stock	198,000	20	—	—	—	—	(20)	—	—
Exercise of Series B Preferred Warrants to Purchase Common Stock	5,033	1	—	—	—	—	(1)	—	1
Shares Repurchased	—	—					—		—
RSUs Vested	169,896	17	—	—	—	—	(17)	—	—
RSU Share-based Compensation	—	—	—	—	—	—	4,467,314	—	4,467,314
RSU issued in lieu of services	—	—	—	—	—	—	20,000	—	20,000
Issuance of Common Stock in Conjunction with Purchase of Thinking Tree Spirits	44,392	4	—	—	—	—	(4)	—	—
Common Stock Issued in Exchange for Services	5,265	1	—	—	—	—	124,999	—	125,000
Effect of Reverse Split and Fractional Shares	(192)	(3)	—	—	—	—	(1,997)	—	(2,000)
Net Income / (Loss)	—	—	—	—	—	—	—	(137,715,315)	(137,715,315)
Ending Balance December 31, 2025	9,651,081	$ 962	210,700	$ 21	—	$ —	$ 310,064,480	$ (211,849,333)	$ 98,216,130

	Common Stock		Preferred Stock - Series A		Additional Paid-in Capital	Accumulated Equity / (Deficit)	Total Stockholders' Equity / (Deficit)
	Number of Shares	Par Value	Number of Shares	Par Value			
Beginning Balance December 31, 2023	19,074	$ 2	—	$ —	$ 31,422,018	$ (74,844,476)	$ (43,422,456)
Acquisition of Thinking Tree Spirits	2,547	—	—	—	670,686	—	670,686
Private Placement of Preferred Stock and Warrants	—	—	329,060	33	3,290,567	—	3,290,600
Preferred Stock issued in Exchange for Factoring Agreements	—	—	71,991	7	719,912	—	719,919
Preferred Stock issued in Exchange for Warrants	—	—	93,789	9	(9)		—
Initial Public Offering of Common Stock	84,375	9	—	—	3,592,070	—	3,592,079
Private Placement of Common Warrants	—	—	—	—	1,397,998	—	1,397,998
Issuance of Warrants to Purchase Common Stock	—	—	—	—	8,828	—	8,828
Exercise of Warrants to Purchase Common Stock	15,892	2	—	—	(2)	—	—
Common Stock Exchanged for Prepaid Warrants	(1,636)	—	—	—	—	—	—
2022 Convertible Note Warrants Reclassified from Liability to Equity	—	—	—	—	1,873,000	—	1,873,000
Conversion of 2022 and 2023 Convertible Notes to Equity	190,977	19	—	—	15,278,149	—	15,278,168
Common Stock Exchanged for Prepaid Warrants - 2022 and 2023 Convertible Notes	(96,390)	(10)	—	—	10	—	—
Conversion of Whiskey Notes and Related Warrant Liabilities to Equity	147,300	15	—	—	11,784,053	—	11,784,068
Common Stock Exchanged for Prepaid Warrants - Whiskey Notes and related Warrant Liabilities	(98,459)	(10)	—	—	10	—	—
Shares Repurchased	(1)	—	—	—	(3,690)	—	(3,690)
Share-based Compensation	—	—	—	—	4,892,110	—	4,892,110
Effect of Reverse Split and Fractional Shares	1	—	—	—	—	—	—
Net Income	—	—	—	—	—	710,458	710,458
Ending Balance December 31, 2024	263,680	$ 26	494,840	$ 49	$ 74,925,710	$ (74,134,018)	$ 791,767

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

IP Strategy Holdings, Inc.
Consolidated Statements of Cash Flows

	For the Years Ended December 31,	
	2025	2024
Cash Flow Provided by / (Used in) Operating Activities		
Net Income / (Loss)	$ (137,715,315)	$ 710,458
Adjustments to Reconcile Net Income / (Loss) to Net Cash Used in Operating Activities:		
Depreciation and Amortization	1,064,100	1,284,653
Amortization of Operating Lease Right-of-Use Assets	422,792	508,156
Loss on Disposal of Property and Equipment	991,646	241,541
Restructuring Expenses	3,392,744	—
Non-cash Warrant Issued	—	8,828
Change in Fair Value of Intangible Digital Assets	118,199,949	—
Change in Fair Value of Contingency Liability	62,424	—
Impairment Loss / (Gain) on Investment	3,357,027	(3,421,222)
Gain on Extinguishment of Debt	(1,673,127)	—
Change in Fair Value of Convertible Notes	—	(14,028,067)
Change in Fair Value of Warrant Liabilities	—	(736,580)
Non-Cash Interest Expense	140,082	346,436
Non-Cash Shares in Lieu of Compensation	125,000	—
Non-Cash Share-Based Compensation	4,487,314	4,892,110
Changes in Operating Assets and Liabilities:		
Accounts Receivable	291,127	83,042
Inventory	484,791	1,409,180
Other Current Assets	646,258	(115,741)
Intangible Digital Assets	(4,716,907)	—
Other Long Term Assets	13,701	13,151
Accounts Payable	(2,999,412)	(672,348)
Other Current Liabilities	(290,115)	(1,151,329)
Operating Lease Liabilities	(445,739)	(587,891)
Other Long Term Liabilities	(1,166,813)	—
Net Cash Provided by / (Used in) Operating Activities	(15,328,473)	(11,215,623)
Cash Flow Provided by / (Used in) Investing Activities		
Purchase of Intangible Digital Assets	(21,020,000)	—
Proceeds from Sale of Financial Digital Assets	4,456,508	—
Purchase of Property and Equipment	(74,754)	(106,421)
Proceeds from Sales of Assets	118,941	—
Proceeds from Purchase of Thinking Tree Spirits	—	5,090
Net Cash Provided by / (Used in) Investing Activities	(16,519,305)	(101,331)
Cash Flow from Financing Activities		
Proceeds from PIPE Sale of Prepaid Warrants, net	30,076,924	—
Proceeds from Notes Payable (including Factoring Agreements)	—	694,914
Proceeds from Whiskey Notes (including proceeds from related party Whiskey Notes of $0 and $1,100,000 for the years ended December 31, 2025 and 2024, respectively)	—	3,655,870
Repayment of Notes Payable	(6,169,425)	(1,723,386)
Proceeds from Initial Public Offering of Common Stock, net of Underwriting Commission	—	5,960,000
Expenses related to Initial Public Offering, recorded to Additional Paid-in-Capital, net against IPO Proceeds	—	(313,467)
Proceeds from Private Placement of Common Warrants	—	1,397,998
Proceeds from Private Placement of Series A Preferred Stock and warrants	—	2,025,000
Proceeds from Private Placement of Series B Preferred Stock and Warrants	2,916,810	—
Proceeds from Warrants Exercised	355	—
Proceeds from ELOC Sales of Common Stock	4,817,234	—
Common Stock Shares Repurchased	(2,000)	(3,690)
Net Cash Provided by Financing Activities	31,639,898	11,693,239
Net Increase / (Decrease) in Cash	(207,880)	376,284
Cash – Beginning of Period	453,162	76,878
Cash – End of Period	$ 245,282	$ 453,162
Supplemental Cash Flow Information related to Interest Paid & Income Taxes Paid:		
Cash Paid during the Period for:		
Interest Expense	$ 3,620,725	$ 2,189,265
Income Tax Expense	$ 3,122	$ 1,650

Supplemental Schedule of Non-Cash Investing and Financing Activities:				
Purchase of $IP Tokens with USDC	$	59,000,184	$	—
Sale of Prepaid Warrants for $IP Tokens and USDC in PIPE Offering	$	188,357,783	$	—
Issued Warrants for Debt and Vendor Settlements	$	4,097,287	$	—
Exercise of Prepaid Warrants to Purchase Common Stock	$	11	$	—
Exercise of Common Warrants to Purchase Common Stock	$	7	$	—
Exchange of Prepaid Warrants to Purchase Common Stock for Series B Preferred Stock	$	4	$	—
Exchange of Series A Preferred Stock and Related Warrants for Series B Preferred Stock	$	42	$	—
RSUs Vested	$	275	$	—
Right-of-Use Assets Obtained / (Released) in Exchange for Operating Lease Liabilities	$	2,285,576	$	152,821
Transaction Costs Associated with S-1 Filing in Accounts Payable and Other Current Liabilities	$	—	$	1,676,494
Deferred Transaction Costs Applied Against IPO Proceeds	$	—	$	2,054,454
Common Stock Issued in Conjunction with Acquisition of Thinking Tree Spirits	$	—	$	670,686
Unpaid Property and Equipment Additions	$	—	$	204,366
Series A Preferred Stock and Warrants Issued in Exchange for Barrels and Inventory	$	—	$	1,265,600
Series A Preferred Stock and Warrants Issued in Exchange for Factoring Agreement Notes Payable Including Interest and Fees	$	—	$	719,919
Preferred Stock Issued in Exchange for Warrants	$	—	$	9
Conversion of 2022 and 2023 Convertible Notes to Equity	$	—	$	15,278,168
2022 Convertible Notes Warrants reclassified from Liability to Equity	$	—	$	1,873,000
Conversion of Whiskey Notes and Related Warrant Liabilities to Equity	$	—	$	11,784,068
Exercise of Warrants to Purchase Common Stock	$	—	$	32
Common Stock Exchanged for Prepaid Warrants (2022 and 2023 Convertible Notes)	$	—	$	193
Common Stock Exchanged for Prepaid Warrants (Whiskey Notes and Related Warrant Liabilities)	$	—	$	197
Prepaid Warrants Issued in Exchange for Common Stock	$	—	$	3

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

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 1 — DESCRIPTION OF OPERATIONS AND BASIS OF PRESENTATION

Description of operations — IP Strategy Holdings, Inc., formerly Heritage Distilling Holding Company, Inc. is a Delaware corporation, for the purpose of: investing in, managing, and/or operating cryptocurrency activities, including ecosystem validator services; and investing in, managing, and/or operating businesses that are engaged in the production, sale, or distribution of alcoholic beverages. The Company is headquartered in Gig Harbor, Washington and has two wholly owned subsidiaries, Heritage Distilling Company, Inc., a Washington corporation, and IP Strategy, LLC ("IP Strategy LLC"), a Nevada limited liability company, that are included in the consolidated financial statements.

On February 17, 2026, the Company filed a Third Amended and Restated Certificate of Incorporation to change its name from Heritage Distilling Holding Company, Inc. to IP Strategy Holdings, Inc. The names of the Company's wholly owned subsidiaries, Heritage Distilling Company, Inc. and IP Strategy, LLC, remained unchanged. See Note 19.

HDC has operated since 2011 as a craft distillery making a variety of whiskeys, vodkas, gins and rums as well as RTD beverages. HDC also operated distillery tasting rooms in Washington and Oregon. On October 23, 2025, in response to coming lease increases, recently-enacted state tax increases on small businesses and pending wage increases, the Company announced that it would close its five owned and operated tasting rooms in Washington and Oregon effective December 31, 2025, along with the transition of production to third-party contract producers beginning in the first quarter of 2026. (See Note 18 - Restructuring.) These actions, along with a significant reduction in headcount and overhead, are expected to result in significant reductions in net expenses with a resulting positive impact to net income. The elimination of in-house production and the eventual termination of leases associated with operations is also expected to greatly reduce unabsorbed overhead expense for every case of product sold, thereby greatly improving margins. The Company will continue to sell spirits through distributors and direct to consumers online, and, through its TBN sales channel, the Company will continue to work with Native American tribes to license the Heritage Distilling Company brand and the Company's products for production and sale by tribes in HDC-branded tasting rooms in or near their casino properties.

IP Strategy LLC was formed in September 2025 as a subsidiary of IP Strategy Holdings, Inc. to accumulate and hold $IP Tokens, the native cryptocurrency of the Story Network, and to house validator and related cryptocurrency operations. Under the digital currency treasury strategy adopted in 2025, the Company purchases and holds $IP Tokens for long term investment purposes.

Initial Public Offering — On November 25, 2024, the Company closed an IPO of 84,375 shares of common stock at $80 per share. Concurrently, the Company also closed a private offering of 19,110 common warrants to purchase shares of common stock with an exercise price of $0.20 per share at $79.80 per warrant. (See Note 9.)

Rebranding and Change in Ticker Symbol — In September 2025, the Company rebranded as "IP Strategy," reflecting its evolution into a public-market vehicle focused on the accumulation of $IP Tokens. In connection with the rebranding, the Company's Nasdaq ticker symbol was changed from "CASK" to "IPST" and the Company commenced trading under the new symbol at the market open on September 22, 2025.

Registration of Common Stock — On January 24, 2025, the Company filed a Form S-1 Registration Statement under the Securities Act of 1933 to register up to a maximum of 250,000 shares of common stock and 3,358 shares of common stock issuable upon the exercise of the Commitment Warrants, described below, of the up to $15,000,000 aggregate gross purchase price of shares of common stock (the "ELOC Shares") that have been or may be issued by us to the ELOC Investor pursuant to the ELOC Purchase Agreement, establishing a committed equity facility (the "Facility" or "Equity Line of Credit"). The 3,358 shares of common stock issuable to the ELOC Investor upon the exercise of a stock purchase warrant with an exercise price of $0.02 per share (the "Commitment Warrants") were issued pursuant to the ELOC Purchase Agreement that the Company and the ELOC Investor entered into in a letter agreement dated January 23, 2025 under which the ELOC Investor shall not be allowed to exercise the Commitment Warrants for a number of shares of common stock that would give it and its affiliates beneficial ownership of an amount of common stock greater than 1% of the total outstanding common stock after giving effect to such conversion. In February 2025, the ELOC Investor exercised the Commitment Warrants for $67.

On June 13, 2025, the Company filed a Form S-1 Registration Statement under the Securities Act of 1933 to register the resale of up to a maximum of an additional 500,000 ELOC Shares, for an aggregate of 750,000 ELOC Shares available under the ELOC Purchase Agreement, which was approved by the stockholders on June 24, 2025.

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 1 — DESCRIPTION OF OPERATIONS AND BASIS OF PRESENTATION (cont.)

On December 22, 2025, the Company terminated the ELOC Purchase Agreement and the Equity Line of Credit.

Private Placement of Common Stock (PIPE) — On August 15, 2025, the Company closed a PIPE offering with certain institutional and accredited investors for a private placement of an aggregate of 18,518,944 pre-funded warrants (the "Pre-Funded Warrants") to acquire shares of common stock. The purchase price for the Pre-Funded Warrants was the price of the Company's common stock of $12.086 per share less $0.002, or $12.084 per Pre-Funded Warrant, for an aggregate purchase price of $223.8 million, before deducting placement agent fees and other offering expenses. In connection with the PIPE, the Company announced its digital asset treasury reserve strategy, pursuant to which the Company plans to use $IP Tokens as its primary treasury reserve asset on an ongoing basis. (See Note 8.) As of December 31, 2025, the Company believes its current cash balances coupled with anticipated cash flow from its spirits and crypto related operating activities will be sufficient to meet its working capital requirements for at least one year from the date of the issuance of the accompanying consolidated financial statements.

Basis of Presentation — The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include the Company's wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in the consolidation process. Certain accounts relating to the prior year have been reclassified to conform to the current period's presentation. These reclassifications had no effect on the net income / (loss) or net assets as previously reported.

Stock Split — On May 11, 2024, the Board and Stockholders of the Company approved, and on May 14, 2024 the Company effected, a .57-for-1 reverse stock split. All share and per share numbers included in these financial statements as of and for all periods presented reflect the effect of that stock split unless otherwise noted. On September 18, 2025, the Stockholders approved an amendment to the Company's Certificate of Incorporation to effect a reverse stock split of the Company's common stock at a reverse stock split ratio ranging from 1:5 to 1:20, without reducing the authorized number of shares of common or preferred stock or changing the par value per share of the common stock, and to authorize the Board to determine, at its discretion, the timing of the amendment and the specific ratio of the reverse stock split, without further approval or authorization of the Company's stockholders. On October 16, 2025, the Board approved, and on November 5, 2025 the Company effected, a 1-for-20 reverse stock split. All share and per share numbers included in these financial statements as of and for all periods presented also reflect the effect of that stock split unless otherwise noted.

All share and per share numbers presented in these financial statements have been rounded individually. As a result, totals may reflect the effect of differences between: aggregating the individually rounded component numbers; and the rounding of the total of the individual component numbers. In cases where rounding occurred, the amount of the rounding difference is not material and are considered to be insignificant. The aggregate effect of rounding down fractional shares and the respective payout of paid in capital is reported in the aggregate where significant, including the consolidated statements of stockholders' equity.

Liquidity and Going Concern — The Company has experienced recurring operating losses, negative operating cash flows, and periods of negative working capital. These factors, along with the volatility in the market price of the Company's digital token holdings, represent conditions that could impact the Company's near-term liquidity if not managed appropriately.

Management has evaluated the Company's current operating plan, expected revenues, and cost structure and believes that, based on current projections, existing cash resources and anticipated cash flows from operations are sufficient to support ongoing operations and meet obligations as they come due for at least the next twelve months. These projections assume continued execution of the Company's business plan and stabilization of key revenue drivers.

A significant component of the Company's liquidity is derived from its holdings of digital tokens, the value of which is subject to market conditions and price volatility. Accordingly, the Company's liquidity position is, in part, dependent on the future market price of these tokens.

To mitigate potential liquidity constraints and maintain financial flexibility, the Company has the ability to monetize a portion of its digital token holdings. Management intends to actively monitor token market conditions and, if necessary, may sell tokens in an orderly manner to generate cash and support operations. The Company believes that this flexibility provides an additional source of liquidity that can be utilized to address potential adverse movements in token prices or other market conditions.

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 1 — DESCRIPTION OF OPERATIONS AND BASIS OF PRESENTATION (cont.)

Management will continue to evaluate its liquidity position, operating performance, and market conditions and may take additional actions, as necessary, to preserve liquidity and support the Company's strategic objectives, including the disposition of digital assets for cash. Based on the foregoing, management believes the Company will continue as a going concern for at least the next twelve months from the date of issuance of the financial statements.

Risks and Uncertainties

Intangible Digital Assets and Cryptocurrency Risks

The Company is subject to various risks including market risk, liquidity risk, and other risks related to concentration of its assets in a single asset class, $IP Tokens. Investing in $IP Tokens is currently highly speculative and volatile.

The Fair Value of the Intangible Digital Assets line item in the Company's balance sheet at December 31, 2025, calculated by reference to the principal market price in accordance with U.S. GAAP, relates primarily to the value of the $IP Tokens held by the Company and fluctuations in the price of $IP Tokens could materially and adversely affect an investment in shares of the Company's common stock. The price of $IP Tokens has a limited history. During such history, $IP Token prices have been volatile and subject to influence by many factors, including the levels of liquidity. If digital asset markets continue to experience significant price fluctuations, the Company may experience losses. Several factors may affect the price of $IP Tokens, including, but not limited to, global $IP Token supply and demand, theft of $IP Tokens from global trading platforms or vaults, failure of a custodian holding the Company's $IP Tokens, competition from other forms of digital currency or payment services, global or regional political, economic or financial conditions, and other unforeseen events and situations.

As of December 31, 2025, the fair value of intangible digital assets on the consolidated balance sheet was $91,701,203 using the then closing price per $IP Token of $1.72. Subsequent to yearend, as of March 31, 2026, the closing price per $IP Token was $0.51 and the fair value of intangible digital assets on the consolidated balance sheet would be approximately $27.2 million, or a loss of approximately $64.5 million subsequent to December 31, 2025. The Company will report the fair value of its intangible digital assets as of March 31, 2026 on the consolidated balance sheet and change in fair value of the intangible digital assets on the consolidated statement of operations as of March 31, 2026.

The $IP Tokens held by the Company are assets of the Company and the Company's stockholders have no specific rights to any specific $IP Token(s). In the event of the insolvency of the Company, its assets may be inadequate to satisfy a claim by its creditors or stockholders.

There is currently no clearing house for $IP Tokens, nor is there a central or major depository for the custody of $IP Tokens. There is a risk that some or all of the Company's $IP Tokens could be lost or stolen. There can be no assurance that any custodian of the Company's $IP Tokens will maintain adequate insurance or that such coverage will cover losses with respect to the Company's $IP Tokens. Further, transactions in $IP Tokens are irrevocable. Stolen or incorrectly transferred $IP Tokens may be irretrievable. As a result, any incorrectly executed $IP Token transactions could adversely affect an investment in the Company.

The SEC has stated that certain digital assets may be considered "securities" under the federal securities laws. The test for determining whether a particular digital asset is a "security" is complex and difficult to apply, and the outcome is difficult to predict. Public, though non-binding, statements by senior officials at the SEC in the past have indicated that the SEC did not consider Bitcoin or Ether to be securities, and does not currently consider Bitcoin to be a security. The SEC staff has also provided informal assurances via no-action letter to a handful of promoters that their digital assets are not securities. On the other hand, the SEC has brought enforcement actions against the issuers and promoters of several other digital assets on the basis that the digital assets in question are securities and has not formally or explicitly confirmed that it does not deem Ether to be a security. In June 2023, the SEC brought charges against the Digital Asset Trading Platforms Binance and Coinbase for alleged violations of a variety of securities laws. In November 2023, the SEC brought charges against the Digital Asset Trading Platform Kraken for alleged violations of a variety of securities laws. In these complaints, the SEC asserted that Solana ("SOL") is a security under the federal securities laws. In September 2024, the SEC filed an enforcement action against Mango Labs, LLC, Mango DAO, and Blockworks Foundation, and in October 2024, the SEC filed an enforcement action against Cumberland DRW, LLC, in both instances describing a number of digital assets, including SOL, as examples of "crypto assets that are offered and sold as securities."

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 1 — DESCRIPTION OF OPERATIONS AND BASIS OF PRESENTATION (cont.)

If $IP Tokens are determined to be a "security" under federal or state securities laws by the SEC or any other agency, or in a proceeding in a court of law or otherwise, it may have material adverse consequences for $IP Tokens. For example, it may become more difficult for $IP Tokens to be traded, cleared and custodied as compared to other digital assets that are not considered to be securities, which could, in turn, negatively affect the liquidity and general acceptance of $IP Tokens and cause users to migrate to other digital assets. As such, any determination that $IP Tokens are a security under federal or state securities laws may adversely affect the value of $IP Tokens and, as a result, an investment in the Company.

In addition, if $IP Tokens are in fact a security, the Company could be considered an unregistered "investment company" under the Investment Company Act of 1940, which could necessitate the Company's liquidation or delisting delisting from the exchange upon which the Company's stock is traded. In this case, the Company and any sponsors of $IP Tokens may be deemed to have participated in an illegal offering of investment company securities and there is no guarantee that the sponsor or the Company will be able to register under the Investment Company Act of 1940 at such time, or take such other actions as may be necessary to ensure the Company's activities comply with applicable law, which could force the Company to liquidate.

As with any computer network, digital asset networks are vulnerable to various kinds of attacks and disruptions. For example, on September 14, 2021, the Solana Network experienced a significant disruption, later attributed to a type of denial of service attack, and was offline for 17 hours, only returning to full functionality 24 hours later. While persons associated with Solana Labs and/or the Solana Foundation are understood to have played a key role in bringing the network back online, the broader community also played a key role, as Solana validators coordinated to upgrade and restart the network. The Solana Network subsequently experienced similar disruptions, and has been subject to multiple similar outages throughout its history. Any such similar outages in the future could have a material adverse effect on the value of $IP Tokens and an investment in the Company.

Furthermore, like any smart contract platform that utilizes bridge technology, digital assets transferred to or from other blockchains are vulnerable to certain types of exploits. For example, on February 3, 2022, hackers were able to manipulate the Wormhole bridge smart contract code which enables the transfer of certain digital assets to the Solana Network, to divert approximately 120,000 Ether from the Wormhole bridge to the attacker's Ethereum wallet. While Jump Crypto, the creators of the Wormhole bridge, replenished the stolen Ether, effectively backstopping user losses, they or other creators may not be able to do so again in the future. The development of bridges on the Solana Network is ongoing and further attacks on bridges compatible with the Solana Network could have a material adverse effect on the value of $IP Tokens and an investment in the Company.

To the extent a private key required to access an $IP Token address is lost, destroyed or otherwise compromised and no backup of the private keys are accessible, the Company may be unable to access the $IP Tokens controlled by the private key and the private key will not be capable of being restored by the Story Network. The processes by which $IP Token transactions are settled are dependent on the $IP Token peer-to-peer network, and as such, the Company is subject to operational risk. A risk also exists with respect to previously unknown technical vulnerabilities, which may adversely affect the value of $IP Tokens.

The Company relies on third-party service providers to perform certain functions essential to its operations. Any disruptions to the Company's service providers' business operations resulting from business failures, financial instability, security failures, government mandated regulation or operational problems could have an adverse impact on the Company's ability to access critical services and be disruptive to the operations of the Company.

If the Company were to liquidate a significant block of $IP Tokens in a single transaction, this may adversely impact the price per $IP Token in the market. Although substantial portions of the $IP Tokens are subject to lock-up restrictions, there could be liquidity risk if the Company were to sell a significant block of $IP Tokens.

The Company and any transaction sponsors of the $IP Tokens may be subject to various litigation, regulatory investigations, and other legal proceedings that arise in the ordinary course of business.

Global Conflict, International Relations, Tariffs and Market Reactions

Management continues to monitor the changing landscape of global conflicts, international relations and related market responses, and their potential impacts on its business. Significant among these are ongoing tariff and countervailing tariffs the United States and several countries around the world. The scale and reach of the trade war initially impacted the

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 1 — DESCRIPTION OF OPERATIONS AND BASIS OF PRESENTATION (cont.)

public markets negatively and escalated the war of words and saber rattling between the United States and its primary economic adversaries, further elevating tensions. While the Company is not directly impacted in a significant way by the tariff battles, it does continue to create ongoing uncertainty in the macro economy and could have an impact on consumers and their buying behavior. Uneasy consumers may choose to forgo making purchases that they do not deem to be essential, thereby impacting the Company's growth plans.

Inflation

The inflation rate could remain high in the foreseeable future. This could put cost pressure on the Company faster than it can raise prices on its products. In such cases the Company could lose money on products, or its margins or profits could decline. In other cases, consumers may choose to forgo making purchases that they do not deem to be essential, thereby impacting the Company's growth plans. Likewise, labor pressures could continue to increase as employees become increasingly focused on their own standard of living, putting upward labor costs on the Company before the Company has achieved some or all of its growth plans. Management continues to focus on cost containment and is monitoring the risks associated with inflation and will continue to do so for the foreseeable future.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of estimates — The presentation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, and 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. Significant estimates and assumptions reflected in these consolidated financial statements include the valuation of common stock, common stock warrants, convertible notes, warrant liabilities, and stock options. Results could differ from those estimates. Estimates are periodically reviewed due to changes in circumstances, facts, and experience. Changes in estimates are recorded in the period in which they become known.

Fair value option — As permitted under ASC Topic 825, *Financial Instruments* ("ASC Topic 825"), the Company has elected the fair value option to account for its convertible notes issued in 2022 through 2025. In accordance with ASC Topic 825, the Company records the convertible notes at fair value with changes in fair value recorded as a component of other income (expense) in the consolidated statements of operations. As a result of applying the fair value option, direct costs and fees related to the convertible notes are expensed as incurred and are not deferred. The Company concluded it is appropriate to apply the fair value option as they are liabilities not classified as a component of stockholders' equity/(deficit). In addition, the convertible notes meet all applicable criteria for electing fair value option under ASC Topic 825.

Fair value measurements — Fair value is 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. There is a hierarchy based upon the transparency of inputs used in the valuation of an asset or liability. The valuation hierarchy contains three levels:

Level 1 —	Valuation inputs are unadjusted quoted market prices for identical assets or liabilities in active markets.
Level 2 —	Valuation inputs are quoted prices for identical assets or liabilities in markets that are not active, quoted market prices for similar assets and liabilities in active markets and other observable inputs directly or indirectly related to the assets or liabilities being measured.
Level 3 —	Valuation inputs are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize observable inputs and minimize unobservable inputs.

In determining the appropriate levels, the Company analyzes the assets and liabilities measured and reported on a fair value basis. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The Company's financial instruments consist primarily of cash, accounts receivable, inventory and accounts payable. The carrying amount of such instruments approximates fair value due to their short-term nature. The carrying value of

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

long-term debt approximates fair value because of the market interest rate of the debt. The convertible notes and warrant liabilities associated with the Company's convertible promissory notes are carried at fair value, determined according to Level 3 inputs in the fair value hierarchy described above.

The Company holds USDC, a stablecoin redeemable on a one-to-one basis for U.S. dollars and issued by Circle Internet Financial, LLC and its affiliate, Circle Internet Financial Europe SAS. USDC is accounted for as a financial instrument in the consolidated financial statements. Circle Internet Financial,l LLC reported that, as of December 31, 2025, underlying reserves were held in cash, short-duration U.S. Treasuries, and overnight U.S. Treasury repurchase agreements within segregated accounts for the benefit of USDC holders.

The Company holds intangible digital assets in the form of $IP Tokens, which are measured at fair value using quoted prices in active markets and are classified as Level 1 within the fair value hierarchy. If a Level 1 input is available, it is required to be utilized as a measure of fair value without any adjustments, including those that would reflect the size of the holdings (including blockage factors). Due to the inherent volatility of cryptocurrency markets, the fair value of these assets may fluctuate significantly, which could materially impact the Company's financial position and results of operations.

The following table summarizes the Company's assets and liabilities that are subject to fair value measurement on a recurring basis and the level of inputs used for such measurement:

	As of December 31, 2025			
Asset:	Level 1	Level 2	Level 3	Total
Intangible Digital Assets	$ 91,701,203	$ —	$ —	$ 91,701,203
Total	$ 91,701,203	$ —	$ —	$ 91,701,203

During the years ended December 31, 2025 and 2024, there were no transfers between Level 1, Level 2, and Level 3.

Concentrations of credit risk — Financial instruments potentially subjecting the Company to concentrations of credit risk consist primarily of accounts receivable, accounts payable and bank demand deposits that may, from time to time, exceed FDIC insurance limits. To mitigate the risks associated with FDIC insured limits the Company recently opened an Insured Cash Swap ("ICS") service account at its primary bank. Under terms of the ICS, when the bank places funds for the Company using ICS, the deposit is sent from the Company's transaction account into deposit accounts at other ICS Network banks in amounts below the standard FDIC insured maximum of $250,000 for overnight settling. If the Company's account exceeds the FDIC limit of $250,000 at the end of the business day, funds are automatically swept out by the Company's bank and spread among partner banks in accounts, each totaling less than $250,000. This makes the Company's funds eligible for FDIC insurance protection each day. The funds are then swept back into the Company's account at the beginning of the next business day. The aggregate limit that can be protected for the Company under this program is approximately $150 million.

The Company considers the concentration of credit risk associated with its accounts receivable to be commercially reasonable and believes that such concentration does not result in the significant risk of near-term severe adverse impacts. As of December 31, 2025 and 2024, the Company had customers that individually represented 10% or more of the Company's accounts receivable. There were three and two individual customers that together represented 81% and 77% of total accounts receivable, as of December 31, 2025 and 2024, respectively. There were four and five individual customer accounts that together represented 85% and 80% of total revenue for the years ended December 31, 2025 and 2024, respectively. There were two and two individual suppliers that together represented 30% and 34% of total accounts payable, as of December 31, 2025 and 2024, respectively.

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Concentration of Revenues	For the Years Ended December 31,	
	2025	2024
Customer A	30 %	23 %
Customer B	26 %	10 %
Customer C	16 %	10 %
Customer D	— %	11 %
Customer E	— %	25 %
Customer F	13 %	— %
	85 %	79 %

Accounts receivable — Accounts receivable are reported at net realizable value. Receivables consist of amounts due from distributors. In evaluating the collectability of individual receivable balances, the Company considers several factors, including the age of the balance, the customers' historical payment history, its credit worthiness and economic trends. There was no allowance for credit losses as of December 31, 2025 and 2024.

Inventories — Inventories are stated at the lower of cost or net realizable value, with cost being determined under the weighted average method, and consist of raw materials, work-in-process, and finished goods. Costs associated with spirit production and other costs related to manufacturing of products for sale, are recorded as inventory. Work-in-process inventory is comprised of all accumulated costs of raw materials, direct labor, and manufacturing overhead to the respective stage of production. Finished goods and raw materials inventory includes the supplier cost, shipping charges, import fees, and federal excise taxes. Management routinely monitors inventory and periodically writes off damaged and unsellable inventory. There was no valuation allowance as of December 31, 2025 and 2024.

The Company holds volumes of barreled whiskey, which will not be sold within 1 year due to the duration of the aging process. Consistent with industry practices, all barreled whiskey is classified as work-in-process inventory and is included in current assets.

Goodwill — Goodwill represents the excess of the purchase price over the fair value of the net assets acquired in a business combination. Goodwill is not subject to amortization, and instead, assessed for impairment annually at the end of each fiscal year, or more frequently when events or changes in circumstances indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying amount in accordance with ASC 350 — Intangibles — Goodwill and Other.

The Company has the option to first assess qualitative factors to determine whether events or circumstances indicate it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, in which case a quantitative impairment test is not required.

As provided for by ASU 2017-04, Simplifying the Test for Goodwill Impairment, the quantitative goodwill impairment test is performed by comparing the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not impaired. An impairment loss is recognized for any excess of the carrying amount of the reporting unit over its fair value up to the amount of goodwill allocated to the reporting unit. Income tax effects from any tax-deductible goodwill on the carrying amount of the reporting unit are considered when measuring the goodwill impairment loss, if applicable.

Intangible Digital Assets — The Company holds intangible digital assets in the form of $IP Tokens,and immaterial amounts of other intangible digital assets, including ARIAIP Tokens and APL Tokens with an aggregate cost basis of $20,000 and an aggregate fair value of $9,980.as of December 31, 2025, which are accounted for in accordance with ASC 350-60. Substantially all of the digital assets are held for investment purposes. The Company does not engage in regular trading of these assets but may stake them. Intangible digital assets that are held for investment are initially recorded at cost and are subsequently remeasured to fair value at the end of each reporting period, with changes in fair value recognized in Change in Fair Value of Intangible Digital Assets in the consolidated statements of operations. Fair value is measured using quoted intangible digital asset prices within the Company's principal market at the time of measurement. The

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Company considers Coinbase to be its principal market for the valuation and reporting of digital assets, as Coinbase has the highest trading volume of $IP Tokens and is the market in which the Company transacts in $IP Tokens. Realized gains and losses on dispositions are recognized on a specific identification basis for $IP Tokens held for investment. Cash inflow from dispositions of intangible digital assets held for investment are reflected in cash flows from investing activities in the consolidated statement of cash flows.

The Company receives $IP Tokens as blockchain rewards (staking revenue) in its validator operations, with such intangible digital assets converted to cash shortly thereafter. Intangible digital assets earned in the Company's validator operations are initially recorded at the fair value of the $IP Tokens received at contract inception as an addition to intangible digital assets and in Crypto and Related Revenue in the consolidated statement of operations. The intangible digital assets are subsequently remeasured to fair value at the end of each reporting period, with changes in fair value recognized in Change in Fair Value of Intangible Digital Assets in the consolidated statements of operations. Fair value is measured using quoted intangible digital asset prices within the Company's principal market at the time of measurement. Realized revenues on disposition are recognized on a first-in-first-out basis. Cash flows from dispositions of intangible digital assets earned in the Company's validator operations are reflected in cash flows used in investing activities.

Finite-Lived Intangible Assets — Intangible assets are recorded at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets acquired through business combinations are measured at fair value at the acquisition date, and are amortized over estimated useful lives of 6 to 10 years.

Intangible assets with finite lives are comprised of customer relationships and intellectual property and are amortized over their estimated useful lives on an accelerated basis over the projected pattern of economic benefits. Finite-lived intangible assets are reviewed for impairment annually, or more frequently when events or changes in circumstances indicate that it is more likely than not that the fair value has been reduced to less than its carrying amount.

In conjunction with the Company's October 23, 2025 announced Restructuring, the Company terminated future production and sale of Thinking Tree Spirits (TTS) products. Accordingly, as of December 31, 2025, the Company wrote off the other intangible assets and goodwill related to TTS in conjunction with the Restructuring. See Note 18.

Property and equipment, net of accumulated depreciation — Property and equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets — generally 3 to 20 years. Leasehold improvements are amortized on a straight-line basis over the shorter of the asset's estimated useful life or the term of the lease. Construction in progress is related to the construction or development of property and equipment that have not yet been placed in service for their intended use. When the asset is available for use, it is transferred from construction in progress to the appropriate category of property and equipment and depreciation on the item commences.

Upon retirement or sale, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the consolidated statement of operations. Costs of maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized.

On October 23, 2025, the Company announced that it would close its five owned and operated tasting rooms in Washington and Oregon effective December 31, 2025, along with the transition of production to third-party contract producers beginning in the first quarter of 2026. Accordingly, the Company wrote off and expensed the related property and equipment, net of accumulated depreciation, as part of the related Restructuring. (See Note 18 - Restructuring.)

Leases — The Company has operating leases for corporate offices, warehouses, distilleries and tasting rooms that are accounted for under ASC 842. The Company determines if an arrangement is a lease at inception. Operating lease ROU assets represent the Company's right to use an underlying asset for the lease term and operating lease liabilities represent the Company's obligation to make lease payments arising from a lease. Operating lease ROU assets and lease liabilities are recognized at the commencement date based on the present value of the future minimum lease payments over the lease term. The Company recognizes lease expense for lease payments on a straight-line basis over the term of the lease. Operating lease ROU assets also include the impact of any lease incentives. An amendment to a lease is assessed to determine if it represents a lease modification or a separate contract. Lease modifications are reassessed as of the effective date of the modification. For modified leases, the Company also reassess the lease classification as of the modification's effective date.

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

The interest rate used to determine the present value of the future lease payments is the Company's incremental borrowing rate, because the interest rate implicit in the Company's operating leases is not readily determinable. The incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in the economic environments where the leased asset is located. The incremental borrowing rate is calculated by modeling the Company's credit rating based on its historic arm's-length secured borrowing facility and estimating an appropriate credit rating for similar secured debt instruments. The Company's calculated credit rating on secured debt instruments determines the yield curve used. In addition, an incremental credit spread is estimated and applied to reflect the Company's ability to continue as a going concern. Using the spread adjusted yield curve with a maturity equal to the remaining lease term, the Company determines the borrowing rates for all operating leases.

The Company's operating lease terms include periods under options to extend or terminate the operating lease when it is reasonably certain that the Company will exercise that option in the measurement of its operating lease ROU assets and liabilities. The Company considers contractual-based factors such as the nature and terms of the renewal or termination, asset-based factors such as the physical location of the asset and entity-based factors such as the importance of the leased asset to the Company's operations to determine the operating lease term. The Company generally uses the base, non- cancelable lease term when determining the operating lease ROU assets and lease liabilities. The ROU asset is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable in accordance with Accounting Standards Codification Topic 360, *Property, Plant, and Equipment*.

Operating lease transactions are included in operating lease ROU assets, current operating lease liabilities and operating lease liabilities, net of current portion on the consolidated balance sheets.

On October 23, 2025, the Company announced that it would close its five owned and operated tasting rooms in Washington and Oregon effective December 31, 2025, along with the transition of production to third-party contract producers beginning in the first quarter of 2026. Accordingly, the Company wrote off and expensed the related operating lease ROU assets and lease liabilities as part of the related Restructuring. (See Note 18 - Restructuring.)

Impairment of long-lived assets — All of the Company's long-lived assets held and used are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Factors that the Company considers in deciding when to perform an impairment review include: significant underperformance of the business in relation to expectations; significant negative industry or economic trends; and significant changes or planned changes in the use of the assets. When such an event occurs, future cash flows expected to result from the use of the asset and its eventual disposition is estimated. If the undiscounted expected future cash flows are less than the carrying amount of the asset, an impairment loss is recognized for the difference between the asset's fair value and its carrying value. The Company did not record any impairment losses on long-lived assets for the years ended December 31, 2025 and 2024.

Investments/Investment in Flavored Bourbon LLC — Non-marketable equity investments of privately held companies are accounted for as equity securities without readily determinable fair value at cost minus impairment, as adjusted for observable price changes in orderly transactions for identical or similar investment of the same issue pursuant to Accounting Standards Codification ("ASC") Topic 321 Investments — Equity Securities ("ASC 321") as the Company does not exert any significant influence over the operations of the investee company.

The Company performs a qualitative assessment at each reporting period considering impairment indicators to evaluate whether the investment is impaired. Impairment indicators that the Company considers include but are not limited to: i) a significant deterioration in the earnings performance, credit rating, asset quality, or business prospects of the investee, ii) a significant adverse change in the regulatory, economic, or technological environment of the investee, iii) a significant adverse change in the general market condition of either the geographical area or the industry in which the investee operates, iv) a bona fide offer to purchase, an offer by the investee to sell, or a completed auction process for the same or similar investment for an amount less than the carrying amount of that investment; and v) factors that raise significant concerns about the investee's ability to continue as a going concern, such as negative cash flows from operations, working capital deficiencies, or noncompliance with statutory capital requirements or debt covenants. If the qualitative assessment indicates that the investment is impaired, a loss is recorded equal to the difference between the fair value and carrying value of the investment.

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

As of December 31, 2025 and 2024, the Company had a 11.8% and 12.2% ownership interest in Flavored Bourbon, LLC., respectively. See also Note 5 — Payment Upon Sale of Flavored Bourbon, LLC. In January 2024, Flavored Bourbon LLC conducted a capital call, seeking to raise $12 million from current and new investors at the same valuation as the last raise (which was in 2021). The Company chose not to participate in the raise, but still retained its rights to full recovery of is capital account of $25.3 million, with the Company being guaranteed a pay out of this $25.3 million in the event the brand is sold to a third party, or the Company can block such sale. As of December 31, 2024, a total of $9,791,360 of the $12 million was raised. It is unclear if there will be an attempt to raise the remaining amount under the offering. The Company retains 11.8% ownership interest in this entity plus a 2.5% override in the waterfall of distributions. As a result of the January 2024 capital call, which was the first triggering event to perform a review of the fair value of its Investment in Flavored Bourbon, LLC since the prior transaction in 2021, in accordance with adjusting for observable price changes for similar investments of the same issuer pursuant to ASC 321 as noted above, the Company performed a qualitative assessment of its Investment in Flavored Bourbon, LLC. The Company determined that the Class E Units being offered were similar enough to the Company's investment in Class A Units (with differences including the Class A Units' liquidation preference seniority and preferential voting rights related to sale or liquidation) to trigger a reassessment of the value of the Company's Investment in Flavored Bourbon LLC, which was done using the Option Pricing Model Backsolve Valuation Method ("OPM Backsolve Valuation Method"). The Company's analysis determined the fair value of its Investment in Flavored Bourbon, LLC, should be adjusted to $14,285,000 as of June 30, 2024 from $10,864,000 recorded previously, with the resulting increase in fair value of $3,421,000 recorded as gain on increase in value of Flavored Bourbon, LLC on the consolidated statement of operations for the year ended December 31, 2024.

As of December 31, 2025 the Company evaluated qualitative impairment indicators for its non-controlling minority equity investment in Flavored Bourbon, LLC as of the measurement date. There have been no observable share sales, financing rounds, or brand-level transactions to provide direct price discovery. Therefore, the Company estimated fair value using Level 3 inputs consistent with ASC 820 (market participant assumptions).

Based on (i) reported contraction in craft spirits, (ii) the reported slowdown in overall alcohol participation and spirits supplier revenue, (iii) reported flavored whiskey category softness, (iv) continued distributor-tier consolidation and sales force reductions, (v) lack of observable marketing or sales activity for the brand for the latter half of 2025, and (vi) public-company earnings deterioration and impairment activity, management concluded the investment's carrying value exceeds fair value. Accordingly, an impairment charge of $3,357,027 was recorded, reducing the value of the investment from the previously recorded $14,285,222 down to its revised fair value of $10,928,195 as of December 31, 2025. Such fair value was derived based on a market approach and using the following unobservable inputs and assumptions:

- Craft Spirits Contraction and Reduced Capital Availability;
- Broad Spirits Slowdown and Reduced Alcohol Revenue;
- Flavored Whiskey Softness;
- RTDs as a Growth Pocket
- Three-Tier System Impairment Indicator: Distributor Stress, Consolidation, and SKU Rationalization;
- Sector-Wide Valuation Resets (Impairments, Earnings Declines, and Cost Actions);
- Retail Inventory and Shelf Pressure; and
- Tariff Effects on U.S. Spirits Consumption;

The OPM Backsolve Valuation Method (which was used in the June 30, 2024 valuation analysis) derives the implied equity value for one type of equity security from a contemporaneous transaction involving another type of security. The recent transaction involving Class E Units was utilized as the reference transaction in the OPM Backsolve Valuation Method analysis to derive a value of the Company's Class A Units. The OPM Backsolve Valuation Method analysis applies the Black-Scholes-Merton option pricing model, which is impacted by the following assumptions:

- *Expected Term*. The probability weighted expected term incorporates the Company's assumptions about the time necessary for the business to develop and position itself for a potential liquidity event.
- *Expected Volatility*. As Flavored Bourbon, LLC shares are privately held, the volatility used is based on a benchmark of comparable companies within the distilled spirits industry.

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

- *Expected Dividend Yield*. The dividend rate used is zero as Flavored Bourbon, LLC has never paid any cash dividends, and the Company does not anticipate any in the foreseeable future.
- *Risk-Free Interest Rate*. The interest rates used are based on the implied yield available on U.S. Treasury zero-coupon issues with an equivalent remaining term equal to the expected term.

The assumptions the Company used in calculating the fair value as of June 30, 2024 included: expected term of 5 years; expected volatility of 70%; expected dividends of $0; and risk-free interest rate of 4.08% (based on the 5-year T-Bill rate).

Treasury stock — Treasury stock is shares of the Company's own stock that have been issued and subsequently repurchased by the Company. Converting outstanding shares to treasury shares does not reduce the number of shares issued but does reduce the number of shares outstanding. These shares are not eligible to receive dividends.

The Company accounts for treasury stock under the cost method. Upon the retirement of treasury shares, the Company deducts the par value of the retired treasury shares from common stock and allocates the excess of cost over par value as a deduction to additional paid-in capital based on the pro-rata portion of additional paid-in-capital, and the remaining excess as an increase to accumulated deficit. Retired treasury shares revert to the status of authorized but unissued shares. All shares repurchased to date have been retired. For the years ended December 31, 2025 and 2024, the Company repurchased 0 and 1 shares of common stock at a price of $0.00, and $3,157.80 per share, respectively.

Revenue recognition — The Company determines revenue recognition from contracts with customers through the following steps:

- Identification of the contract, or contracts, with the customer;
- Identification of the performance obligation in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contracts; and
- Recognition of the revenue when, or as, the Company satisfies a performance obligation.

Revenue is recognized when control of the promised goods or services is transferred to the customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

Crypto and Related Business Revenue

Blockchain rewards-validator business from staking tokens — The Company operates multiple validator nodes on the Story Network and earns $IP Tokens as rewards and commission income for validating transactions and maintaining network security. These activities include both self-staking (using the Company's own tokens) and providing validation services to the Story Network on behalf of third-party delegators. Validator services were tested in early September and were fully functional as of September 18, 2025.

The Company earns commission income and staking rewards in the form of $IP Tokens from validator operations. A contract with enforceable rights and obligations exists when the Company stakes its tokens to the validator and starts solving blocks on the Story blockchain, which is the customer by analogy. Each block creation or validation is a performance obligation. Revenue is recognized at the point when the block creation or validation is complete and the rewards are transferred into a digital wallet that the Company controls. Revenue is measured based on the number of tokens received, which is a variable consideration resolved at the conclusion of each epoch, and the fair value of the token at contract inception. The Company considers itself the principal in transactions with the blockchain networks, and therefore presents such blockchain rewards earned on a gross basis. $IP Tokens could be staked by third party delegators, with the Company performing validation services. In such arrangements, because the Company is providing the validation service to the Story Network on behalf of the third party delegators, the Company recognizes revenue on a gross basis.

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Spirits Business

The Company's Spirits business revenue consists primarily of the sale of spirits domestically in the United States. Customers consist primarily of direct consumers. The Company's revenue generating activities have a single performance obligation and are recognized at the point in time when control transfers and the obligation has been fulfilled, which is when the related goods are shipped or delivered to the customer, depending upon the method of distribution and shipping terms. Revenue is measured as the amount of consideration the Company expects to receive in exchange for the sale of a product. Revenue is recognized net of any taxes collected from customers, which are subsequently remitted to governmental authorities. Sales terms do not allow for a right of return unless the product is damaged. Historically, returns have not been material to the Company. Amounts billed to customers for shipping and handling are included in sales. The results of operations are affected by economic conditions, which can vary significantly by time of year and can be impacted by the consumer disposable income levels and spending habits.

Direct to Consumer — In 2025 the Company sold its spirits and other merchandise directly to consumers via two channel, its five owned and operated Heritage Distilling branded tasting rooms, which were closed December 31, 2025 (See Note 18 - Restructuring), and through the internet (e-commerce).

Retail sales in tasting rooms were paid for at the time of sale once the transactions with the customer were completed. At that point the Company transferred control and recognized revenue for the spirits and merchandise when the product was received by the customer in the tasting rooms. ECommerce sales occur through a third party retailer who acquire our products from a wholesaler or clearing agent depending on the state they are in. We recognize the revenue when we ship our product to the wholesaler or clearing house and we are typically paid on 30 to 45 day terms.

The Company periodically offers discounts on spirits sales made through the internet. All discounts are recorded as a reduction of retail product revenue.

Wholesale — The Company sells its spirits to wholesale distributors under purchase orders. The Company transfers control and recognizes revenue for these orders upon shipment of the spirits from the Company's warehouse facilities. Payment terms to wholesale distributors typically range from 30 to 45 days. The Company pays depletion allowances to its wholesale distributors based on their sales to their customers which are recorded as a reduction of wholesale product revenue. The Company also pays certain incentives to distributors which are reflected net within revenues as variable consideration. The total amount of depletion allowances and sales incentives for years ended December 31, 2025 and 2024 were $20,279 and $54,030, respectively.

Third Party — The Company produces and sells barreled spirits to Third Party customers who either hold them for investment or who have a plan to use the product in the future once the spirits are finished aging. Third Party Barreled Spirits are paid with a deposit up front, with the remainder billed at the time of completion when the finished spirits are then produced and supplied to the customer. In most cases, the barrels are stored during aging for the customer at a fee. As of December 31, 2025 and 2024, the Company had deferred revenues of $89,058 and $100,099, respectively, included in other current liabilities within the consolidated balance sheets. These performance obligations are expected to be satisfied within one year.

Service revenue — Represents fees for distinct value-added services that the Company provides to third parties, which may include production, bottling, marketing consulting and other services aimed at growing and improving brands and sales. Revenue is billed monthly and earned and recognized over-time as the agreed upon services are completed. The Company recorded $968,935 and $1,787,554 in service revenue in the consolidated statements of operations for the years ended December 31, 2025 and 2024, respectively. There is no contractually committed service revenue that would give rise to an unsatisfied performance obligation at the end of each reporting period.

Substantially all revenue is recognized from sales of goods or services transferred when contract performance obligations are met. As such, the accompanying consolidated financial statements present financial information in a format which does not further disaggregate revenue, as there are no significant variations in economic factors affecting the nature, amount, timing, and uncertainty of cash flows.

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

The following table presents revenue disaggregated by sales channel:

	For the Years Ended December 31,	
	2025	2024
Crypto and Related Revenue	$ 4,951,565	$ —
Direct to Consumer	$ 2,958,081	$ 3,899,493
Wholesale	1,240,806	1,595,553
Third Party	—	1,119,887
Total Spirits Products Revenue	4,198,887	6,614,933
Spirits Services	968,935	1,787,555
Total Spirits Revenue from Contracts with Customers	$ 5,167,822	$ 8,402,488
Total Revenue	$ 10,119,387	$ 8,402,488

Excise taxes — Excise taxes are levied on alcoholic beverages by governmental agencies. For imported alcoholic beverages, excise taxes are levied at the time of removal from the port of entry and are payable to the U.S. Customs and Boarder Protection (the "CBP"). For domestically produced alcoholic beverages, excise taxes are levied at the time of removal from a bonded production site and are payable to the TTB. These taxes are not collected from customers but are instead the responsibilities of the Company. The Company's accounting policy is to include excise taxes in "Cost of Revenue" within the consolidated statements of operations, which totaled $223,866 and $232,073 for the years ended December 31, 2025 and 2024, respectively.

Shipping and handling costs — Shipping and handling costs of $193,432 and $248,005 were included in "Cost of Revenue" within the consolidated statements of operations for the years ended December 31, 2025 and 2024, respectively.

Stock-based compensation — The Company measures compensation for all stock-based awards at fair value on the grant date and recognizes compensation expense over the service period on a straight-line basis for awards expected to vest.

The fair value of stock options granted is estimated on the grant date using the Black-Scholes option pricing model. The Company uses a third-party valuation firm to assist in calculating the fair value of the Company's stock options. This valuation model requires the Company to make assumptions and judgment about the variables used in the calculation, including the volatility of the Company's common stock and assumed risk-free interest rate, expected years until liquidity, and discount for lack of marketability. Forfeitures are accounted for and are recognized in calculating net expense in the period in which they occur. Stock-based compensation from vested stock options, whether forfeited or not, is not reversed.

During the years ended December 31, 2025 and 2024, the Company did not grant any stock option awards. The Company has not granted any stock options since 2019, when the Company's 2018 Plan was terminated in favor of the 2019 Plan, under which, the Company has granted restricted stock units. See Note 9. Upon the closing of the Company's initial public offering (which occurred on November 25, 2024), the 2024 Equity Incentive Plan, as amended (the "2024 Plan") became effective, authorizing the issuance of up to 125,000 shares of common stock. On June 24, 2025, the stockholders approved an increase in the number of shares authorized for issuance under the 2024 Plan up to 250,000 shares of common stock. On September 18, 2025, the stockholders approved an increase in the number of shares authorized for issuance under the 2024 Plan up to 1,750,000 shares of common stock. As of December 31, 2025, the Company had made grants of 643,632 shares of common stock under the 2024 Plan, and 1,106,368 shares remained authorized for grant.

Stock option awards generally vest on time-based vesting schedules. Stock-based compensation expense is recognized based on the value of the portion of stock-based payment awards that is ultimately expected to vest and become exercisable during the period. The Company recognizes compensation expense for all stock-based payment awards made to employees, directors, and non-employees using a straight-line method, generally over a service period of four years.

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

In the past the Company granted stock options to purchase common stock with exercise prices equal to the value of the underlying stock, as determined by the Company's Board of Directors on the date the equity award was granted.

Stock option awards generally vest on time-based vesting schedules. Stock-based compensation expense is recognized based on the value of the portion of stock-based payment awards that is ultimately expected to vest and become exercisable during the period. The Company recognizes compensation expense for all stock-based payment awards made to employees, directors, and non-employees using a straight-line method, generally over a service period of four years.

Advertising — The Company expenses costs relating to advertising either as costs are incurred or the first time the advertising takes place. Advertising expenses totaled $337,679 and $427,398 for the years ended December 31, 2025 and 2024, respectively and were included in "Sales and marketing" in the consolidated statements of operations.

Income taxes — The Company follows the FASB Accounting Standards Codification 740, "*Income Taxes*" for establishing and classifying any tax provisions for uncertain tax positions. The Company's policy is to recognize and include accrued interest and penalties related to unrecognized tax benefits as a component of income tax expenses. The Company is not aware of any entity level uncertain tax positions.

Income taxes are accounted for under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and the tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in operations in the period that includes the enacted date.

On July 4, 2025, the One Big Beautiful Bill Act ("OBBBA") was enacted in the U.S. The OBBBA includes significant tax related provisions, such as the permanent extension of certain expiring provisions of the Tax Cuts and Jobs Act of 2017 (Tax Act), modifications to the international tax framework, and the restoration of favorable tax treatment for certain business provisions. The OBBBA has multiple effective dates with the earliest provisions taking effect in fiscal 2025 and others beginning in fiscal 2026 and beyond. ASC 740, "Income Taxes", requires the effects of changes in tax rates and laws on deferred tax balances to be recognized in the period in which the legislation is enacted. The Company reflected the impact in our deferred balances for the year ended December 31, 2025, and will monitor future effects as new guidance emerges.

Net income / (loss) per share attributable to common stockholders — The Company computed basic net income / (loss) per share attributable to common stockholders by dividing net income / (loss) attributable to common stockholders by the weighted-average number of common stock outstanding for the period, without consideration for potentially dilutive securities. The Company computes diluted net income / (loss) per common share after giving consideration to all potentially dilutive common stock, including stock options, RSU awards, and warrants to purchase common stock outstanding during the period determined using the treasury-stock method as well as the convertible notes outstanding during the period determined using the if-converted method, except where the effect of including such securities would be antidilutive.

Reclassification — Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements. These reclassifications had no effect on the previously reported net income / (loss).

Segment Information — Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker ("CODM"), or decision–making group, in deciding how to allocate resources and assess performance. The Company's CODM is the Chief Executive Officer. The Company operates as two operating segments and uses net income as measures of profit or loss on a consolidated basis in making decisions regarding resource allocation and performance assessment. Additionally, the Company's CODM regularly reviews the Company's expenses on a consolidated basis. The financial metrics used by the CODM help make key operating decisions, such as allocation of budgets between the following significant segment expenses: cost of revenues; general and administrative; and research and development expenses.

Recent accounting pronouncements — In December 2023, the FASB issued Accounting Standards Update ("ASU") No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. ASU 2023-09 requires

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

entities to disclose specific rate reconciliations, amount of income taxes separated by federal and individual jurisdiction, and the amount of income/(loss) from continuing operations before income tax expense (benefit) disaggregated between federal, state, and foreign. The new standard is effective for the Company for its annual periods beginning January 1, 2025, with early adoption permitted. The Company adopted this standard prospectively during 2025.

In November 2024, the FASB issued ASU 2024-03, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses ("ASU 2024-03"), and in January 2025, the FASB issued ASU 2025-01, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date ("ASU 2025-01"). ASU 2024-03 requires additional disclosure of the nature of expenses included in the income statement as well as disclosures about specific types of expenses included in the expense captions presented in the statement of operations. ASU 2024-03, as clarified by ASU 2025-01, is effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating the impact these standards will have on it financial statements.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which require public entities, on an annual basis, to provide disclosure of specific categories in the rate reconciliation, as well as disclosure of income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company adopted ASU 2023-09 for the year ended December 31, 2025, and applied the new disclosure requirements.

NOTE 3 — INVENTORIES

Inventories consisted of the following:

	As of December 31,	
	2025	**2024**
Finished Goods	$ 326,131	$ 461,254
Work-in-Process	862,239	936,181
Raw Materials	454,650	1,074,132
Total Inventory	$ 1,643,020	$ 2,471,567

NOTE 4 — PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

	Estimated Useful Lives (in years)	**December 31 2025**	**December 31, 2024**
Machinery and Equipment	5 to 20	$ 2,739,210	$ 3,478,062
Leasehold Improvements	Lease term	478,787	6,930,585
Computer and Office Equipment	3 to 10	1,702,294	2,460,632
Vehicles	5	272,560	274,559
Construction in Progress	N/A	—	84,957
Total Property and Equipment		5,192,851	13,228,795
Less: Accumulated Depreciation		(3,954,189)	(7,779,383)
Property and Equipment, net of Accumulated Depreciation		$ 1,238,662	$ 5,449,412

Depreciation expense related to property and equipment for the years ended December 31, 2025 and 2024 was $1,064,100 and $1,284,653 respectively.

On October 23, 2025, the Company announced the Restructuring. As of December 31, 2025 the Company retired and expensed $2,146,790 of: property, plant and equipment, net, and terminated leases. The net loss and other related expenses are reflected as part of Restructuring. See Note 18.

NOTE 5 — CONVERTIBLE NOTES

Increased Authorized Capital for Convertible Notes

On October 30, 2023, the Company's Board of Directors and stockholders took certain actions and approved Amendments to the Company's certificate of incorporation and bylaws in preparation for a planned initial public offering (the "Actions and Amendments"). These Actions and Amendments, among other things: increased the Company's authorized capital from 3,000,000 shares to 10,000,000 shares, including 9,500,000 shares of common stock and 500,000 shares of Founders Common Stock (which Founders Common Stock has four votes per share). On April 1, 2024, the Company filed a second amendment to its amended and restated certificate of incorporation to increase authorized capital to 70,000,000 shares. Upon approval of the October 30, 2023 increase in authorized shares, the 2022 and 2023 Convertible Notes were exchanged (upon the effectiveness of the Company's IPO on November 25, 2024) for 165,607 additional shares of common stock and 25,369 prepaid warrants; The actual unconditional exchange of the 2022 and 2023 Convertible Notes and reclassification of the aggregate September 30, 2024 fair value of $18,482,353 in 2022 and 2023 Convertible Notes to equity (of Common Stock Par Value and Paid-in-capital of $331 and ,$18,482,022, respectively) under the terms of the Subscription Exchange Agreement occurred on November 25, 2024 upon the effectiveness of the Company's anticipated IPO, which was the remaining prerequisite for the unconditional exchange of the 2022 and 2023 Convertible Notes for equity. Until such time, the Convertible Notes were recorded on the balance sheet and the change in their fair value was recognized as Other Income/(Expense) in the Statement of Operations.

2020 Convertible Promissory Note

In March and August 2020, the Company issued multiple unsecured convertible promissory notes with an aggregate principal sum of $1,120,000 with a maturity date of December 31, 2021. The outstanding amounts plus accrued and unpaid interest could be converted into shares of common stock at the conversion price. Unless earlier converted into shares, the August 2020 notes could automatically convert if upon the closing of a private offering of common stock or one of its subsidiaries of at least $5,000,000, the note plus any accrued and unpaid interest could automatically convert into common stock at the lesser of $2,864, or a 20% discount off the price per share of common stock sold in private offering. In 2023, all but one of the notes were converted into shares of the Company at a discounted conversion price of $1,500 per share. As of December 31, 2023, the Company had one investor that did not elect to convert, with a convertible note balance of $450,000 and accrued interest of $49,425. This remaining note plus accrued interest were paid in full in 2024.

2022 Convertible Promissory Notes

During April 2022 through December 2022, the Company issued multiple unsecured convertible promissory notes (the "2022 Convertible Notes") with aggregate net cash proceeds of approximately $10,740,000 and aggregate principal sum of $14,599,523 to various new and existing investors, including $4,675,000 in cash proceeds and $6,311,250 in principal to a related party (See Note 15). In February 2023, the Company issued one convertible note to an existing investor under the terms of the 2022 Convertible Notes with net cash proceeds of $260,000 and a principal sum of $351,000. In May 2023, the Company agreed with one investor to transfer their 2022 Convertible Note with a principal sum of $135,000 to instead be included under their 2025 Round 3 Note (for a total Round 3 Note of $2,160,000 for said investor). As of December 31, 2025, the cash proceeds and principal sum of the 2022 Convertible Notes totaled $10,900,000 and $14,815,523, respectively, including $4,675,000 of cash proceeds and $6,311,250 of principal to a related party. The 2022 Convertible Notes have a maturity date of July 31, 2024. The 2022 Convertible Notes were convertible, in whole or in part, into shares of common stock at a conversion price of $3,157.80 per share at the option of the convertible noteholders, at any time and from time to time. If the Company were to complete an IPO or a merger with a SPAC (a "deSpac merger"), the unpaid and accrued balances of the 2022 Convertible Notes and the associated interest would have converted into common stock at a discounted conversion price from either the price per share at which common stock was sold in the IPO or the redemption price per share under a deSPAC merger. The 2022 Convertible Notes also contained certain other covenants that, among other things, imposed certain restrictions on indebtedness and investments. The 2022 Convertible Notes were to be used for general corporate purposes, including working capital needs, capital expenditures, and the share repurchase program. In October and November 2023, the holders of the 2022 Convertible Notes agreed to exchange the convertible notes and accrued interest under the mandatory conversion provision of the 2022 Convertible Notes, for common stock of the Company. (See below.)

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 5 — CONVERTIBLE NOTES (cont.)

2023 Convertible Promissory Notes

Beginning in March 2023 through August 2023, the Company issued multiple convertible promissory notes (collectively the "2023 Convertible Notes") with various terms to various new and existing investors with aggregate net cash proceeds of $5,330,000 and aggregate principal sum of $7,230,500 (of which $2,950,000 in cash proceeds and $3,982,500 in principal was from a related party). In October and November 2023, the holders of the 2023 Convertible Notes agreed to exchange the convertible notes and accrued interest for common stock and prepaid warrants to purchase common stock of the Company. (See below.)

Exchange of 2022 and 2023 Convertible Promissory Notes

In October 2023 the holders of the 2022 and 2023 Convertible Notes entered into a Subscription Exchange Agreement to exchange into equity the value of their 2022 and 2023 Convertible Notes with all accrued interest and fees through, and effective as of, June 30, 2023. In October 2023, in accordance with the Subscription Exchange Agreement, and upon approval of an increase in authorized capital to accommodate such exchange, a then aggregate fair value of $33,849,109 in convertible notes was exchanged (contingent upon the consummation of the Company's initial public offering, which occurred on November 25, 2024) for an aggregate of 165,607 shares of common stock (with a then aggregate fair value of $30,344,094 as of September 30, 2023 and a principal amount of $24,795,755, including accrued interest) and 25,369 prepaid warrants to purchase common stock (with a then fair value of $3,505,015 as of September 30, 2023 and a principal amount of $1,714,574, including accrued interest).

As of November 25, 2024, the fair value of the Convertible Notes that were issued in 2022 and 2023 and were exchanged in October and November 2023 for a fixed number of shares of common stock and prepaid warrants, was revalued and was reclassified from a liability to equity in the amount of $15,278,168 (including $6,870,236 of a related party's holdings) (representing the 165,607 shares (including 85,877 of a related party's holdings) of common stock and 25,369 prepaid warrants for which the Convertible Notes were exchanged multiplied by the price per share of common stock of $80 in the Company's November 25, 2024 initial public offering, with the remaining $21,005,723 recorded as a gain for the decrease in fair value of those Convertible Notes for the period from December 31, 2024 to the date of the Company's Initial public offering (November 25, 2024), which is the date on which the contingent treatment of the liability associated with such convertible notes was relieved and they were reclassified to equity.

The aggregate fair value of the exchanged notes was reclassified from Convertible Notes to equity under the terms of the Subscription Exchange Agreement that had a true up provision in the event the eventual IPO price was higher or lower than the conversion rate of $263.20 per share stated in the document. Under the terms of the Subscription Exchange Agreement, the true up provision was eliminated and the strike price of the warrants related to the 2022 Convertible Notes was fixed at a negotiated fixed, non-adjustable rate of $120 per share. If the Company had not listed the common stock on a national or international securities exchange by February 28, 2025 (which date was amended from October 31, 2024 previously), the Holder would have had the right to exchange the common sock issued under the Subscription Exchange Agreement for promissory notes (the "New Notes") on terms substantially similar to the Notes exchanged (contingent upon the consummation of the Company's initial public offering) in October 2023. When the Subscription Exchange Agreement was executed, the Company did not have enough shares of common stock in the authorized capital account to accommodate all shares due. The Note Holders agreed to waive any requirement of the Company to have enough shares in the authorized capital account to account for the exchange for common stock and prepaid warrants.

Payment Upon Sale of Flavored Bourbon, LLC

Under the terms of the 2022 and 2023 Convertible Promissory Notes' Securities Purchase Agreements, upon the sale of the Flavored Bourbon brand to an arm's length third party and the receipt by the Company of any proceeds due to it from such brand sale, the holders of the 2022 and 2023 Convertible Promissory Notes shall receive a one-time payment in an amount equal to 150% of their original subscription amount. Such payment shall be in addition to any other amounts otherwise due and shall survive the conversion or repayment of the 2022 and 2023 Convertible Promissory Notes. Accordingly, the $10,900,000 in 2022 Convertible Promissory Notes subscriptions and $5,430,000 in 2023 Convertible Promissory Notes subscriptions will be due an aggregate of $24,495,000 upon the sale of Flavored Bourbon, LLC to an arm's length third party.

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 5 — CONVERTIBLE NOTES (cont.)

2025 Series — Convertible Whiskey Special Ops 2023 Notes

In September 2023, the Company opened a $5,000,000 Round of convertible notes with a 12.5% interest rate and an August 29, 2026 maturity date (the "Whiskey Special Ops 2023 Notes" or the "Whiskey Notes"). In March 2024 , the Round was increased to $10,000,000.

As of November 25, 2024 and December 31, 2024, the Company had: $8,526,245 and $2,975,000, respectively in outstanding principal; and $6,630,870 and $2,975,000, respectively, from proceeds of Whiskey Special Ops 2023 Notes (of which, $3,247,425 and $800,000, respectively, in principal, and $2,233,000 and $800,000, respectively, of proceeds was with a related party); and a fair value for the related Warrant Liability of $0 and $1,512,692, respectively, (of which $0 and $406,774, respectively, in fair value was with a related party). The Whiskey Special Ops 2023 Notes include warrant coverage equal to the Subscription Amount actually paid by the holder pursuant to the Securities Purchase Agreement, divided by the Exercise Price, as defined as the price per share of the Company's assumed IPO or, in the event the Company had not consummated the IPO, $10 per share. Total warrants outstanding calculated using the IPO price of $80 per share as of November 25, 2024 was 82,885 (of which 27,912 was to a related party), with the Whiskey Special Ops 2023 Notes and their related warrants having been exchanged for common stock (and prepaid warrants) effective upon the Company's November 25, 2024 IPO (see details below), leaving 0 related warrants outstanding subsequent to November 25, 2024. The warrants included a mandatory cashless exercise provision whereby any warrants not previously exercised, would have automatically cashlessly exercised, beginning on the third anniversary of their issuance date, on any trading day that the 20-day VWAP of the common stock equaled or exceeded a price per share equal to or greater than 125% of the exercise price of the warrant.

The Company had agreed to make royalty payments on the Whiskey Special Ops 2023 Notes at the rate of $10 per bottle of a new product offering of Special Forces labelled spirits. As of December 31, 2024, the Company had sold 20,608 bottles of the new product offering of Special Forces labelled spirits, representing approximately $1,635,458 in retail shelf value. These royalties were eliminated in conjunction with the April 2024 exchange of the Whiskey Notes and related Warrants into common stock (upon the Company's initial public offering, which occurred on November 25, 2024).

The outstanding balance of the Whiskey Special Ops 2023 Notes and accrued interest could have, in whole or part, been converted into common stock prior to maturity at the option of the holder so long as the price per share was equal to or greater than the original IPO price. Any principal and accrued interest remaining outstanding upon maturity would have been mandatorily converted into common stock of the Company at the rate of $1.25 per $1.00 of outstanding principal and accrued interest at a price per share equal to the then market price per share, but in no case less than 80% of the Company's original IPO price.

Exchange of Convertible Whiskey Special Ops 2023 Notes

In April 2024, the holders of Whiskey Notes (including 37,795 related Warrants based on a $100 per share exercise price) agreed to exchange for common stock (and prepaid warrants). The then outstanding $23,311,063 in aggregate fair value, (including $8,723,321 which was with a related party); $8,678,433 of principal amount, including accrued interest (including $3,247,425 which was with a related party); $6,630,870 of proceeds, (of which $2,233,000 was with a related party) of the Whiskey Notes and related Warrants (Warrant Liability), in accordance with a Subscription Exchange Agreement, exchanged (contingent upon the consummation of the Company's initial public offering, which occurred on November 25, 2024) for a total of 119,954 shares of common stock and 27,346 prepaid warrants to purchase common stock (of which 60,189 shares were with a related party). Such prepaid warrants will be eligible for exercise without the payment of additional consideration (except the $0.02 per share exercise price) at any time that the respective holder beneficially owns a number of shares of common stock that is less than 4.99% of the Company's outstanding shares of common stock for a number of shares that would cause the holder to beneficially own up to 4.99% of the Company's outstanding shares of common stock, and having no expiration date.

Upon the effectiveness of the Company's initial public offering (on November 25, 2024, the fair value of such convertible promissory notes and related warrant liabilities decreased and was reclassified from a liability to equity in the aggregate amount of $11,784,068 (representing the 119,954 shares of common stock and 27,346 prepaid warrants for which the Convertible Notes were exchanged multiplied by the $80 price per share of common stock in the Company's November 25, 2024 initial public offering, with the remaining $5,162,944 recorded as a gain for the decrease in fair value of those convertible notes and related warrant liabilities for the period from December 31, 2024 to the date of the

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 5 — CONVERTIBLE NOTES (cont.)

Company's initial public offering (November 25, 2024), which is the date on which the contingent treatment of the liability associated with such convertible notes was relieved and they were reclassified to equity.

The aggregate fair value of the exchanged Whiskey Notes and related Warrants were reclassified from liabilities to equity under the terms of the Subscription Exchange Agreement (when the common stock and prepaid warrants were unconditionally issued in exchange for the Whiskey Notes and related Warrants) upon the closing of the Company's IPO (which occurred on November 25, 2024) — which was the remaining prerequisite for the unconditional exchange of the Whiskey Notes and related Warrants for equity, at which time, the value of the shares and prepaid warrants was recorded as common stock at the IPO price (of $80 per share), and the remaining fair value of the Convertible Notes was recognized as a gain in Change in Value of Convertible Notes on the Company's consolidated statement of operations. (Calculated using the IPO price of $80 per share.) Until such a time, the Whiskey Notes and related Warrant Liabilities remained on the Company's balance sheet, and the change in their fair values also continued to be recognized as Other Income/(Expense) in the Company's Statement of Operations.

There were no Convertible Notes outstanding as of December 31, 2025 or 2024.

NOTE 6 — BORROWINGS

Borrowings of the Company, not including the Convertible Notes discussed in Note 5, consisted of the following:

	December 31, 2025	December 31, 2024
Silverview Loan	$ —	$ 10,682,438
PPP Loan	2,269,456	2,269,456
COVID19 TTS Loan	22,354	39,247
City of Eugene	283,030	389,875
2023 Channel Partners Loan	—	—
Total Notes Payable	2,574,840	13,381,016
Less: Debt Issuance Costs	—	(140,082)
	$ 2,574,840	$ 13,240,934

In March and September 2021, the Company executed a secured term loan agreement and an amendment with Silverview Credit Partners, L.P. (the "Silverview Loan") for an aggregate borrowing capacity of $15,000,000.

As of December 31, 2025 and 2024, the outstanding balance of the Silverview Loan was $0 and $10,682,438, respectively.

In July 2025, the Company negotiated terms with the Silverview Loan secured notes payable creditor, whereby upon closing the August 15, 2025 PIPE transaction, in settlement of the then-outstanding balance due of $12,666,439, the Company paid Silverview a total of $7,092,188 in cash and 200,000 warrants (with a value of $2,963,624) in exchange for the entire loan amount being considered to be paid in full. The remaining $2,610,627 balance that was otherwise due was recognized by the Company as a gain on settlement and was included as Extinguishment of Debt expense in the September 30, 2025 statement of operations.

In April 2020, the Company was granted a loan under the Paycheck Protection Program offered by the Small Business Administration under the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), section 7(a)(36) of the Small Business Act for $3,776,100. The proceeds from the PPP loan may only be used to retain workers and maintain payroll or make mortgage interest, lease and utility payments and all or a portion of the loan may be forgiven if the proceeds are used in accordance with the terms of the program within the 8 or 24-week measurement period. The loan terms require the principal balance and 1% interest to be paid back within two years of the date of the note. In June 2021, the Company's bank approved forgiveness of the loan of $3,776,100. During the year ended of December 31, 2022, the forgiveness was partially rescinded by the SBA and the Company recognized $1,506,644 as other income in the consolidated statements of operations, resulting in $2,269,456 in debt. Under the terms of the PPP loan, the Company has

NOTE 6 — BORROWINGS (cont.)

also recorded interest on the PPP loan at the rate of 1%, for a total of $22,700 and $22,700 as of December 31, 2025 and 2024, respectively. The Company is currently in the process of disputing a portion if not all of the difference. The terms of the agreement state that the Company has 18-24 months to repay the PPP loan.

In January 2022, the Company entered into an unsecured business loan and security agreement with Channel Partners Capital, LLC (the "2022 Channel Partners Loan") for an aggregate borrowing capacity of $250,000. The 2022 Channel Partners Loan matured on June 26, 2023 and accrued interest at a fixed rate of 13.982%. Principal of $16,528 plus interest was payable monthly. The Company had an option to prepay the 2022 Channel Partners Loan with a prepayment discount of 5.0%. As of both December 31, 2025 and 2024, the outstanding balance of the 2022 Channel Partners Loan was $0. In 2023, the Company entered into a new secured business loan and security agreement with Channel Partners Capital, LLC (the "2023 Channel Partners Loan") for an aggregate borrowing capacity of $250,000, of which $47,104 of proceeds was used to pay off the 2022 Channel Partners Loan. The 2023 Channel Partners Loan matured and was paid off in full on October 5, 2024. During its term the 2023 Channel Partners Loan accrued interest at a fixed rate of 13.34%, and had payments of $16,944, principal plus interest was payable monthly. The Company had an option to prepay the 2023 Channel Partners Loan with a prepayment discount of 5.0%. As of both December 31, 2025 and 2024, the outstanding balance of the 2023 Channel Partners Loan was $0.

In February 2024, the Company acquired the debt of Thinking Tree Spirits with City of Eugene in the amount of $389,875. The City of Eugene loan will mature on May 1. 2028 with an interest rate of 0% through July 31, 2025, beginning August 1, 2025 the City of Eugene loan begins accruing interest at the rate of 5%. Monthly payments are scheduled to begin September 1, 2025 in the amount of $6,714, including accrued interest. As of December 31, 2025, the balance of the City of Eugene loan was $283,030 and is unsecured.

In May 2024, the Company raised $100,000 under the terms of an accounts receivable factoring arrangement with a related party. (See Note 15.)

As of July 1, 2024, the Company raised an additional aggregate of $299,667 between two separate investors under the terms of a July 1, 2024 accounts receivable factoring arrangement, including $166,667 from the related party. The Company issued an aggregate of 3,327 five year warrants to purchase common stock at $120 per share in conjunction with the July 1, 2024 accounts receivable factoring agreements. (See Note 15.)

In August 2024, the aggregate of $399,667 received from the two separate investors under the terms of the May 2024 and July 2024 factoring agreements, including accrued fees and 3,327 related warrants was exchanged for an aggregate of 44,291 shares of Series A Preferred Stock and 999 warrants to purchase shares of common stock at the lesser of $100 per share or the price per share at which the common stock is sold in the Company's initial public offering. (Including $266,667 received from a related party, which was exchanged for 29,661 shares of Series A Preferred Stock, and 666 warrants.) Upon the November 25, 2024 initial public offering at $80 per share, the 999 warrants at $100 per share were recalculated and reissued as 1,248 warrants at $80 per share (and the 666 related party warrants at $100 per share were recalculated and reissued as 833 warrants at $80 per share). (See Note 15.)

In July 2024, the Company raised an additional $250,000 from an investor under the terms of a July 2024 accounts receivable factoring arrangement. The Company issued 83,333 five year warrants to purchase common stock at $6 per share in conjunction with the July 2024 accounts receivable factoring arrangement (which remain outstanding). As of September 2024, the Company recorded a total liability of $277,000 (including $27,000 of fees) related to this July 2024 factoring agreement, which was exchanged for 27,700 shares of Series A Preferred Stock, including 625 warrants to purchase shares of common stock at the lesser of $100 per share or the price per share at which the common stock is sold in the Company's initial public offering. Upon the November 25, 2024 initial public offering at $80 per share, the 625 warrants at $100 per share were recalculated and reissued as 781 warrants at $80 per share.

As of December 31, 2025, the principal repayments of the Company's debt measured on an amortized basis of $2,574,840 will be due within five years from the issuance of these consolidated financial statements. The outstanding principal repayments due within the next 12 months of $2,353,998 and $3,758,595, respectively, net of debt issuance costs of $0 and $140,082, respectively, was classified as a current liability on the Company's consolidated balance sheets as of December 31, 2025 and December 31, 2024. The outstanding principal repayments due after the next 12 months of $220,842 was classified as a long-term liability on the Company's consolidated balance sheet as of December 31, 2024.

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 6 — BORROWINGS (cont.)

The following table represents principal repayments from 2025 and the years through 2030 and thereafter:

Years Ending	Amount
2026	$ 2,359,774
2027	71,441
2028	143,625
2029	—
2030	—
there after	—
	$ 2,574,840

Liabilities for Deferred Revenue — During 2023, the Company entered into a distilled spirits barreling production agreement with a related party for production of 1,200 barrels of distilled spirits over time. There was a prepayment of $1,000,000 made to the Company in January 2023. In March 2024, the agreement was amended to 600 barrels for $500,000, with the then $500,000 excess prepayment used to purchase a Whiskey Note in the principal amount of $672,500, which was subsequently exchanged (upon the consummation of the Company's initial public offering on November 25, 2024) under the terms of a Subscription Exchange Agreement for common stock in conjunction with the February 29, 2024 exchange of Whiskey Notes for common stock.

NOTE 7 — FAIR VALUE MEASUREMENT

Upon the consummation of the Company's initial public offering on November 25, 2024, the Notes Payable and Warrant Liabilities were exchanged and reclassified into equity (see Note 5), and were $0 as of both December 31, 2025 and 2024.

In November of 2023, the 2022 and 2023 Convertible Notes were exchanged (contingent upon the consummation of the Company's initial public offering) for common stock and prepaid warrants effective as of June 30, 2023. (See Note 5.) Through November 25, 2024, the $21,005,722 decrease in fair value of the 2022 and 2023 Convertible Notes in 2024, was included as a gain in the change in fair value of convertible notes in the Company's 2024 consolidated statement of operations. As further discussed below, such valuation reflecting the fixed number of shares and prepaid warrants exchanged for the convertible notes as impacted by the valuation methodologies and inputs, including an estimated common stock share value of $263.20 per share as of March 31, 2024; as compared to a subsequent share value of $80 per share, upon the November 25, 2024 initial public offering at $80 per share.

As of June 30, 2024, the then outstanding $13,978,467 in aggregate fair value, of the Whiskey Notes and related Warrants (Warrant Liability), in accordance with a Subscription Exchange Agreement, exchanged (contingent upon the consummation of the Company's initial public offering) for a total of 119,954 shares of common stock and 27,346 prepaid warrants to purchase common stock. Through November 25, 2024, the $6,977,656 increase in fair value of the Whiskey Notes in 2024, was included as a loss in the change in fair value of convertible notes in the Company's 2024 consolidated statement of operations. As further discussed below, such valuation reflecting the fixed number of shares and prepaid warrants exchanged for the convertible notes as impacted by the valuation methodologies and inputs, including an estimated common stock share value of $263.20 per share as of March 31, 2024; as compared to a subsequent share value of $80 per share, upon the November 25, 2024 initial public offering at $80 per share.

The Convertible Notes (and related Warrant Liabilities) remained as liabilities on the balance sheet, and the change in their fair value continued to be recognized as Other Income / (Expense) in the Statement of Operations, until November 25, 2024 (the date of the Company's initial public offering — which was the remaining prerequisite for the unconditional conversion of the outstanding indebtedness and related warrants into equity).

Valuation of Acquisition Contingency Liability — In conjunction with the February 21,2024 acquisition of Thinking Tree Spirits, for the quarter ended March 31, 2024, the Company recorded estimated fair values of $847,762 for payments in the form of Company common stock (including: $670,686 in common stock of the Company; $50,000 of post-closing accounting true-ups; and $127,076 in estimated future contingent payments). The acquisition was recorded at estimated fair values, based on the payments made, and a fair value probability applied to the contingent earn out

NOTE 7 — FAIR VALUE MEASUREMENT (cont.)

payments. The fair value of the acquisition will be re-measured for each subsequent reporting period until resolution of the contingent earn out payments, and any increases or decreases in fair value will be recorded in the income statement as an operating loss or gain. The recorded fair value of the acquisition was reviewed as of December 31, 2024, with no change in fair value deemed necessary. (See Note 10.)

Valuation of Convertible Notes — The fair value of the Convertible Notes as of November 25, 2024 (the date of the Company's initial public offering — which was the remaining prerequisite for the unconditional conversion of the outstanding indebtedness and related warrants into equity) was based on the Company's initial public offering price (which was also the basis for the conversion price for the shares of common stock into which the Convertible Notes converted) of $80 per share. The fair value of the Convertible Notes at issuance and at each reporting period (through November 25, 2024) was estimated based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy. The Company used a probability weighted expected return method and the Discounted Cash Flow method to incorporate estimates and assumptions concerning the Company's prospects and market indications into a model to estimate the value of the notes. The most significant estimates and assumptions used as inputs in the PWERM and DCF valuation techniques impacting the fair value of the Convertible Notes are the timing and probability of an IPO, deSPAC Merger and default scenario outcomes (see the table below). Specifically, the Company discounted the cash flows for fixed payments that were not sensitive to the equity value of the Company at payment by using annualized discount rates that were applied across valuation dates from issuance dates of the Convertible Notes to their unconditional conversion at the initial public offering price of $80 per share on November 25, 2024. The discount rates were based on certain considerations including time to payment, an assessment of the credit position of the Company, market yields of companies with similar credit risk at the date of valuation estimation, and calibrated rates based on the fair value relative to the original issue price from the Convertible Notes.

Upon the consummation of the Company's initial public offering on November 25, 2024, the 2022 and 2023 Notes in the following table were exchanged and reclassified into equity (see Note 5), and were $0 as of both December 31, 2025 and 2024.

Upon the consummation of the Company's initial public offering on November 25, 2024, the Whiskey Special Ops 2023 Notes in the following table were exchanged and reclassified into equity (see Note 5), and were $0 as of both December 31, 2025 and 2024.

Valuation of Warrant Liabilities — The fair value of the warrant liabilities as of November 25, 2024 (the date of the Company's initial public offering — which was the remaining prerequisite for the unconditional conversion of the warrant liabilities into equity) was based on the Company's initial public offering price of $80 per share. The fair value of the warrant liabilities at issuance and at each reporting period (through November 25, 2024) was estimated based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy. The warrants are free-standing instruments and determined to be liability-classified in accordance with ASC 480. The Company used the PWERM and MCS to incorporate estimates and assumptions concerning the Company's prospects and market indications into the models to estimate the value of the warrants. The most significant estimates and assumptions used as inputs in the PWERM and MCS valuation techniques impacting the fair value of the warrant liabilities until their unconditional conversion at the initial public offering price of $80 per share on November 25, 2024, are the timing and probability of IPO, deSPAC Merger and default scenario outcomes (see the table below). The most significant estimates and assumptions used as inputs in the PWERM and MCS valuation techniques impacting the fair value of the warrant liabilities are those utilizing certain weighted average assumptions such as expected stock price volatility, expected term of the warrants, and risk-free interest rates.

Upon the consummation of the Company's initial public offering on November 25, 2024, the 2022 Convertible Promissory Notes warrant liabilities were exchanged and reclassified into equity (see Note 5), and were $0 as of both December 31, 2025 and 2024.

Upon the consummation of the Company's initial public offering on November 25, 2024, the Whiskey Special Ops 2023 Notes warrant liabilities were exchanged and reclassified into equity (see Note 5), and were $0 as of both December 31, 2025 and 2024.

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 7 — FAIR VALUE MEASUREMENT (cont.)

The following table provides a roll forward of the aggregate fair values of the Company's financial instruments described above, for which fair value is determined using Level 3 inputs:

	2022 and 2023 Convertible Notes	Whiskey Special Ops Notes	2022 Notes Warrant Liabilities	Whiskey Special Ops Notes Warrant Liabilities
Balance as of December 31, 2023	$ 36,283,890	$ 1,452,562	$ 794,868	$ 1,512,692
Issuances	—	3,353,850	—	302,020
Change in Fair Value	(21,005,722)	6,977,656	1,078,132	(1,814,712)
Converted to Equity	$ (15,278,168)	$ (11,784,068)	$ (1,873,000)	$ —
Balance as of December 31, 2024	$ —	$ —	$ —	$ —

NOTE 8 — PRIVATE PLACEMENT OF COMMON STOCK (PIPE) AND INTANGIBLE DIGITAL ASSETS

Private Placement of Common Stock (PIPE) — On August 15, 2025, the Company closed on a private placement to institutional and accredited investors and sold the Pre-Funded Warrants to purchase an aggregate of 18,518,944 shares of common stock at a purchase price of $12.086 per Pre-Funded Warrant, for an aggregate purchase price of $223.8 million, before deducting placement agent fees and other offering expenses of $12,134,575. Of the total $223.8 million purchase price for the Pre-Funded Warrants, $35.5 million was paid in cash, $59.5 million was paid in the cryptocurrency stablecoin commonly referred to as USD Coin ("USDC"), based on a purchase price of $1.00 per USDC, and $128.8 million was paid in $IP Tokens, which were valued for purposes of such offering at (i) $5.2413 (representing a 20% discount from the closing price of $IP Tokens on August 8, 2025 as reported by CoinMarketCap.com) in the case of the Story Core Contributors (as defined in the subscription agreements for the offering), (ii) $3.40 (representing an approximately 48% discount from the closing price of $IP Tokens on August 8, 2025 as reported by CoinMarketCap.com) in the case of Story Foundation, or (iii) $6.5516 (the reported closing price of $IP Tokens on August 8, 2025 as reported by CoinMarketCap.com) in the case of all other purchasers.

At a Special Meeting of Stockholders held on September 18, 2025, the Company's stockholders approved all of the proposals on the agenda related to the PIPE, including:

- the issuance of the Pre-Funded Warrants and shares of common stock upon the exercise of the Pre-Funded Warrants;
- the issuance of shares of common stock, restricted stock unit awards, and shares of common stock upon the exercise of warrants issued pursuant to advisory agreements between certain advisors and the Company related to the PIPE transaction discussed above; and
- an amendment to the Company's Second Amended and Restated Certificate of Incorporation, as amended, to increase the number of authorized shares of capital stock from 495,000,000 shares to 995,000,000 shares.

In connection with the closing of the offering of Pre-Funded Warrants, the Company entered into exchange agreements with all but one holder of the Company's Series B Preferred Stock. See Series B Preferred Stock below.

Included among the purchasers in the PIPE were the Story Foundation, who purchased Pre-Funded Warrants to purchase 5,389,091 shares of common stock; Justin Stiefel, Chairman and Chief Executive Officer of the Company, who purchased Pre-Funded Warrants to purchase 165,480 shares of common stock; and Andrew Varga, a director of the Company, who purchased Pre-Funded Warrants to purchase 15,000 shares of common stock.

Under terms of the PIPE, the Company would use: (a) up to $4.0 million of the net proceeds from the PIPE for general corporate purposes initiated after the closing, (b) up to $0.6 million for pre-existing working capital commitments or obligations, and (c) at least $80.0 million to purchase $IP Tokens from Story Foundation at a price per $IP Token of $3.40 (as discussed below). The balance of the net proceeds were used to purchase or otherwise acquire $IP Tokens and for the establishment of the Company's cryptocurrency treasury operations to the extent consistent with the Company's investment policy as amended or otherwise modified from time to time. The Company could not use more than $7.0 million of such proceeds: (i) for the satisfaction of any portion of the Company's debt (other than payment of trade

NOTE 8 — PRIVATE PLACEMENT OF COMMON STOCK (PIPE) AND INTANGIBLE DIGITAL ASSETS (cont.)

payables in the ordinary course of the Company's business and prior practices), (ii) for the redemption of any common stock or (iii) for the settlement of any outstanding litigation. In connection with the announcement of the PIPE, the Company announced the launch of its digital asset treasury reserve strategy, to be effective upon the closing of the PIPE, pursuant to which the Company plans to use $IP Tokens as its primary treasury reserve asset on an ongoing basis.

In conjunction with the PIPE, in July 2025, the Company negotiated terms with a number of secured and unsecured creditors, whereby, the Company agreed to pay cash and or equity, in settlement of amounts owed to such obligees (the "Negotiated Settlements"), whereby, contingent and effective only upon the occurrence of: a) the closing of a financing transaction between the Company and third party private investors in excess of $75 million dollars and involving a tradable cryptocurrency, token or other similar digital asset; b) the approval of Company's stockholders of such transaction at a duly called special meeting of the stockholders; and c) effectiveness of a registration statement related to such transaction filed with the SEC in accordance with the Securities Act of 1933, as amended, that the Company will pay agreed upon cash amounts due to the respective obligees, as agreed, in cash and or equity, in settlement of amounts owed to such obligees. The equity portion of the Negotiated Settlements is in the form of warrants to purchase common stock at $0.20 per share, exercisable at the earlier of (i) 6-months or (ii) the day following the issue date of the respective warrants on which the closing price of the common stock equals or exceeds $30 per share, which were valued based on a Black Scholes valuation (the "Settlement Equity"). The result of the Negotiated Settlements with the secured and unsecured creditors was: a) $10,382,438 of the Company's secured notes payable as of June 30, 2025 ($12,620,345 as of August 7, 2025, including settlement fees and expenses and additional accrued interest) negotiated to be settled for $7,046,094 in cash and $2,963,624 of warrants with the remaining $2,610,627 recognized as a gain on settlement in the (third quarter) statement of operations; and b) an aggregate of $2,963,624 of Settlement Equity (in the form of 200,000 warrants) with the remaining $2,635,507 to be recognized as a gain on settlement in the statement of operations; and b) an aggregate of $3,792,767 of the Company's unsecured accounts payable as of June 30, 2025 was negotiated to be settled for $1,816,250 in cash, $851,628 in Settlement Equity (in the form of an aggregate of 76,391 warrants) with the remaining $1,124,889 (of which $282,037 will be recorded to paid in capital on the balance sheet as it related to capitalized offering costs, and the remaining $842,852 will be recorded on the statement of operations as a gain on settlement) to be recognized in the then current period (third quarter) in the respective expense accounts to which the expenses were originally recorded.

In conjunction with the PIPE, the Company purchased $80 million of $IP Tokens from Story Foundation at a price per $IP Token of $3.40 (as discussed above) as follows:

- $35,271,353 of $IP Tokens for $21,000,000 in cash on August 18, 2025 at a price per $IP Token of $3.40 compared to the market price of $5.7106 per $IP Token; and
- $99,692,647 of $IP Tokens for $59,000,000 in cash on August 15, 2025 at a price per $IP Token of $3.40 compared to the market price of $5.745 per $IP Token.

In conjunction with the Offering, the Company issued: 125,000 RSUs on August 10, 2025 to an advisor, vesting in 4 equal installments of 31,250 shares on October 1, 2025, January 1, 2026, April 1, 2026, and July 1, 2026; placement agent warrants in August 2025 to purchase 215,364 shares of common stock at $0.20 per share, expiring August 15, 2030, representing 3% of the number of pre-funded warrants issued in the Offering; and advisor warrants in August, 2025, to purchase common stock at $0.20 per share that expire August 10, 2030 as follows:

- Tranche 1 — 193,750 warrants vesting the earlier of when the closing price of the common stock equals or exceeds a price of $20 per share or 3 months from the issue date of the warrant;
- Tranche 2 — 203,750 warrants vesting the earlier of when the closing price of the common stock equals or exceeds a price of $30 per share or 6 months from the issue date of the warrant;
- Tranche 3 — 215,000 warrants vesting the earlier of when the closing price of the common stock equals or exceeds a price of $40 per share or 6 months from the issue date of the warrant; and
- Tranche 4 — 262,500 warrants vesting monthly over 12 months from September 18, 2025.

The Company still has the option, with input from the Story Foundation on timing and amount, on the use of the currently registered and effective ELOC to raise capital for debt reduction and other corporate purposes related to its business.

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 8 — PRIVATE PLACEMENT OF COMMON STOCK (PIPE) AND INTANGIBLE DIGITAL ASSETS (cont.)

Intangible Digital Assets — On August 15, 2025, the Company adopted the $IP Token as its primary treasury reserve asset. Under this new treasury strategy, the Company purchases and holds $IP Tokens for long term investment purposes. The Company accounts for its $IP Tokens as an indefinite-lived intangible asset in accordance with ASC 350, Intangibles—Goodwill and Other and has ownership of and control over its $IP Tokens, which are included in intangible digital assets in the consolidated balance sheets. As of December 31, 2025, there were contractual restrictions consisting of restrictions on sale or transfer and lock ups on the Company's sale of its $IP Tokens.

The following table summarizes the intangible digital assets ($IP Tokens, ARIAIP Tokens and APL Tokens) held by the Company as of December 31, 2025:

	As of December 31, 2025		
	Units	Cost Basis	Fair Value
$IP Tokens [(a)]	53,339,862	$ 209,261,236	$ 91,691,223
APL Tokens	13,889	10,000	2
ARIAIP Tokens	125,000	10,000	9,978
Total	53,478,751	$ 209,281,236	$ 91,701,203

(a) 6,176,470.588 $IP Tokens were acquired in conjunction with the PIPE for a total price of $21,000,000 with a 12 month restriction on transfer or sale. Per the Omnibus Amendment dated March 6, 2026, a total of 17.3 million plus 6.2 million, or 23.5 million tokens were restricted and such restriction would not be lifted until after August 15, 2027, except for 1 million tokens that were released from said restriction.

The following table represents a reconciliation of the fair values of the Company's intangible digital assets: There were no Token Treasury Segment activities prior to the year ended December 31, 2025:

Intangible Digital Assets	Fair Value For the Year Ended December 31, 2025	
	$IP Tokens	All Other
Beginning Balance - December 31, 2024	$ —	$ —
Additions [(a)]		
PIPE Offering	128,819,949	—
Purchases	80,000,034	20,000
Staking Rewards	$ 4,951,565	—
Dispositions	(3,890,396)	—
Change in Fair Value of Intangible Digital Assets [(b)]	(118,189,929)	(10,020)
Ending Balance -December 31, 2025	$ 91,691,223	$ 9,980

(a) Additions represent initial consideration received as part of the PIPE offering, and purchases of, and staking rewards earned on, Crypto assets held for investment. Per the Omnibus Amendment dated March 6, 2026, a total of 17.3 million plus 6.2 million, or 23.5 million tokens were restricted and such restriction would not be lifted until after August 15, 2027, except for 1 million tokens that were released from said restriction.
(b) The Company measures gains and losses by each asset held. These include cumulative realized losses of $374,214 and realized gains of $246,253 for the year ended December 31, 2025.

The Company from time to time also holds stablecoins, primarily USD Coin (USDC), which are designed to maintain a value pegged to the U.S. dollar. These holdings are presented within Other Current Assets on the Consolidated Balance Sheets. Because stablecoins do not meet the definition of cash or cash equivalents under ASC 305, Cash and Cash Equivalents, they are accounted for as financial instruments and measured at fair value under ASC 820, with changes recognized in net income. As of December 31, 2025, the Company did not hold any positions in stablecoins. The Company monitors liquidity, counterparty risk, and regulatory developments related to these holdings on an ongoing basis.

NOTE 9 — STOCKHOLDERS' EQUITY / (DEFICIT)

On May 14, 2024, the Board and Shareholders of the Company approved a .57-for-1 reverse stock split. All share and per share numbers included in these financial statements as of and for all periods presented reflect the effect of that stock split unless otherwise noted. Additionally on September 18, 2025, the stockholders of the Company approved an amendment to the Certificate of Incorporation to effect a reverse stock split of the Company's common stock at a reverse stock split ratio ranging from 1:5 to 1:20, without reducing the authorized number of shares of common stock, and to authorize the Board to determine, at its discretion, the timing of the amendment and the specific ratio of the reverse stock split, without further approval or authorization of the Company's stockholders. On October 16, 2025, the Board approved, and on November 5, 2025 the Company effected, a 1-for-20 reverse stock split. All share and per share numbers included in these financial statements as of and for the years ended December 31, 2025 and 2024 and the years then ended all periods presented reflect the effect of that stock split unless otherwise noted.

All share and per share numbers presented in these financial statements have been rounded individually. As a result, totals may reflect the effect of differences between: aggregating the individually rounded component numbers; and the rounding of the total of the individual component numbers. In cases where rounding occurred, the amount of the rounding difference is not material and are considered to be insignificant. The aggregate effect of rounding down fractional shares and the respective payout of paid in in capital is reported in aggregate where significant, including the consolidated statements of stockholders' equity/(deficit).

On November 25, 2024, the Company consummated its IPO whereby it sold a total of 84,375 shares of common stock, at an offer price of $80 per share. The Company received net proceeds from the IPO of $5,960,000 after deducting underwriting expenses and commission of $790,000.

Concurrent with the closing of the IPO on November 25, 2024, the Company consummated a private offering, to certain of its existing security holders, of common stock warrants to purchase an aggregate of up to 19,110 shares of common stock (the "Common Warrants") at an exercise price of $0.20 per share. The Common Warrants were sold in such private placement for a purchase price of $79.80 per Common Warrant, which was equal to the $80 price per share at which the common stock was sold in the IPO offering less the $0.20 exercise price. The Company received net proceeds from the private offering of Common Warrants of $1,397,998 after deducting underwriting discounts and commission of $127,000. The Common Warrants are immediately exercisable and will expire five years from the date of issuance. Subject to limited exceptions, a holder of Common Warrants will not have the right to exercise any portion of its Common Warrants if the holder, together with its affiliates, would beneficially own in excess of 4.99% (or, at the election of the holder, 9.99%) of the number of shares of common stock outstanding immediately after giving effect to such exercise. The Company offered the Common Warrants to enable certain existing security holders of the Company that were expected to participate in the offering to maintain their percentage ownership interest in the Company without violating the purchaser concentration rules of Nasdaq applicable to initial public offerings of common stock. The Common Warrants and the shares of common stock issuable upon exercise of such warrants were not registered under the Securities Act of 1933, as amended (the "Securities Act"), and were offered pursuant to an exemption from the registration requirements of the Securities Act of 1933, as amended provided in Section 4(a)(2) of the Securities Act and Rule 506(b) promulgated thereunder.

Concurrent with the closing of the IPO on November 25, 2024, any contingencies disclosed above related to the accounting treatment recognizing the conversion of debt to equity for the following private transactions were lifted as a result of the IPO (see Notes 5, 6, 7 and 9):

* The 2022 and 2023 Convertible Promissory Notes which were previously exchanged for 165,607 shares of common stock and 25,369 prepaid warrants to purchase common stock (See Notes 5 and 15);

* The 2023 Series — Convertible Whiskey Special Ops 2023 Notes and related warrants which were previously exchanged for 119,954 shares of common stock and 27,346 prepaid warrants to purchase common stock (See Notes 5 and 15);

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 9 — STOCKHOLDERS' EQUITY / (DEFICIT) (cont.)

* The $399,667 received from the two separate investors under the terms of the May 2024 and July 2024 factoring agreements, including accrued fees and 3,327 related warrants, which was exchanged for an aggregate of 44,291 shares of Series A Preferred Stock and 1,248 warrants to purchase shares of common stock at $80 per share (including $266,667 received from a related party, which was exchanged for 29,661 shares of Series A Preferred Stock, and 833 warrants at $80 per share). (See Notes 6 and 15.)

* The $250,000 received from an investor under the terms of a July 2024 accounts receivable factoring agreement, including accrued fees, which was exchanged for 27,700 shares of Series A Preferred Stock, including 781 warrants to purchase shares of common stock at $80 per share. (See Notes 6 and 15.)

In addition to the Common Warrants discussed above, pursuant to the Underwriting Agreement dated November 21, 2024, by and between the Company and the underwriters named therein (the "Representative"), the Company issued 4,218 of Representative's Warrants to the Representative with an initial exercise date on or after May 24, 2025, an exercise price of $80 per share, and an expiration date of November 21, 2029.

At a special meeting of stockholders held on September 18, 2025, the Company's stockholders approved the following proposals on the agenda related to the Company's previously announced PIPE transaction, and other actions, including:

- the issuance of Pre-Funded Warrants and shares of common stock upon the exercise of the Pre-Funded Warrants;
- the issuance of shares of common stock, restricted stock unit awards, and shares of common stock upon the exercise of warrants issued pursuant to advisory agreements between certain advisors and the Company related to the PIPE transaction discussed above;
- an amendment to the Company's Second Amended and Restated Certificate of Incorporation, as amended, to increase the number of authorized shares of capital stock from 495,000,000 shares to 995,000,000 shares;
- an amendment to the Company's Certificate of Incorporation to effect a reverse stock split of the Company's common stock at a reverse stock split ratio ranging from 1:5 to 1:20, without reducing the authorized number of shares of common stock, and to authorize the Board to determine, at its discretion, the timing of the amendment and the specific ratio of the reverse stock split, without further approval or authorization of the Company's stockholders; and
- an amendment to the Company's 2024 Equity Incentive Plan, as amended, to increase the shares available for issuance under the 2024 Plan from 250,000 shares to 1,750,000 shares.

Common stock — On October 31, 2023, the Company's Board of Directors and shareholders increased the number of shares the Company is authorized to issue from 3,000,000 shares to 10,000,000 shares, including 9,500,000 shares of common stock and 500,000 shares of Founders Common Stock, par value of $0.0001 per share (which Founders Common Stock had four votes per share). The key terms of the common stocks are summarized below:

Dividends — The holders of common stock and Founders Common Stock are entitled to receive dividends if declared by the Board of Directors. No dividends have been declared since the inception of the Company.

Voting rights — The holders of Founders Common Stock are entitled to four votes for each share of Founders Common Stock and general common stockholders are entitled to one vote for each share of general common stock.

Upon approval of the April 2024 increase in authorized shares, the 2022 and 2023 Convertible Notes were exchanged (contingent upon the consummation of the Company's initial public offering) for 165,607 additional shares of common stock and 25,369 prepaid warrants; The actual unconditional exchange of the 2022 and 2023 Convertible Notes and reclassification of the aggregate fair value of exchanged notes (of $15,278,168 as of November 25, 2024, (the date of the Company's initial public offering) was reclassified from Convertible Notes to equity (of Common Stock Par Value of $19 and Paid-in-capital of $15,278,149) under the terms of the Subscription Exchange Agreement upon the closing of the Company's initial public offering — which occurred on November 25, 2024 and was the remaining prerequisite for the unconditional exchange of the 2022 and 2023 Convertible Notes for equity. (See Note 5.)

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 9 — STOCKHOLDERS' EQUITY / (DEFICIT) (cont.)

Upon approval of the April 2024 increase in authorized shares, the Whiskey Special Operation Convertible Notes were exchanged (contingent upon the consummation of the Company's initial public offering, which occurred on November 25, 2024) for 119,954 additional shares of common stock and 27,346 prepaid warrants; The actual unconditional exchange of the Convertible Notes and reclassification of the aggregate fair value of exchanged notes (of $11,784,068 as of November 25, 2024, (the date of the Company's initial public offering) was reclassified from Convertible Notes to equity (of Common Stock Par Value of $15 and Paid-in-capital of $11,784,053) under the terms of the Subscription Exchange Agreement upon the closing of the Company's initial public offering — which occurred on November 25, 2024) and was the remaining prerequisite for the unconditional exchange of the Whiskey Special Operation Convertible Notes for equity. (See Note 5.)

As of December 31, 2025, the Company had 9,651,081 shares of common stock issued and outstanding, including the 165,607 shares of common stock related to the conversion of the 2022 and 2023 Convertible Notes (comprised of 190,977 shares of common stock, net of: 25,369; and subsequently, 71,021 shares of common stock exchanged for prepaid warrants); and the 119,954 shares of common stock related to the conversion of the Whiskey Special Operation Convertible Notes (comprised of 147,300 shares of common stock, net of: 27,346; and subsequently, 71,113 shares of common stock exchanged for prepaid warrants). During the year ended December 31, 2025, the Company repurchased 1 share of common stock and 15,892 warrants to purchase common stock were exercised.

In the second quarter of 2024, the Company's Board of Directors and shareholders took certain actions and approved the Actions and Amendments. These Actions and Amendments, included, among other things:

- filing a second amendment to the Company's amended and restated certificate of incorporation on April 1, 2024, to increase the Company's authorized capital stock from 10,000,000 shares to 70,000,000 shares, including 69,500,000 shares of common stock and 500,000 shares of Founders Common Stock. The increase in authorized shares included provision for the additional shares to be issued with the Company's anticipated IPO, including those discussed in the following paragraphs, and other future equity activities not yet known.
- filing a third amendment to the Company's amended and restated certificate of incorporation on May 14, 2024, to further increase the Company's authorized capital stock to 75,000,000 shares, including 5,000,000 shares of preferred stock.

In the second quarter of 2025, the Company's Board of Directors and shareholders took certain additional actions and approved an amendment to the Company's second amended and restated certificate of incorporation (the "Second Quarter 2025 Actions and Amendments"). These Second Quarter 2025 Actions and Amendments included, among other things:

- filing a Certificate of Amendment to the Certificate of Designations, Preferences, Powers and Rights of the Series B Convertible Preferred Stock on June 12, 2025 to increase the number of authorized shares of Series B Preferred Stock from 750,000 shares to 850,000 shares; and
- filing a first amendment to the Company's second amended and restated certificate of incorporation on June 24, 2025 to increase the total number of authorized shares of capital stock of the Company to 495,000,000 shares, consisting of 490,000,000 shares of common stock and 5,000,000 shares of preferred stock, each with a par value of $0.0001 per share.

The Company's stockholders approved certain amendments to the Company's certificate of incorporation at a September 18, 2025 special meeting (the "Third Quarter 2025 Approved Actions and Amendments"). The Company's board of directors later effectuated the Third Quarter 2025 Approved Actions and Amendments as follows:

- via a September 26, 2025 Second Amendment to the Company's Second Amended and Restated Certificate of Incorporation, as amended, to increase the number of authorized shares of capital stock from 495,000,000 shares to 995,000,000 shares, consisting of 985,000,000 shares of common stock and 10,000,000 shares of preferred stock, each with a par value of $0.0001 per share; and
- via an October 31, 2025 Third Amendment to the Company's Second Amended and Restated Certificate of Incorporation, as amended, to effectuate a 1-for-20 reverse stock split, effective November 5, 2025.

ELOC Agreement — On January 23, 2025, the Company entered into the ELOC Purchase Agreement with the ELOC Investor. Pursuant to the ELOC Purchase Agreement, upon the effectiveness of a related resale registration

NOTE 9 — STOCKHOLDERS' EQUITY / (DEFICIT) (cont.)

statement under the Securities Act (the "ELOC Registration Statement") (which was subsequently filed on January 24, 2025) the Company had the right from time to time (at the Company's option) to direct the ELOC Investor to purchase up to $15,000,000 of the Company's common stock (subject to certain limitations and conditions. The amount of sales of the ELOC Shares, and the timing of any sales, will be determined by the Company from time to time in its sole discretion and will depend on a variety of factors, including, among others, market conditions, the trading price of the Company's shares and determinations by the Company regarding the use of proceeds from any sale of such ELOC Shares. The net proceeds from any sales under the ELOC Purchase Agreement will depend on the frequency with, and prices at, which the ELOC Shares are sold to the ELOC Investor.

Under the terms of the ELOC Purchase Agreement, as consideration for its entry into the ELOC Purchase Agreement, the Company issued to the ELOC Investor 3,358 Commitment Warrants, which were exercisable to purchase $75,000 worth of common stock priced at the VWAP per share for the trading day preceding the date such documents are executed. The Commitment Warrants had an exercise price of $0.02 per share and could not be exercised if such exercise into common stock, when combined with other common stock owned by the ELOC Investor, would cause its ownership to exceed 4.99% of the Company's overall outstanding common stock. In February 2025, the Company issued 3,358 Commitment Warrants to the ELOC Investor. In February 2025, the ELOC Investor exercised the Commitment Warrants for $67.

On June 13, 2025, the Company filed a Form S-1 Registration Statement under the Securities Act of 1933 to register up to a maximum of an additional 500,000 ELOC Shares (the "June 2025 ELOC Registration Statement"), for an aggregate of 750,000 ELOC Shares available under the ELOC Purchase Agreement, which was approved by the shareholders on June 24, 2025.

Pursuant to the ELOC Purchase Agreement, the Investor also agreed to purchase $1,000,000 of the Company's Series B Preferred Stock, of which $500,000 was purchased, and the Company delivered such Series B Preferred Stock, within twenty four (24) hours after the ELOC Registration Statement was filed with the SEC. The second tranche of $500,000 was purchased, and the Company delivered such Series B Preferred Stock, within three trading days following the date the ELOC Registration Statement was declared effective by the SEC. Each share of Series B Preferred Stock had a purchase price of $10 per share and a stated value of $12 per share, and was to pay dividends at the rate of 15% per annum of the stated value (or $1.80 per share), and was convertible by the holder at any time following the 90th day following the date of effectiveness of the ELOC Registration Statement. The conversion of Series B Preferred Stock into common stock was determined by dividing (a) an amount equal to 110% of the sum of (i) the stated value plus (ii) the amount of all accrued and unpaid dividends, by (b) the Conversion Price. The Conversion Price was fixed price equaling the Volume Weighted Average Price on the trading day preceding the date the documents required were executed. The Series B Preferred Stock was subject to redemption by the Company at the Company's option at any time following the ninety (90) day anniversary such Series B Preferred Stock was acquired, but subject to any restrictions on such redemption in the Company's credit facilities, at a redemption price equal to the stated value of the Series B Preferred Stock to be redeemed plus any accrued but unpaid dividends thereon. The shares of common stock that could result from any conversion of Series B Preferred Stock are anticipated to be registered in the Registration Statement resulting from the August 11, 2025 subscription agreements for a private placement. Additional shares of the Company's Series B Preferred Stock may be sold after the date the ELOC Registration Statement becomes effective. As of January 24, 2025, the Conversion Price was $22 per share, and subsequently adjusted to between $9.526 and $22.40 per share based on the price of our stock when the respective investors subsequently executed documents and purchased their shares. Between July 30, 2025 and October 3, 2025, all of the shares of Series B Preferred Stock sold to the ELOC Investor were converted to common stock.

In accordance with the Company's obligations under the ELOC Purchase Agreement and the Registration Rights Agreement, dated as of January 23, 2025, between the Company and the ELOC Investor (the "ELOC Registration Rights Agreement"), the Company filed the ELOC Registration Statement to register the resale by the ELOC Investor of (i) up to $15,000,000 of ELOC Shares (up to 250,000 shares of common stock, and subsequently an additional 500,000 shares of common stock under the June 2025 ELOC Registration Statement) that the Company may elect, in the Company's sole discretion, to issue and sell to the Investor, from time to time under the ELOC Purchase Agreement, and (ii) 3,358 Commitment Shares that would result from the exercise of the Commitment Warrants. Unless earlier terminated, the ELOC Purchase Agreement will remain in effect until the earlier of: (i) January 23, 2028, i.e., the expiry of the 36-month period commencing on the date of the ELOC Purchase Agreement, (ii) the date on which the ELOC Investor has purchased the

IP Strategy Holdings, Inc.
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NOTE 9 — STOCKHOLDERS' EQUITY / (DEFICIT) (cont.)

Maximum Commitment Amount (the "Commitment Period"), or (iii) an earlier date mutually agreed upon by both the Company and the ELOC Investor in the future.

Under the terms of the ELOC Purchase Agreement, the ELOC Investor may not purchase any ELOC Shares under the ELOC Purchase Agreement if such shares, when aggregated with all other shares then beneficially owned by the ELOC Investor and its affiliates would result in the ELOC Investor beneficially owning shares in excess of 4.99% of the number of the Company's shares outstanding.

In the year ended December 31, 2025, an aggregate of 598,140 shares of common stock had been sold to the investor under the ELOC Purchase Agreement for aggregate gross proceeds to the Company of $4,817,235. On December 22, 2025, the Company cancelled the ELOC

Prepaid Warrants to Purchase Common Stock — In August 2024, certain holders of shares of common stock agreed to exchange an aggregate of 140,814 shares of their common stock into a like number of pre-paid warrants. Such pre-paid warrants will be eligible for exercise without the payment of additional consideration at any time that the respective holder beneficially owns a number of shares of common stock that is less than 9.99% of the Company's outstanding shares of common stock for a number of shares that would cause the holder to beneficially own 9.99% of the Company's outstanding shares of common, and having no expiration date. As of December 31, 2024, 193,599 of the pre-paid warrants remained outstanding.

The following sets forth the outstanding prepaid warrants and common warrants for the years ended December 31, 2025 and 2024:

	Prepaid Warrants	Common Warrants
Balance December 31, 2023	25,369	—
Conditional Issuance of Prepaid Warrants from Exchange of Whiskey Notes	27,346	—
Conditional Issuance of Prepaid Warrants in Exchange for Common Stock	140,814	—
Exercise of Prepaid Warrants in Exchange for Common Stock	(34,930)	—
Issuance of Prepaid Warrants for Common Stock	35,000	—
November 25, 2024 Private Placement of Common Warrants	—	19,110
Balance December 31, 2024	193,599	19,110
Exercise of Warrants in Exchange for Common Stock	(153,599)	(19,110)
Exercise of Warrants in Exchange for Series B Preferred Stock	(51,393)	—
Warrants Issued with Series B Preferred Stock	16,393	—
Balance December 31, 2025	5,000	—

Upon the closing of the Company's initial public offering on November 25, 2024, the conditional issuances of prepaid warrants and common stock noted in the table above became effective.

In addition to the prepaid warrants and common warrants in the table above: 5,960 warrants to purchase common stock at $0.20 per share were issued in connection with the initial aggregate $250,000 of non-ELOC Investor Series B Preferred Stock subscriptions (see Preferred Stock — Series B below).

In the year ended December 31, 2025, 153,599 prepaid warrants (with an exercise price of $0.02 each) were exercised cashlessly for 153,338 shares of common stock (including related party cashlessly exercised 153,599 prepaid warrants for 153,338 shares of common stock) leaving 5,000 prepaid warrants remaining outstanding. In addition, 55,877 prepaid warrants (with an exercise price of $0.02 each) were exercised cashlessly for 55,917 shares of Series B Preferred Stock

Preferred stock — Series A — In May 2024, the Company's Board of Directors and Shareholders approved an offering of Series A Convertible Preferred Stock of up to $5,000,000, of which $4,948,478 was issued and outstanding and $0 remained available for issuance as of December 31, 2024 (as the offering was closed prior to the Company's November 25, 2024 initial public offering). The shares of the Series A Preferred Stock were sold at a Subscription Price of $10 per share and have a stated value of $12 per share (the "Stated Value"), and included stock purchase warrants to

IP Strategy Holdings, Inc.
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NOTE 9 — STOCKHOLDERS' EQUITY / (DEFICIT) (cont.)

purchase shares of common stock calculated at 25% of the subscription price then divided by $100, with an exercise price equal to the lesser of $100 per share or the price per share at which the common stock is sold in the Company's initial public offering. (Upon the closing of the Company's initial public offering on November 25, 2024, the exercise price was set at the initial public offering price of $80 per share.) The warrants expire June 15, 2029. At any time after June 15, 2027, the Warrants shall be automatically exercised on a cashless basis if the common stock has traded for 5 consecutive trading days at or above 125% of the Exercise Price (or $100 per share). The Series A Preferred Stock is entitled to receive, out of funds legally available therefor, cumulative dividends at the rate of 15% per annum of the Stated Value (or $1.80 per share) payable if and when declared by the Board of Directors of the Company or upon conversion or redemption of the Series A Preferred Stock.

Dividends on the Series A Preferred Stock may be paid by the Company in cash, by delivery of shares of common stock or through a combination of cash and shares of common stock. If paid in common stock, the holder shall receive a number of shares of common stock equal to the quotient of 110% of the accrued dividends to be paid in common stock divided by the Conversion Price (as defined below). The Company may make payments of dividends in common stock only if the average closing price of the common stock over the five trading days preceding the dividend payment date is at or above the Conversion Price. Holders of the Series A Preferred Stock have no voting rights except as required by law.

Each share of Series A Preferred Stock may be converted at any time at the election of the holder into a number of shares of common stock determined by dividing (a) an amount equal to 110% of the sum of (i) the Stated Value plus (ii) the amount of all accrued dividends, by (b) the then applicable Conversion Price. The "Conversion Price" was initially equal to $100 per share, subject to adjustment to the price per share at which the common stock is sold at the Company's Initial Public Offering if lower than the initial Conversion Price (and was fixed at $80 per share upon the November 25, 2024 initial public offering at $80 per share). Each share of Series A Preferred Stock will automatically be converted on June 15, 2027 into a number of shares of common stock determined by dividing (a) an amount equal to 110% of the sum of (i) the Stated Value plus (ii) the amount of all accrued dividends, by (b) the then-applicable Conversion Price.

Any time on or after June 15, 2025, the Company shall have the right to redeem some or all of the outstanding shares of Series A Preferred Stock from funds legally available therefor, upon at least 30 days prior written notice to the holders of the Series A Preferred Stock, at a redemption price per share equal to 110% of the sum of the Stated Amount, plus all accrued and unpaid dividends on such shares of Series A Preferred Stock (or $593,777 as of December 31, 2025).

The Company received subscriptions of $4,948,478 of Series A Preferred Stock (of which $1,831,265 was from a related party), including $2,025,000 in cash (of which $834,000 was from a related party); $1,155,000 in the form of 525 barrels of aged whiskey (with an average value of $2,200 per barrel and with $259,875 allocated to barrel fixed assets and $895,125 allocated to whiskey inventory); $110,600 was paid by the sale of and transfer to the Company by a related party of an aggregate of 50 barrels of premium aged whiskey (with an average value of $2,212 per barrel and with $24,750 allocated to barrel fixed assets and $85,850 allocated to whiskey inventory); and $719,919 was paid by the cancellation of outstanding indebtedness (factoring agreements) (of which $296,619 was from a related party). In addition, the holders of Series A Preferred Stock who were issued Series A Preferred Stock in July through September 2024 received an additional 25,515 warrants with an exercise price of $120 per share as part of the Series A Preferred Stock subscriptions (the "$120 Warrants") (of which 16,051 of the $120 Warrants were issued to a related party). In September 2024, the 25,515 $120 Warrants (including 16,051 $120 Warrants from a related party) were exchanged for 93,789 shares of Series A Preferred Stock that did not include any related warrants (including 59,001 shares of Series A Preferred Stock that did not include any related warrants for a related party). The value assigned to the $120 Warrants exchanged for Series A Preferred Stock that did not include any warrants was negotiated to be $937,959 (including $590,045 from a related party), or $36.76 per $120 Warrant using a Black-Scholes Valuation model with a then estimated IPO stock price of $100 per share and exercise price of $120 per share. The Company allocated the net proceeds between the warrants and the Series A Preferred Stock using the relative fair value method.

In connection with the $4,948,478 of Series A Preferred Stock, the Company also issued 9,850 warrants to purchase common stock at the lesser of $100 per share or the price per share at which the common stock is sold in the Company's initial public offering (of which 3,028 of the $100 Warrants were issued to a related party). Upon the November 25, 2024 initial public offering at $80 per share, the 9,850 warrants at $100 per share were recalculated and reissued as 12,313 warrants at $80 per share (and the 3,028 related party warrants at $100 per share were recalculated and reissued as 3,785 warrants at $80 per share).

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NOTE 9 — STOCKHOLDERS' EQUITY / (DEFICIT) (cont.)

In consideration of purchases of Series B Preferred Stock by certain holders of Series A Preferred Stock, on May 1, 2025, an aggregate of 284,140 outstanding shares of Series A Preferred Stock and 5,813 warrants to purchase shares of common stock at $80 per share (of which 183,122 shares of Series A Preferred Stock and 3,785 related warrants to purchase common stock at $80 per share were of a related party) was exchanged for Series B Preferred Stock. See also Preferred Stock — Series B below.

The Series A Preferred Stock has a liquidation preference equal to the greater of (i) 110% of the sum of (a) the Series A Preferred Stock Stated Value, plus (b) the amount of the aggregate dividends then accrued on such share of Series A Preferred Stock and not previously paid, or (ii) such amount per share as would have been payable had all shares of Series A Preferred Stock been converted into common stock immediately prior to such liquidation, dissolution or winding up. Accordingly, the Series A Preferred Stock liquidation preference as of December 31, 2025 (with 210,700 shares outstanding and a stated value of $2,528,400) was $3,122,177.

Preferred stock — Series B — By written consent dated January 23, 2025 (pursuant to authority conferred upon the Board of Directors by the Company's second amended and restated certificate of incorporation), the Board of Directors designated 750,000 shares of authorized but unissued Preferred Stock as Series B Convertible Preferred Stock. The shares of Series B Preferred Stock, par value $0.0001 per share have a Subscription Price of $10 per share and a stated value of $12 per share (the "Series B Stated Value"). The Series B Preferred Stock is entitled to receive, out of funds legally available therefor, cumulative dividends at the rate of 15% per annum of the Series B Stated Value (or $1.80 per share) payable if and when declared by the Board of Directors of the Company or upon conversion or redemption of the Series B Preferred Stock.

Dividends on the Series B Preferred Stock may be paid by the Company in cash, by delivery of shares of common stock or through a combination of cash and shares of common stock. If paid in common stock, the holder shall receive a number of shares of common stock equal to the quotient of 110% of the accrued dividends to be paid in common stock divided by the Conversion Price (as defined below). The Company may make payments of dividends in common stock only if the average closing price of the common stock over the five trading days preceding the dividend payment date is at or above the Conversion Price. Holders of the Series B Preferred Stock have no voting rights except as required by law.

Each share of Series B Preferred Stock may be converted at any time at the election of the holder into a number of shares of common stock determined by dividing (a) an amount equal to 110% of the sum of (i) the Series B Stated Value plus (ii) the amount of all accrued dividends, by (b) the then applicable Conversion Price (equal to the VWAP of the common stock on the trading day immediately preceding the original issuance date or such shares of Series B Preferred Stock). Each share of Series B Preferred Stock will automatically be converted on the 36 month anniversary of the original issuance date into a number of shares of common stock determined by dividing (a) an amount equal to 110% of the sum of (i) the Series B Stated Value plus (ii) the amount of all accrued dividends, by (b) the then-applicable Conversion Price.

Any time on or after the 90 day anniversary or the original issue date of such shares of Series B Preferred Stock, the Company shall have the right to redeem some or all of the outstanding shares of Series B Preferred Stock from funds legally available therefor, upon at least 30 days prior written notice to the holders of the Series B Preferred Stock, at a redemption price per share equal to 110% of the sum of the Stated Amount plus all accrued and unpaid dividends on such shares of Series B Preferred Stock.

In connection with the initial aggregate $250,000 of non-ELOC Investor Series B Preferred Stock subscriptions (of which $125,000 was with a related party), the Company also issued 5,960 warrants to purchase common stock at $0.20 per share (of which 2,670 of the warrants were to a related party).

In consideration of purchases of Series B Preferred Stock by certain holders of Series A Preferred Stock, on May 1, 2025, certain shareholders agreed to exchange an aggregate of 284,140 shares of Series A Preferred Stock at a negotiated aggregate value of $4,092,560 of Series A Preferred Stock (at Stated Value of $12 per share and including accrued dividends) and 5,813 related warrants to purchase common stock at $80 per share into 409,256 shares of Series B Preferred Stock (including $2,640,430 or 183,122 shares of Series A Preferred Stock and 3,785 warrants to purchase common stock at $80 per share converted into 264,043 shares of Series B Preferred Stock of a related party). The value of Series A Preferred Stock and related warrants exchanged for Series B Preferred Stock was negotiated based upon: the related Stated Value of the Series A Preferred Stock (or 284,140 shares at $12 Stated Value equals $3,409,680) and accrued dividends thereon (of $343,392) through May 1, 2025; plus the value of the related warrants to purchase common stock (calculated

IP Strategy Holdings, Inc.
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NOTE 9 — STOCKHOLDERS' EQUITY / (DEFICIT) (cont.)

using a Black Scholes valuation model). Subsequent to the exchange, there were outstanding: 659,437 shares of Series B Preferred Stock; 210,700 shares of Series A Preferred Stock; and 210,700 warrants to purchase common stock at $80 per share related to the Series A Preferred Stock,

As of September 30, 2025, the Company had received subscriptions for $7,568,540 (756,854 shares) of Series B Preferred Stock (of which $2,995,437 was from a related party) which included: $4,092,560 or 409,256 shares from the exchange of Series A Preferred Stock and related warrants at a negotiated aggregate value (of which $2,640,437 or 264,043 shares was from a related party); $392,000 or 39,200 shares was from the exchange of 35,000 prepaid warrants at a VWAP of $11.20 per prepaid warrant; $167,180 or 16,717 shares was from the exchange of 16,393 prepaid warrants at a VWAP of $10.20 per prepaid warrant; $1,150,000 or 115,000 shares was from the ELOC Investor, of which $499,991 was purchased in January 2025 in conjunction with the execution and registration of the ELOC Purchase Agreement; and $1,766,810 or 176,681 shares was from other investors (of which $355,000 or 35,500 shares was from a related party, of which, one other investor subscription of $100,000 or 10,000 shares included a negotiated 16,393 prepaid warrants to purchase common stock at $0.02 per share).

In conjunction with the closing of the August 15, 2025 PIPE Offering discussed in Note 8, 741,854 shares of Series B Preferred Stock that would have been eligible to be converted into 894,866 shares of common stock were exchanged for: 213,409 shares of common stock; 447,433 prepaid warrants with an exercise price of $0.20 per share that are exercisable for common stock at the earlier of (i) when the common stock closes at $30 per share or higher during a regular trading day or (ii) on the 3 month anniversary of the warrant issuance date; and 402,690 prepaid warrants with an exercise price of $0.20 per share that are exercisable for common stock at the earlier of (i) when the common stock closes at $40 per share or higher during a regular trading day or (ii) on the 6 month anniversary of the warrant issuance date. (A related party portion thereof being 299,543 shares of Series B Preferred Stock that would be eligible to be converted into 431,793 shares of common stock will be exchanged for: 21,589 shares of common stock; 215,896 prepaid warrants with an exercise price of $0.20 per share that are exercisable for common stock at the earlier of (i) when the common stock closes at $30 per share or higher during a regular trading day or (ii) on the 3 month anniversary of the warrant issuance date; and 194,306 prepaid warrants with an exercise price of $0.20 per share that are exercisable for common stock at the earlier of (i) when the common stock closes at $40 per share or higher during a regular trading day or (ii) on the 6 month anniversary of the warrant issuance date.) On October 3, 2025, the remaining 15,000 shares of Series B Preferred Stock with a stated value of $180,000) and a liquidation preference of $212,850 were converted into 449,430 shares of common stock

Stock options — The Company's 2018 Equity Incentive Plan was approved by the HDC Board and the HDC shareholders in March 2018. On April 27, 2019, in anticipation of the Company's reorganization on May 1, 2019, the IP Strategy Board and the IP Strategy sole stockholder approved IP Strategy's 2019 Equity Incentive Plan (the "2019 Plan"). Upon the closing of the Company's initial public offering (which occurred on November 25, 2024), the 2024 Plan became effective, authorizing the issuance of up to 125,000 shares of common stock. As of December 31, 2024, the Company had made no grants under the 2024 Plan.

The 2024 Plan allows for the grant of incentive stock options ("ISOs"), nonqualified stock options ("NQSOs"), stock appreciation rights ("SARs"), restricted stock, RSU awards, performance shares, and performance units to eligible participants for 10 years (until November 2034).

The 2019 Plan allows for the grant of ISOs, NQSOs, SARs, restricted stock, RSU awards, performance shares, and performance units to eligible participants for 10 years (until April 2029). The cost of awards under the 2019 Plan generally is based on the fair value of the award on its grant date. The maximum number of shares that may be utilized for awards under the 2019 Plan is 12,825.

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NOTE 9 — STOCKHOLDERS' EQUITY / (DEFICIT) (cont.)

The following sets forth the outstanding ISOs and related activity for the years ended December 31, 2025 and 2024:

Options Outstanding	Number of Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2023	308	$ 3,157.80	1.86	$ 0.00
Forfeited	(8)	$ 3,157.80		
Outstanding at December 31, 2024	300	$ 3,157.80	0.86	$ 0.00
Exercisable at December 31, 2024	300	$ 3,157.80	0.86	$ 0.00
Forfeited	(8)	$ 3,157.80		
Outstanding at December 31, 2025	292	$ 3,157.80	0	$ 0.00
Exercisable at December 31, 2025	292	$ 3,157.80	0	$ 0.00
Remaining unvested at December 31, 2025	—	$ 3,157.80		

ISOs require a recipient to remain in service to the Company, ISOs generally vest ratably over periods ranging from one to four years from the vesting start date of the grant and vesting of ISOs ceases upon termination of service to the Company. Vested ISOs are exercisable for three months after the date of termination of service. The terms and conditions of any ISO shall comply in all respects with Section 422 of the Code, or any successor provision, and any applicable regulations thereunder. The exercise price of each ISO is the fair market value of the Company's stock on the applicable date of grant. The Company used the mean volatility estimate from Varga's 409A valuation based on the median 5-year volumes of select peer companies. Fair value is estimated based on a combination of shares being sold at $3,157.80 up through February of 2019 and the most recent 409A completed when these ISOs were issued in April of 2018 valuing the Company's stock at $3,157.80 per share. No ISOs may be granted more than 10 years after the earlier of the approval by the Board, or the stockholders, of the 2019 Plan.

There were no grants in the years ended December 31, 2025 and 2024. As of December 31, 2025, the Company had $0 of unrecognized compensation expense related to ISOs expected to vest over a weighted average period of 0.0 years. The weighted average remaining contractual life of outstanding and exercisable ISOs is 0 years.

The following table presents stock-based compensation expense included in the consolidated statements of operations related to ISOs issued under the 2019 Plan:

	For the Years Ended December31,	
	2025	2024
Cost of Revenue	$ —	$ —
Sales and Marketing	—	—
General and Administrative	—	18,595
Total Share-based Compensation	$ —	$ 18,595

Restricted stock units — The RSU awards granted in 2019 under the 2019 Plan were granted at the fair market value of the Company's stock on the applicable date of grant. RSU awards generally vest ratably over periods ranging from one to four years from the grant's start date. Upon termination of service to the Company, vesting of RSU awards ceases, and most RSU grants are forfeited by the participant, unless the award agreement indicates otherwise. The majority of RSU awards are "double trigger" and both the service-based component, and the liquidity-event component (including applicable lock-up periods) must be satisfied prior to an award being settled. Upon settlement, the RSU awards are paid in shares of common stock. The Company recognizes the compensation expense for the restricted stock units based on the fair value of the shares at the grant date amortized over the stated period for only those shares that are not subject to the double trigger.

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NOTE 9 — STOCKHOLDERS' EQUITY / (DEFICIT) (cont.)

The following table summarizes the RSU activity for the years ended December 31, 2025 and 2024:

	Restricted Stock Units	Weighted Average Grant Date Fair Value
Unvested and Outstanding at December 31, 2023	5,847	$ 3,157.80
Granted	11,726	$ 80.00
Forfeited/Canceled/Expired	(5,294)	$ 3,157.80
Unvested and Outstanding at December 31, 2024	12,279	$ 218.62
Granted	579,366	$ 20.83
Vested	(160,079)	$ 28.03
Unvested and Outstanding at December 31, 2025	431,566	$ 8.02

As of December 31, 2025, there was approximately $4,150,465 of aggregate unrecognized compensation expense related to unvested service-based RSUs that is expected to be recognized Through June 2027.

During the years ended December 31, 2025 and 2024, the Company recognized $4,467,314 and $4,892,110, respectively, of stock-based compensation expense (including, for the year ended December 31, 2024, $312,500 accrued but not yet awarded) in connection with RSU awards granted under the plans. Compensation expense for RSU awards is recognized upon meeting both the time-vesting condition and the triggering event condition. During the year ended December 31, 2025, no RSUs were forfeited, 579,366 RSUs were issued with a weighted average grant value of $20.83 per RSU, with 160,079 of such RSUs vesting and settling during the year, leaving 431,566 RSUs left to vest and settle as of December 31, 2025. During the year ended December 31, 2024, 26 RSUs were forfeited. In May 2024, 5,268 RSUs were voluntarily terminated, and 125 were issued, leaving 553 issued RSUs to settle at a grant value of $3,157.80 per unit. In May 2024, the Board of Directors approved awarding 11,726 RSUs to employees, directors and consultants with a fair grant value of $80 per unit. These RSUs contained a double trigger and, upon grant, were deemed to have met their time-based service requirements for vesting. They settled upon the expiration of the Market Stand-off provision in the 2019 stock incentive plan (or May 24, 2025, which is 180 days from the November 25, 2024 closing of the Company's initial public offering). For the period ended December 31, 2024, upon the consummation of the initial public offering on November 25, 2024, the Company recorded an expense of $2,684,995 at the fair grant values per RSU for the total 12,279 then vested awards.

Equity-Based (Non-Cash) Compensation — The Company recorded equity-based (non-cash) compensation for employees (personnel) and consultants for the years ended December 31, 2025 and 2024 as follows:

	Years Ended December 31,	
	2025	2024
Production / Cost of Revenue	$ 121,107	$ 178,140
Sales and Marketing	647,295	729,592
General and Administrative	3,698,912	2,414,097
Subtotal Employee Compensation	4,467,314	3,321,829
Professional Fees	20,000	1,570,281
Total Non-Cash Share-Based Compensation	$ 4,487,314	$ 4,892,110

Equity-classified warrants — The Company estimates the fair values of equity warrants using the Black-Scholes option-pricing model on the date of issuance with Monte Carlo simulations to determine the probability of warrants being exercisable.

Contingent Legacy Shareholder Warrants — On October 30, 2024, the Company issued warrants to purchase common stock that became contingently exercisable upon the closing of an initial public offering (which occurred on November 25, 2024), at the price per share of the Company's initial public offering (or $80 per share) to its common

IP Strategy Holdings, Inc.
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NOTE 9 — STOCKHOLDERS' EQUITY / (DEFICIT) (cont.)

shareholders of record as of May 31, 2023 (the "Contingent Legacy Shareholder Warrants"), that will be exercisable, if at all, provided / contingent upon: if the warrant holder continuously holds the shares such holder owned on May 31, 2023 through the date the warrant is exercised; and if the common stock attains a specified volume weighted average price per share ("VWAP") over a 10-trading-day period (the "10-Trading-Day VWAP") before expiring:

- Tranche 1 - for up to 38,124 shares of common stock (of which up to 6,417 were to a related party) when the 10-Trading-Day VWAP of the common stock reaches 200% of the $80 per share initial public offering price (or $160 per share), and that will expire on the 24-month anniversary of the Company's initial public offering (the "$160 Contingent Legacy Shareholder Warrants");
- Tranche 2 - for up to 76,248 shares of common stock (of which up to 12,835 were to a related party) when the 10-Trading-Day VWAP of the common stock reaches 300% of the $80 per share initial public offering price (or $240 per share), and that will expire on the 42-month anniversary of the Company's initial public offering (the "$240 Contingent Legacy Shareholder Warrants"); and
- Tranche 3 - for up to 95,311 shares of common stock (of which up to 16,044 were to a related party) when the 10-Trading-Day VWAP of the common stock reaches 500% of the $80 per share initial public offering price (or $400 per share), and that will expire on the 60-month anniversary of the Company's initial public offering (the "$400 Contingent Legacy Shareholder Warrants").

The Company recorded a value of $8,828 for the Contingent Legacy Shareholder Warrants as of the October 30, 2024 grant date based on a Black Scholes option pricing model. The assumptions used in the Black-Scholes option pricing model for the Contingent Legacy Shareholder Warrants were as follows:

	For the Years Ended December 31,	
	2025	**2024**
Weighted Average Expected Volatility	— %	70 %
Expected Dividends	— %	— %
Weighted Average Expected Term (in years)	0	5
Risk-Free Interest Rate	— %	4.22 %
Probability Scenarios of meeting contingencies		
Shareholder holds shares owned on May 31, 2023 through warrant exercise date	—% to —%	
Common stock attains a specified 10-Trading-Day VWAP price before expiring	—% to —%	

As of December 31, 2025 there were outstanding and exercisable: 25,124 $80 Contingent Legacy Shareholder Warrants; 50,341 $240 Contingent Legacy Shareholder Warrants; and 62,948 $400 Contingent Legacy Shareholder Warrants, (of which 0 were to a related party) with weighted-average remaining contractual terms of 0.89 years, 2.39 years, and 3.9 years, respectively.

As of December 31, 2024 there were outstanding and exercisable: 36,280 $80 Contingent Legacy Shareholder Warrants; 72,560 $240 Contingent Legacy Shareholder Warrants; and 90,701 $400 Contingent Legacy Shareholder Warrants, (of which 5,772;11,545;and 14,432, respectively were to a related party) with weighted-average remaining contractual terms of 1.89 years, 3.39 years, and 4.90 years, respectively.

Whiskey Note Shareholder Warrants — On April 1, 2025, the Company issued warrants with an expiration date of April 1, 2028 to purchase 44,207 shares of common stock with an exercise price of $80 per share to common shareholders of record who acquired their common stock through the exchange of Whiskey Notes and whose shares were subject to 100% lockup for 6 months post-IPO, (the "Whiskey Note Shareholder Warrants"). Certain holders of the Whiskey Note Shareholder Warrants forfeited their warrants to purchase 15,278 shares of common stock, leaving warrants to purchase 28,913 shares of common stock remaining as of December 31, 2025. The Whiskey Note Shareholder Warrants will be exercisable if the warrant holder continuously holds all shares of common stock such holder owned on the date of the Company's IPO through the date the warrant is exercised, and then only if the common stock attains a 10-Trading-Day VWAP of $160 per share before expiring. The Company recorded the fair value of the Whiskey Note Shareholder

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 9 — STOCKHOLDERS' EQUITY / (DEFICIT) (cont.)

Warrants of $152.90 in the three months ended September 30, 2025 based on a Black Scholes option pricing model and Monte Carlo simulation analysis.

Debtor Exchange Warrants — Between July 30, 2025 and August 14, 2025, the Company issued warrants with an expiration date of July 30, 2030 to purchase 253,890 shares of common stock with an exercise price of $0.20 per share and 22,500 shares of common stock with an exercise price of $2.40 per share to contractors pursuant to Debtor Exchange Agreements.

Series B Exchange Warrants — On August 8, 2025, the Company issued pre-funded warrants with an expiration date of August 8, 2030 to purchase 850,110 shares of common stock with an exercise price of $0.002 per share (the "Series B Exchange Warrants") in exchange for shares of Series B Preferred Stock pursuant to an Exchange Subscription Agreement dated July 30, 2025. The Series B Exchange Warrants vest pursuant to the following schedule:

- Tranche 1 - for up to 447,427 shares of common stock (of which up to 215,896 were to a related party) at the earlier of 3-months from the issue date or when the closing price of the common stock equals or exceeds $30.00 per share; and
- Tranche 2 - for up to 402,683 shares of common stock (of which up to 194,306 were to a related party) at the earlier of 6-months from the issue date or when the closing price of the common stock equals or exceeds $40.00 per share.

Advisor Warrants — On August 10, 2025, the Company issued pre-funded warrants with an expiration date of August 10, 2030 to purchase 875,000 shares of common stock with an exercise price of $0.20 per share (the "Advisor Warrants") in connection with various Advisor/Consulting Agreements dated between June 19, 2025 and August 10, 2025. The Advisor Warrants vest pursuant to the following schedule:

- Tranche 1 - up to 193,750 shares of common stock at the earlier of 3-months from the issue date or when the closing price of the common stock equals or exceeds $20.00 per share;
- Tranche 2 - up to 203,750 shares of common stock at the earlier of 6-months from the issue date or when the closing price of the common stock equals or exceeds $30.00 per share;
- Tranche 3 - up to 215,000 shares of common stock at the earlier of 6-months from the issue date or when the closing price of the common stock equals or exceeds $40.00 per share; and
- Tranche 4 - up to 262,500 shares of common stock vesting equally over 12 months from the date the Company received approval of its stockholders which was September 18, 2025.

Pre-Funded Warrants — see Note 8

Other equity classified warrants — During the year ended December 31, 2025, the Company issued additional warrants totaling 261,335, including: 42,614 warrants to purchase common stock at $0.20 per share issued in connection with the issuance of Series B Preferred Stock (of which, 5,121 were to a related party); 3,358 Commitment Warrants to purchase common stock at $0.02 per share issued in connection with the ELOC Agreement (that were exercised in February 2025); and 215,363 warrants to purchase common stock at $0.20 per share issued in connection with the PIPE transaction pursuant to that certain Placement Agency Agreement dated August 11, 2025 in connection with the PIPE transaction.

In addition to the Contingent Legacy Shareholder Warrants discussed above, during the year ended December 31, 2024, the Company issued a total of 20,698 equity classified warrants, including: 83,333 warrants at $6 per share in conjunction with July 2024 accounts receivable factoring agreement; 4,218 Underwriter Warrants in conjunction with the Company's initial public offering; and 9,850 warrants to purchase common stock, (of which, 3,028 were to a related party) in connection with the issuance of Series A Preferred Stock. Upon the November 25, 2024 initial public offering at $80 per share, the 9,850 warrants at $100 per share were recalculated and reissued as 12,313 warrants at $80 per share (and the 3,028 related party warrants at $100 per share were recalculated and reissued as 3,785 warrants at $80 per share.).

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 9 — STOCKHOLDERS' EQUITY / (DEFICIT) (cont.)

During the years ended December 31, 2025 and 2024, the assumptions used in the Black-Scholes option pricing model were as follows:

	For the Years Ended December 31,	
	2025	2024
Weighted Average Expected Volatility	— %	70 %
Expected Dividends	— %	— %
Weighted Average Expected Term (in years)	0	5
Risk-Free Interest Rate	— %	4.22 %

The Underwriting Agreement and the related warrants granted to the Underwriter equal 5% of the total proceeds raised in the Company's November 25, 2024 initial public offering at an exercise price equal to the offering price, or warrants for 4,218 shares at $80 per share (the "Underwriter Warrants"). As of December 31, 2025, the underwriter has not exercised any such warrants.

Correction for Missed Warrants. — Subsequent to the closing of the August 15, 2025 PIPE Offering, and after consultation with Roth Capital Partners, LLC the Company was notified by Roth that certain 2022 warrants promised to Roth related to the 2022 Convertible Note financing had not been issued yet. The Company and Roth are in the process of reaching agreement on the number of warrants due and will update those details in a future filing.

Deferred Compensation — Beginning in May 2023, certain senior level employees elected to defer a portion of their salary until such time as the Company completed a successful public registration of its stock (which occurred on November 25, 2024). Upon success of the Company's initial public offering, each employee was then to be paid their deferred salary plus a range of matching dollars in RSUs (under the new 2024 Plan noted above) for every $1 dollar of deferred salary. As of December 31, 2025, the Company recorded $848,908 of such deferred payroll expense, including $457,730 paid in cash in December 2024, and $391,179 remaining to be paid which was included in accrued liabilities as of December 31, 2024. Accordingly, as of June 30, 2025, upon the expiration of the 6 month post-IPO lockup period (in May 2025) the Company issued approximately $1,894,615 in equity compensation (in the form of 23,682 RSUs) in settlement of the deferred compensation liability. During the six months ended June 30, 2025 certain senior level employees elected to defer an additional $79,275 of their salary. As of December 31, 2025, the Company had paid $580,463 of the deferred compensation, leaving a balance of $119,586 remaining to be paid as of December 31, 2025.

NOTE 10 — ACQUISITION OF THINKING TREE SPIRITS

Business Combinations — On February 21, 2024, the Company purchased all the outstanding stock of Thinking Tree Spirits, Inc. ("TTS"), which was accounted for as a business combination, requiring assets and liabilities assumed to be measured and recorded at their acquisition date fair values as of the acquisition date. The resolution of the contingent earn out payments will be reviewed at each subsequent reporting period, and any increases or decreases in fair value will be recorded in the income statement as an operating gain or loss.

Under the terms of the stock sale, the Company paid the shareholders of TTS $670,686 ($720,686, net of $50,000 held back for post-closing accounting true-ups) using shares of common stock of the Company. The $670,686 was paid using common stock of the Company at a negotiated price of $263.20 per share (or 2,547 shares), subject to a true-up provision (to the price per share of the Company's anticipated IPO, if lower — which, as of September 30, 2024, was $100 per share or 6,706 shares) that expired on August 31, 2024, but which was subsequently extended by the Parties to after the conclusion of the dissenters rights process under Oregon law (See below).

In September 2024, the Company extended the true-up provision under the terms of the TTS stock sale from August 31, 2024 to the date of settlement of the Thinking Tree Spirits Dissenters Rights Process, resulting in the delay in reclassifying the TTS purchase price liability to equity (under ASC-480). Upon the November 25, 2024 initial public offering at $80 per share, the true-up provision related to the $670,686 at $80 per share equaled 8,383 shares, an increase of 5,836 shares over the original 2,547 shares, but subject to any reductions for payments made to dissenters. (See below)..

ASC 480 requires a financial instrument to be classified as a liability if such financial instrument contains a conditional obligation that the issuer must or may settle by issuing a variable number of its equity securities if, at inception,

NOTE 10 — ACQUISITION OF THINKING TREE SPIRITS (cont.)

the monetary value of the obligation is predominantly based on a known fixed monetary amount. In September 2024, under the terms of the TTS stock sale, the true-up provision for the $670,686 purchase price payment in the form of common stock was extended through the settlement of the Thinking Tree Spirits Dissenters Rights Process (See below). Once the final determination is made on the amount owed to dissenters, if any, that amount will be deducted from the true-up amount and the resulting number of shares of common stock will be issued at the price per share of the common stock in the Company's initial public offering (which occurred on November 25, 2024, at $80 per share), at which time, the conversion price became fixed and the purchase price no longer qualified to be classified as a liability in accordance with ASC 480, and was reclassified to equity. The estimated fair value of the $127,076 in estimated future contingent values (discussed also below) is recorded as a (long term) liability until such time as their obligation for potential payment becomes established as something more than zero and the payment number of shares is established, at which time, such future contingent payments will likewise be reclassified from liabilities to equity in accordance with ASC 480.

Allocation of the purchase price based on the estimated fair values of the acquired assets and liabilities assumed was as follows:

	Amounts
Assets:	
Inventory	$ 143,423
Other Current Assets/(Liabilities), net	(3,068)
Property and Equipment	127,600
Intangible Asset – Thinking Tree Trade Name	250,000
Intangible Asset – Thinking Tree Customer Relationships	190,000
Goodwill	589,870
Total Assets	$ 1,297,825
Liabilities:	
Accounts Payable and Other Current Liabilities	$ 42,739
SBA Loan	389,875
Other Non-Current Liabilities	17,449
Total Liabilities	450,063
Total Purchase Consideration	$ 847,762

In conjunction with the acquisition, for the quarter ended March 31, 2024, the Company recorded estimated fair values of $847,762 for payments in the form of Company common stock (including: $670,686 in common stock of the Company; $50,000 of post-closing accounting true-ups; and $127,076 in estimated future contingent payments). The acquisition was recorded at estimated fair values, based on the payments made, and a fair value probability applied to the contingent earn out payments. The fair value of the acquisition will be re-measured for each subsequent reporting period until resolution of the contingent earn out payments, and any increases or decreases in fair value will be recorded in the income statement as an operating loss or gain. The recorded fair value of the acquisition was reviewed as of December 31, 2024, with no change in fair value deemed necessary.

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 10 — ACQUISITION OF THINKING TREE SPIRITS (cont.)

Under the terms of the TTS acquisition, TTS shareholders were eligible to receive contingent earn out payments from the Company through February 21, 2027 of:

* Up to $800,000 per year (payable in Company common stock) in each of the first 3 years post acquisition with the final closing date on December 31, 2026 (for an aggregate of up to $2,400,000), calculated as $1.00 worth of Company common stock for every $1.00 of revenue of TTS brands and activities that exceed the previous year's TTS associated revenue. Shortfalls in years 1 and 2 to be caught up in years 2 and/or 3, if revenues are then sufficient.

* $395,000 if TTS is successful in securing an agreement for a new tasting room location, to be branded TTS and Heritage Distilling, or as a Company approved sub-brand or collective brand, within a certain confidential retail location in Portland OR within 3 years, TTS shareholders will receive an additional $395,000, payable at IP Strategy's election either in cash or in shares of common stock (based on closing price 30 days post opening of such location).

The fair value of property and equipment was estimated by applying the cost approach, which estimates fair value using replacement or reproduction cost of an asset of comparable utility, adjusted for loss in value due to depreciation and economic obsolescence. The fair value of the contingent earn-out was estimated using a discounted cash flow approach, which included assumptions regarding the probability-weighted cash flows of achieving certain capacity development milestones.

Intangible assets were determined to meet the criterion for recognition apart from tangible assets acquired and liabilities assumed. The fair values of intangible assets were estimated based on various valuation techniques including the use of discounted cash flow analyses, and multi-period excess earnings valuation approaches, which use significant unobservable inputs, or Level 3 inputs, as defined by the fair value hierarchy. These valuation inputs included estimates and assumptions about forecasted future cash flows, long-term revenue growth rates, and discount rates. The fair value of the customer relationships intangible asset was determined using a discounted cash flow model that incorporates the excess earnings method and will be amortized on an accelerated basis over the projected pattern of economic benefits of approximately 6 to 10 years.

As described in more detail above, Intangible Assets and Goodwill related to the TTS acquisition are composed of the following as of December 31, 2025 and 2024, respectively:

As of December 31, 2025	Life	Cost	Accumulated Amortization	Accumulated Impairment Charge	Net
Intangible Assets:					
Thinking Tree Trade Name	6 years	$ 250,000	$ 38,156	$ 211,844	$ —
Thinking Tree Customer Relationships	10 years	190,000	16,666	173,334	—
Goodwill – Thinking Tree Acquisition	N/A	589,870	N/A	589,870	—
Total		$ 1,029,870	$ 54,822	$ 975,048	$ —

As of December 31, 2024	Life	Cost	Accumulated Amortization	Accumulated Impairment Charge	Net
Intangible Assets:					
Thinking Tree Trade Name	6 years	$ 250,000	$ 14,671	$ —	$ 235,329
Thinking Tree Customer Relationships	10 years	190,000	4,178	—	185,822
Goodwill – Thinking Tree Acquisition	N/A	589,870	N/A	—	589,870
Total		$ 1,029,870	$ 18,849	$ —	$ 1,011,021

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 10 — ACQUISITION OF THINKING TREE SPIRITS (cont.)

Thinking Tree Spirits Dissenters' Rights Process -- In July 2024, three Thinking Tree Spirits shareholders served their notice to exercise dissenters' rights under Oregon law. Dissenters' rights statutes allow a party opposed to certain transactions to demand payment in cash for the value of their interests held rather than receive shares in the resulting entity. All three dissenters rights claims have been settled. As a result, 3,466 shares due to TTS shareholders that were set aside until the dissenters rights claims were finalized, plus 42,350 makeup shares due from earn-out provisions of the TTS acquisition, were distributed to the remaining TTS shareholders as of September 30, 2025. No other shares are due for this transaction.

Discontinuance of Thinking Tree Spirits Sales — In conjunction with the Restructuring that was announced on October 23, 2025, the Company also terminated future production and sale of Thinking Tree Spirits (TTS) products. Accordingly, as of December 31, 2025, the Company wrote off the net assets related to TTS in conjunction with the Restructuring. See Note 18.

NOTE 11 — INCOME TAXES

The tax effects of significant items comprising the Company's deferred taxes as of December 31 are as follows:

	December 31,	
	2025	**2024**
Deferred Tax Assets		
Reserves	$ 101,238	$ 88,630
Deferred Wages	26,396	88,795
Lease Liability	478,328	894,703
Net Operating Loss Carryforwards	17,063,213	14,036,687
Credit Carryforwards	35,014	191,979
Fixed Asset Basis	741,479	996,625
Restricted Stock Units	1,654,883	1,110,471
Mark to Market Adjustment	26,088,606	—
Other Carryforwards	128,111	124,945
Total Deferred Tax Assets	46,317,268	17,532,835
Less: Valuation Allowance	(43,435,894)	(13,444,812)
Deferred Tax Liabilities		
Investment in Flavored Bourbon LLC	(2,412,199)	(3,242,634)
Right-of-Use Assets	(469,175)	(749,791)
Intangible Assets	—	(95,598)
Total Deferred Tax Liabilities	(2,881,374)	(4,088,023)
Net Deferred Tax Assets	$ —	$ —

ASC 740 requires that the tax benefit of net operating losses, temporary differences and credit carryforwards be recorded as an asset to the extent that management assesses that realization is "more likely than not." Realization of the future tax benefits is dependent on the Company's ability to generate sufficient taxable income within the carryforward period. Because of the Company's recent history of operating losses, management believes that recognition of the deferred tax assets arising from the above-mentioned future tax benefits is currently not likely to be realized and, accordingly, the Company has provided a full valuation allowance. At December 31, 2025 and 2024 the Company's valuation allowance were $43.4 million and $13.4 million, respectively. The change in the valuation allowance for the period ended December 31, 2025 was an increase of $30.0 million.

At December 31, 2025 and 2024, the Company has federal net operating loss carryforwards of approximately $74.8 million and $61.5 million, respectively, which have an indefinite carryforward period; and Oregon State net operating loss carryforwards of approximately $22.4 million and $20.0 million, respectively, which begin expiring in 2033. Under

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 11 — INCOME TAXES (cont.)

Sections 382 and 383 of the Code, substantial changes in the Company's ownership may limit the amount of net operating loss and research that could be used annually in the future to offset taxable income. The tax benefits related to future utilization of federal net operating loss carryforwards, credit carryovers, tax credits, and other deferred tax assets may be limited or lost if the cumulative changes in ownership exceeds 50% within any three-year period. During 2025, the Company completed a formal Section 382/383 analysis under the Code regarding the limitation of net operating loss and tax credit carryforwards. Based on the completed Section 382 analysis, we experienced ownership changes on November 25, 2024 and August 15, 2025, primarily as a result of equity transactions including our initial public offering and subsequent capital raising activities, including the August 15, 2025 PIPE transaction. As a result of these ownership changes, our ability to utilize certain NOL carryforwards generated prior to those dates are subject to annual limitations under Section 382.

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. Due to its operating loss carryforward, the U.S. federal and state statute of limitations remains open for 2018 and onward. The Company has no ongoing or recently closed income tax examinations. The Company recognizes tax benefits from an uncertain position only if it is more likely than not that the position is sustainable, based on its technical merits. Interest and penalties related to uncertain tax positions are classified as income tax expense.

For the years ended December 31, 2025 and 2024, the Company's income tax provision consisted of current state taxes of $8,490 and $9,150, respectively. and federal provisions of $0 and $0, respectively.

The effective tax rate of the Company's provision / (benefit) for income taxes differs from the federal statutory rate as follows:

	For the Year Ended December 31,2025	
Effective Tax Rate Reconciliation	**Amount**	**Percent**
US Federal Statutory Tax Rate	$ (28,921,999)	21.00 %
State and Local Income Taxes, Net of Federal Income Tax Effect	(6,707)	— %
Tax Credits	(31,869)	0.02 %
Change in Valuation Allowance - Federal	28,478,939	(20.68)%
Permanent Items - Other	296,172	(0.22)%
Other	176,974	(0.13)%
Total	$ (8,490)	(0.01)%

The Company's tax payments for the year ended December 31, 2025 were as follows:

	For the Year Ended December 31, 2025
Tax payments	**Amount**
Federal	$ —
State	3,122
Foreign	—
Total Tax payment	$ 3,122

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 11 — INCOME TAXES (cont.)

A reconciliation of the Company's effective tax rate for the year ended December 31, 2024 is as follows:

Effective Tax Rate Reconciliation	For the Year Ended December 31, 2024
Statutory Rate	21.00%
State Taxes	(32.56%)
Change in Fair Value of Warrants and Convertible Notes	(430.87%)
Change in Valuation Allowance	453.62 %
Prior Year State Tax True-ups	(10.52%)
Officers Life Insurance	1.65%
Permanent Items - Other	3.85 %
Tax Credits	(3.78%)
True-ups/Other	(1.12) %
Total	1.27%

The expense from and provision for income taxes differs from the amount computed by applying the statutory federal income tax rate of 21% to earnings before taxes, primarily because of the change in fair value of warrant and convertible notes, change in valuation allowance, incentive stock options / restricted stock units, other nondeductible items, state taxes, fair value adjustments, federal tax credits, and true-up adjustments.

NOTE 12 — LEASES

The Company has operated leases for corporate offices, warehouses, distilleries, tasting rooms and certain equipment which have been accounted for using ASC Topic 842. The Company's operating lease terms included periods under options to extend or terminate the operating lease when it was reasonably certain that the Company would exercise that option in the measurement of its operating lease ROU assets and liabilities. The Company considers contractual-based factors such as the nature and terms of the renewal or termination, asset-based factors such as the physical location of the asset and entity-based factors such as the importance of the leased asset to the Company's operations to determine the operating lease term. The Company generally uses the base, non-cancelable lease term when determining the operating lease ROU assets and lease liabilities. The ROU asset is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable in accordance with Accounting Standards Codification Topic 360, *Property, Plant, and Equipment*.

On October 23, 2025, the Company announced the Restructuring. As of December 31, 2025 the Company wrote off and expensed $3,392,744 of: property and equipment; operating lease ROU assets and lease liabilities; and other related expenses as part of the Restructuring. See Note 18.

In January 2025, the Company terminated one warehouse lease in Eugene, Oregon, moving from a 33,000 square feet to an approximately 8,000 square feet lease. The monthly expenses associated with the new lease were reduced from approximately $18,000 per month down to $7,700 per month. The new lease expires in January 2028, with an option for a three year extension. The change in ROU assets and related liabilities both for the terminated lease and the new warehouse lease were captured on the March 31, 2025 balance sheet. The Company also negotiated the reduction of warehouse space of its largest warehouse effective September 15, 2025, reducing annualized expenses for that space by approximately two-thirds.

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 12 — LEASES (cont.)

The following table presents the consolidated lease cost for amounts included in the measurement of lease liabilities for operating leases for the years ended December 31, 2025, and 2024, respectively:

	Years Ended December 31,	
	2025	**2024**
Lease Cost:		
Amortization of Right-of-Use Assets	$ 451,557	$ 508,156
Interest on Lease Liabilities	755,374	896,673
Operating lease cost	232,576	76,353
Total lease cost[(1)]	$ 1,439,507	$ 1,481,182

(1) Included in "Cost of Revenue", "Sales and Marketing" and "General and Administrative "expenses in the accompanying consolidated statements of operations.

The following table presents weighted-average remaining lease terms and weighted-average discount rates for the consolidated operating leases as of December 31, 2025 and 2024, respectively:

	December 31,	
	2025	**2024**
Weighted-average remaining lease term – operating leases (in years)	4.3	5.3
Weighted-average discount rate – operating leases	22%	22%

The Company's ROU assets and liabilities for operating leases were $2,125,540 and $2,167,012, respectively, as of December 31, 2025. The ROU assets and liabilities for operating leases were $3,303,158 and $3,941,560, respectively, as of December 31, 2024. The ROU assets for operating leases were included in "Operating Lease Right-of-Use Assets, net" in the accompanying consolidated balance sheets. The liabilities for operating leases were included in the "Operating Lease Liabilities, Current" and "Operating Lease Liabilities, net of Current Portion" in the accompanying consolidated balance sheets.

Maturities of lease liabilities for the years through 2029 and thereafter are as follows:

	Amounts
Years Ending	
2026	$ 817,567
2027	773,035
2028	705,748
2029	726,923
2030	389,409
thereafter	—
Total lease payments	$ 3,412,683
Less: Interest	(1,245,672)
Total Lease Liabilities	$ 2,167,012

NOTE 13 — COMMITMENTS AND CONTINGENCIES

As an inducement to obtain financing in 2022 and 2023 through convertible notes, the Company agreed to pay a portion of certain future revenues the Company may receive from the sale of FBLLC or the Flavored Bourbon brand to the investors in such financings in the amount of 150% of their subscription amount for an aggregate of approximately $24,495,000. See Note 5 — Payment Upon Sale of Flavored Bourbon, LLC.

The Company maintains operating leases for various facilities. See Note 12, Leases, for further information.

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 13 — COMMITMENTS AND CONTINGENCIES (cont.)

Litigation — From time to time, the Company may become involved in various legal proceedings in the ordinary course of its business and may be subject to third-party infringement claims.

In the normal course of business, the Company may agree to indemnify third parties with whom it enters into contractual relationships, including customers, lessors, and parties to other transactions with the Company, with respect to certain matters. The Company has agreed, under certain conditions, to hold these third parties harmless against specified losses, such as those arising from a breach of representations or covenants, other third-party claims that the Company's products when used for their intended purposes infringe the intellectual property rights of such other third parties, or other claims made against certain parties. It is not possible to determine the maximum potential amount of liability under these indemnification obligations due to the Company's limited history of prior indemnification claims and the unique facts and circumstances that are likely to be involved in each claim.

Litigation — CFGI — On January 31, 2025, CFGI, LLC ("CFGI") commenced a litigation against the Company in the Superior Court, Suffolk County, Massachusetts asserting claims arising under a November 1, 2022 written engagement letter agreement whereby CFGI agreed to provide financial, accounting and tax consulting services to the Company. CFGI alleged that, while the Company made some payments under the amended agreement, CFGI was then owed approximately $730,000, plus interest.

On July 30, 2025, the parties entered into a settlement agreement whereby the Company paid $500,000 in full settlement of all amounts claimed by the plaintiff in the litigation and the litigation was terminated.

Litigation — Thinking Tree Dissenter — On April 16, 2025, Kaylon McAlister, a former co-founder of Thinking Tree Spirits, filed suit in the Circuit Court of Oregon against Thinking Tree Spirits and the Company seeking $470,000 under the Oregon dissenter rights statute, plus interest. The parties reached agreement on August 8, 2025 whereby the dissenter relinquished his claims in exchange for $140,000, ending the matter.

As of December 31, 2025 and 2024, the Company has not been subject to any other pending litigation claims.

Notice from Nasdaq — On April 14, 2025, the Company received a notice (the "Notice") from the Nasdaq Stock Market LLC ("Nasdaq"), which indicated that the Company was not in compliance with Nasdaq Listing Rule 5550(a)(2) (the "Minimum Bid Price Requirement"), as the Company's closing bid price for its common stock was below $1.00 per share for the prior thirty (30) consecutive business days.

Pursuant to Nasdaq Listing Rule 5810(c)(3)(A), the Company has been granted a 180-calendar day compliance period, or until October 13, 2025 (the "Compliance Period"), to regain compliance with the Minimum Bid Price Requirement. During the compliance period, the Company's shares of Common Stock will continue to be listed and traded on the Nasdaq Capital Market. If at any time during the Compliance Period, the bid price of the Common Stock closes at or above $1.00 per share for a minimum of ten (10) consecutive business days, Nasdaq will provide the Company with written confirmation of compliance with the Minimum Bid Price Requirement and the matter will be closed.

On October 13, 2025, the Company sought out a second 180-calendar day compliance period. Nasdaq approved that request on October 14, 2025. On November 5, 2025 the Company effectuated a 1-for-20 reverse stock split, which resulted in the stock exceeding the mini bid price and bringing the Company into compliance. Assuming the closing price of the stock stays above the $1.00 Minimum Bid Price Requirement for the 10 consecutive trading days following the November 5, 2025 reverse split effective date, the Company is expected to regain compliance with the Nasdaq listing rule.

On March 20, 2026, the Company received a notice from the Nasdaq indicating that the Company's common stock did not meet the minimum bid price required set forth in Nasdaq Listing Rule 5550(a)(2) (the "Minimum Bid Price Requirement"), as the closing bid price for the Common Stock was below $1.00 per share for thirty (30) consecutive business days. Although issuers are typically provided a 180-calendar-day compliance period to regain compliance with the Minimum Bid Price Requirement, the notice further stated that, pursuant to Nasdaq Listing Rule 5810(c)(3)(A)(iv), the Company is not eligible for any compliance period because the Company effected a reverse stock split within the prior one-year period, specifically a 1-for-20 reverse stock split effected on November 5, 2025.

The Company filed an appeal with Nasdaq regarding the delisting determination letter on March 27, 2026, following which Nasdaq scheduled a hearing on the appeal for April 30, 2026. The Company's filing of an appeal will stay the delisting of the Common Stock. In anticipation of its filing with Nasdaq of an appeal, on March 20, 2026, the Company

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 13 — COMMITMENTS AND CONTINGENCIES (cont.)

filed with the SEC a proxy statement for a special meeting of its stockholders as of record on March 19, 2026 to be held on April 10, 2026 to consider a proposal to authorize a reverse stock split of the Common Stock at a ratio ranging from 1:3 to 1:20, the actual ratio to be determined by the Company's board of directors. If the proposed reverse stock split is approved by the Company's stockholders at the special meeting, the Company expects promptly to effect a reverse stock split of the Common Stock at a ratio that will allow the bid price of the Common Stock to close at or above $1.00 per share. However, there can be no assurance that there will be sufficient time for the Common Stock to reach and exceed such bid price for a minimum of ten (10) consecutive business days prior the scheduled Nasdaq hearing, there can be no assurance that the Company will be able to regain compliance with the Minimum Bid Price Requirement prior to the Company's hearing before the Nasdaq Hearings Panel (the "Panel"), or that the Panel will grant the Company an additional extension of time to regain Bid Price compliance.

Management Fee — The Company is required to pay a monthly management fee to Summit Distillery, Inc (see Note 15).

NOTE 14 — RETIREMENT PLANS

The Company sponsors a traditional 401(k), Roth 401(k) and profit-sharing plan, in which all eligible employees may participate after completing 3 months of employment. No contributions have been made by the Company during the years ended of December 31, 2025 and 2024.

NOTE 15 — RELATED-PARTY TRANSACTIONS

Management Agreement

On October 6, 2014, the Company entered into a management agreement with Summit Distillery, Inc., an Oregon corporation, to open a new Heritage Distilling Company location in Eugene, Oregon. The Company engaged Summit Distillery, Inc., to manage the Eugene location for an annual management fee. The principals and sole owners of Summit Distillery, Inc., are also stockholders of IP Strategy. For each of the years ended December 31, 2025 and 2024, the Company expensed a management fee of $180,000 and $180,000, respectively, to Summit Distilling, Inc. The fee is based upon a percentage of the Company's trailing twelve months, earnings before interest, taxes and depreciation expense, as defined in the management agreement.

Other Related Party Transactions

Beginning in 2022, we began a series of financings with a party that is considered a related party for the years ended December 31, 2025 and 2024 by virtue of the number of common stock shares and pre-paid warrants to purchase common stock held by the party. As of December 31, 2025 and 2024 the related party owned less than 4.99% of the outstanding common stock of the Company, but as of December 31, 2024, enough, when combined with their prepaid warrants, would exceed the 4.99% reporting threshold if all such prepaid warrants were to be exercised into common stock. The prepaid warrants contain a 4.99% blocker prohibiting the exercise of such warrants if it would put the party's ownership over the 4.99% reporting threshold. The related party is not required to report the number of prepaid warrants held. Below are details of the transactions with the related party, including those related to notes payable, equity transactions and other activities.

2022 and 2023 Convertible Notes

During 2022, the Company issued multiple unsecured convertible promissory notes under the terms of the 2022 Convertible Notes to a related party who is a current stockholder of the Company. As of both December 31, 2025 and 2024 there were no 2022 Convertible Notes outstanding. As of November 25, 2024 (the date of the Company's initial public offering), the aggregate principal sum of the related party's 2022 Convertible Notes was $6,311,250 with aggregate cash proceeds of $4,675,000 (See Note 5). Concurrent with the execution of the 2022 Convertible Notes, the Company issued warrants to the related party in an amount equal to 50% of the cash proceeds from the 2022 Convertible Notes. The Company initially allocated the $4,675,000 aggregate cash proceeds from the related party to the 2022 Convertible Notes and the associated warrants on their respective issuance dates in the aggregate amounts of $4,422,379 and $252,621, respectively.

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 15 — RELATED-PARTY TRANSACTIONS (cont.)

During 2023, the Company issued multiple additional unsecured convertible promissory notes under the terms of the 2022 Convertible Notes to the same related party for a principal sum of $3,982,500 with cash proceeds of $2,950,000 (See Note 5).

As of both December 31, 2025 and 2024 there were no 2022 and 2023 Convertible Notes outstanding. As of November 25, 2024, the fair value of the related party's 2022 and 2023 Convertible Notes was $6,870,236, and was reclassified from a liability to equity upon the effectiveness of the Company's November 25, 2024 initial public offering, as further discussed below.

In October 2023, the related party agreed to exchange its then held *2022 and 2023 Convertible Notes* for 85,877 shares of common stock. (See Note 5 — Exchange of *2022 and 2023 Convertible Notes*.)

2023 Series — Convertible Whiskey Special Ops 2023 Notes

As of both December 31, 2025 and 2024 there were no Whiskey Special Ops 2023 Notes and warrant liabilities outstanding. As of November 25, 2024, the fair value of the related party Whiskey Special Ops 2023 Notes and warrant liabilities was $4,815,132, and was reclassified from a liability to equity upon the effectiveness of the Company's November 25, 2024 initial public offering, as further discussed below. As of December 31, 2023, $800,000 in principal of the Whiskey Special Ops 2023 Notes were held by the related party, plus 5,333 warrants to purchase common stock, calculated using a then estimated IPO price of $100 per share. On February 29, 2024, the related party agreed to exchange its then held Whiskey Notes and related warrants for 60,189 shares of common stock under the terms of the most recent round of 2023 Convertible Notes and the aforementioned warrants were terminated. (See Note 5.)

On February 29, 2024, the related party agreed to exchange its then held Whiskey Special Ops 2023 Notes and related warrants for 60,189 shares of common stock under the terms of the most recent round of 2023 Convertible Notes and the aforementioned warrants were terminated. (See Note 5 — *Exchange of Convertible Whiskey Special Ops 2023 Notes*.)

Reclassification of Related Party Convertible Notes to Equity

Upon the effectiveness of the Company's initial public offering (on November 25, 2024, the aggregate fair value of the Company's 2022 and 2023 Convertible Notes and related warrant liabilities, as well as the Whiskey Special Ops 2023 Notes and related warrant liabilities (including that portion held by the related party) were reclassified from a liability to equity based upon the $80 price per share of common stock in the Company's November 25, 2024 initial public offering, See also Note 5.

2023 Barrel Production Contract

During 2023, the Company entered into a distilled spirits barreling production agreement with the related party for production of 1,200 barrels of distilled spirits over time. There was a prepayment of $1,000,000 made in January 2023. In March 2024, the agreement was amended to 600 barrels for $500,000, with the then $500,000 excess prepayment used to purchase a Whiskey Note in the principal amount of $672,500 and subsequently exchanged (contingent upon the consummation of this offering, which occurred on November 25, 2024) under the terms of a Subscription Exchange Agreement for common stock in conjunction with the February 29, 2024 exchange of Whiskey Notes for common stock in conjunction with the February 29, 2024 exchange of Whiskey Notes for common stock. (See Note 5.)

Factoring Agreement(s)

In May 2024, the Company raised $100,000 under the terms of an accounts receivable factoring arrangement with the related party, with fees of 10% (or $10,000) and $1,000 for every 2 weeks payment remains overdue. Payment under the factoring agreement is due the earlier of: within 3 days of receipt of payment under the factored accounts receivable; the achievement of certain fundraising milestones; or June 15, 2024. As of June 30, 2024 the factoring agreement remained unpaid. In July 2024, the investor agreed to exchange his interest in the factoring agreement of $113,285 into a subscription for the purchase of 11,328 shares of Series A Preferred Stock and 5,000 warrants to purchase shares of common stock at the lesser of $100 per share or the price per shares at which the Company's common stock is sold in the Company's initial public offering (the "$100 Warrants"), and 1,485 warrants at $120 per share (the "$120 Warrants") and related warrants.

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 15 — RELATED-PARTY TRANSACTIONS (cont.)

Upon the November 25, 2024 initial public offering at $80 per share, the 250 warrants at $100 per share were recalculated and reissued as 312 warrants at $80 per share.

As of July 1, 2024, the Company raised an additional aggregate of $299,667 between two separate investors under the terms of a July 2024 accounts receivable factoring arrangement with fees of 10% (or $29,966) and $1,000 (separately, to each of the two investors) for every 2 weeks payment remains overdue. Additionally, the two investors received five year warrants to purchase an aggregate of 3,327 shares of common stock at $120 per share (or cashlessly following a standard cashless exercise formula). Of the total July 2024 accounts receivable factoring agreement, $166,667 and 2,216 of the warrants are with the related party. Payment under the factoring is due the earlier of: within 3 days of receipt of payment under the factored receivable; the achievement of certain fundraising milestones; or August 15, 2024. Effective July 31, 2024, the investors agreed to exchange their interests in the factoring agreement of $329,633, including accrued fees and related warrants, for an aggregate of 32,963 shares of Series A Preferred Stock, 749 $100 Warrants, and 4,343 $120 Warrants. (Including $166,667 received from the related party, which was exchanged for 18,333 shares of Series A Preferred Stock, 416 related $100 Warrants, and 2,403 related $120 Warrants.) Upon the November 25, 2024 initial public offering at $80 per share, the 749 warrants at $100 per share were recalculated and reissued as 936 warrants at $80 per share, and the 416 related party warrants at $100 per share were recalculated and reissued as 520 warrants at $80 per share.

In September 2024, the $120 Warrants discussed above and in Note 9 (including 16,051 $120 Warrants from the related party) were exchanged for 93,789 shares of Series A Preferred Stock that did not include any related warrants (including 59,001 shares of Series A Preferred Stock that did not include any related warrants for a related party). The value assigned to the $120 Warrants exchanged for Series A Preferred Stock that did not include any warrants was negotiated to be $937,959 (including $590,045 from a related party), or $36.76 per $120 Warrant, using a Black-Scholes Valuation model with an estimated IPO stock price of $100 per share and exercise price of $120 per share.

In September 2024, the Company purchased 50 barrels of premium aged whiskey from the related party for $110,600, or $2,212 per barrel (comprised of $495 per barrel and $1,717 of spirits, for an aggregate total of $24,750 to fixed assets and $85,850 to inventory). The $110,600 was paid by the Company in the form of 11,060 shares of Series A Preferred Stock and 276 related warrants to purchase common stock at the lesser of $100 per share or the price per shares at which the Company's common stock is sold in the Company's initial public offering. Upon the November 25, 2024 initial public offering at $80 per share, the 276 warrants at $100 per share were recalculated and reissued as 345 warrants at $80 per share.

In October 2024, the Company sold 250 barrels of aged whiskey to the related party for $166,667. Under the terms of the sale, in the event the related party resells the barrels back to the Company, the resell prices shall be the price paid per barrel under the agreement plus a 15% simple annual interest rate of 1.25% per month from the date the related party purchased the barrels from the Company. The Company also agreed to store the barrels for the related party at no fee until the related party sells the barrels to either the Company or a third party.

On November 22, 2024 (prior to the Company's initial public offering on November 25, 2024), the related party exchanged 12,500 shares of common stock for 12,500 prepaid warrants to purchase common stock.

Subsequent to December 31, 2024, through March 31, 2026, the related party exercised 55,878 prepaid warrants (with an exercise price of $0.02 each) cashlessly for 55,795 shares of common stock, leaving 60,189 prepaid warrants outstanding.

Related Party Contingent Legacy Stockholder Warrants (See also Note 9) — On October 30, 2024, the Company issued the Contingent Legacy Stockholder Warrants, that will be exercisable, if at all, provided / contingent upon: the warrant holder continuously holds the shares such holder owned on May 31, 2023 through the date the warrant is exercised; and the common stock attains the 10-Trading-Day VWAP before expiring:

- Tranche 1 - for up to 38,124 $160 Contingent Legacy Stockholder Warrants (of which up to 6,417 were to a related party);
- Tranche 2 - for up to 76,248 $240 Contingent Legacy Stockholder Warrants (of which up to 12,835 were to a related party); and
- Tranche 3 - for up to 95,311 $400 Contingent Legacy Stockholder Warrants (of which up to 95,311 were to a related party).

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 15 — RELATED-PARTY TRANSACTIONS (cont.)

As of December 31, 2025 there were outstanding and exercisable: 25,124 $160 Contingent Legacy Stockholder Warrants; 50,341 $240 Contingent Legacy Stockholder Warrants; and 62,948 $400 Contingent Legacy Stockholder Warrants, (of which 0 were to a related party).

NOTE 16 — BASIC AND DILUTED NET INCOME / (LOSS) PER SHARE

The Company computes basic net income / (loss) per share by dividing net income / (loss) for the period by the weighted-average number of common shares outstanding during the period. The Company computes diluted net income / (loss) per share by dividing net income / (loss) for the period by the weighted-average number of common shares outstanding during the period, plus the dilutive effect of the stock options, RSU awards and exercisable common stock warrants, as applicable pursuant to the treasury stock method, and the convertible notes, as applicable pursuant to the if-converted method. The following table sets forth the computation of basic and diluted net income / (loss) per share:

	For the Years Ended December 31,	
	2025	**2024**
Basic earnings per share of common stock:		
Numerator:		
Net Income / (Loss) for the period	$ (137,715,315)	$ 710,458
Preferred stock dividend	(474,806)	(492,366)
Deemed Dividend due to warrant exchange	—	(155,279)
Net Income / (Loss) for the period – basic	$ (138,190,121)	$ 62,813
Denominator:		
Weighted average number of shares of common stock - basic	8,619,951	64,066
Net Income / (Loss) per share of common stock - basic	$ (16.03)	$ 0.98
Diluted earnings per share of common stock:		
Numerator:		
Net Income / (Loss) for the period - basic	$ (138,190,121)	$ 62,813
Change in fair value of dilutive convertible notes	—	(14,028,067)
Net Income / (Loss) for the period - diluted	$ (138,190,121)	$ (13,965,254)
Denominator:		
Weighted average number of shares of common stock - basic	8,619,951	64,066
Conversion of convertible notes into common stock	—	130,468
Common warrants	—	159,353
Weighted average number of shares of common stock - diluted	8,619,951	353,887
Net Income / (Loss) per share of common stock - diluted	$ (16.03)	$ (39.46)

Diluted earnings / (loss) per share reflect the potential dilution of securities that could share in the earnings of an entity. For the year ended December 31, 2024, the calculation of diluted earnings per share includes the dilutive effect of shares issued for the conversion of the convertible notes and related warrants and subtracts the related gains from changes in their respective fair values from net income. The following number of shares of common stock from the potential exercise or conversion of outstanding potentially dilutive securities were excluded from the computation of diluted net

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 16 — BASIC AND DILUTED NET INCOME / (LOSS) PER SHARE (cont.)

income / (loss) per share attributable to common stockholders for the periods presented because including them would have been antidilutive:

	For the Years Ended December 31,	
	2025	**2024**
ISOs	114	300
Equity-classified Warrants	947,956	61,896
Legacy Warrants	221,746	171,997
Representative Warrants	—	4,218
Warrants issued with Preferred Stock (Series B)	35,042	—
Preferred Stock (A series)	858,595	70,736
RSU Awards	517,257	12,279
Total	2,580,710	321,426

NOTE 17 — SEGMENT REPORTING

Due to the launch of the $IP Token treasury reserve strategy in August 2025 and continual assessment of the requirements under ASC 280, Segment Reporting, the Company has reassessed its segment conclusions and determined that effective with this Annual Report on Form 10-K, the Company is presenting two operating and reportable segments: one segment that manages the Company's intangible digital asset treasury (the "IP Strategy Segment"); and one reportable segment that produces and sells alcohol beverages under various brands (the "Heritage Distilling Segment"). In the IP Strategy Segment, the Company's $IP Token investments are maintained and managed to make a return on investment through validation and staking activities to generate revenue. In the Heritage Distilling Segment, all brands are predominantly beverages that are manufactured using similar production processes, have comparable alcohol content, generally fall under the same regulatory environment, and are sold to the same types of customers in similar size quantities at similar price points and with similar profit margins.

The Company's CODM is the chief executive officer. The CODM assesses performance for each segment based on revenue and gross profit, which are reported in the consolidated statement of operations. Other costs and expenses of the Company are analyzed on an aggregate basis and not allocated to the segments. The accounting policies for segment reporting are the same as for the Company's consolidated financial statements. As the Company continues its operations of the $IP treasury strategy, it may provide additional data points to the CODM to assist with decision making that will be evaluated for inclusion in the Company's reportable segment disclosure

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 17 — SEGMENT REPORTING (cont.)

The following summarizes the Company's operations by segment for the years ended December 31, 2025 and 2024. There were no IP Strategy Segment activities prior to August 2025.

	Years Ended December 31,	
	2025	2024
Crypto and Related Segment		
Revenue[(b)]	$ 4,951,565	$ —
Cost of Revenue	234,590	—
Gross Profit	$ 4,716,975	$ —
Spirits Business Segment		
Revenue[(a)]	$ 5,167,822	$ 8,402,488
Cost of Revenue	4,324,707	6,276,641
Gross Profit	$ 843,115	$ 2,125,847
Total Revenue	$ 10,119,387	$ 8,402,488
Cost of Revenue	4,559,297	6,276,641
Gross Profit	$ 5,560,090	$ 2,125,847

(a) Represented as Product Sales and Distillery Services in the consolidated statement of operations.
(b) Represented as Crypto and Related Revenue in the consolidated statement of operations.

The CODM does not review disaggregated assets on a segment basis, and therefore, such information is not presented. As a result of the change in operating segments, the Company's reporting units were reassessed, and it was determined that the two operating segments are also reporting units for the purpose of evaluating goodwill for impairment. Since the IP Strategy Segment is a newly-created operating segment that did not have activities prior to the August 2025, all goodwill was attributed to the Heritage Distilling Segment.

NOTE 18 — RESTRUCTURING

Closure of Tasting Rooms; Production Transition — On October 23, 2025, the Company announced the Restructuring. As of December 31, 2025 the Company retired and expensed $2,146,790 of: property, plant and equipment, net; and terminated leases. The net loss and other related expenses are reflected as part of Restructuring. See Notes 4 and 12. The Company will continue to sell spirits through distributors and direct to consumers online, and will continue to work with Tribes to license the Heritage Distilling Company brand and its products for production and sale by Tribes in HDC-branded tasting rooms in or near their casino properties.

Discontinuance of Thinking Tree Spirits Sales — In conjunction with the Restructuring, the Company also terminated future production and sale of Thinking Tree Spirits (TTS) products. Accordingly, as of December 31, 2025, the Company wrote off the net assets related to TTS in conjunction with the Restructuring.

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 18 — RESTRUCTURING (cont.)

As of December 31, 2025, the Company recorded expenses related to the Restructuring as follows:

Restructuring Expense:	As of December 31, 2025
Closure of Tasting Rooms; Production Transition	
Personnel — Cash Wages and Severance	$ 501,134
Write off of Obsolete Inventory	343,755
Write Off of Operating Lease Right of Use Assets, net	(573,983)
Write-Off of Property, Plant and Equipment, net	2,146,790
	2,417,696
Discontinuance of Thinking Tree Spirits Sales:	
Write-off of Intangible assets, net	385,178
Write off of Goodwill	589,870
	975,048
Total	$ 3,392,744

As of December 31, 2025, the Company had recorded accrued liabilities of $501,134 related to the Restructuring, comprised of expenses that were paid subsequent to December 31, 2025 primarily for: personnel severance and compensation; professional fees; and other expenses.

NOTE 19 — SUBSEQUENT EVENTS

For its consolidated financial statements as of December 31, 2025 and for the period then ended, the Company evaluated subsequent events through the date on which those financial statements were issued. Other than the items noted below, there were no subsequent events identified for disclosure as of the date the financial statements were available to be issued.

Change of Name to IP Strategy Holdings, Inc. — On February 17, 2026, the Company filed a Third Amended and Restated Certificate of Incorporation to change its name from Heritage Distilling Holding Company, Inc. to IP Strategy Holdings, Inc. The names of the Company's wholly owned subsidiaries, Heritage Distilling Company, Inc. and IP Strategy, LLC, remained unchanged.

Share Repurchase Program — On February 19, 2026, the Company announced the board of directors has authorized a share repurchase program whereby the Company may buy back up to 1 million shares of its outstanding shares of common stock through December 31, 2026. As of February 18, 2026, the Company had 10,259,226 shares of its common stock outstanding. Assuming the full execution of buying back 1 million shares, this would constitute an approximately 9.75% reduction in the number of outstanding stock. The Company may acquire shares through open market purchases or privately negotiated transactions, including through a Rule 10b5-1 plan, at the discretion of management and on terms that management determines to be advisable.

Covered Call Contract Positions — On January 6, 2026, the Company's Board of Directors approved using 3 million unlock $IP Tokens for covered call transactions, and the Company began entering into such covered call transactions on January 26, 2026. On March 4, 2026 the Board increased the authorization for the number of $IP Tokens allowed to be used under the covered call strategy to 6 million. To date, the contracts have ranged from 500,000 to 900,000 $IP Tokens, with 30 day maturity dates with a call price ranging between a 17% and 50% premium to the contract price. Premiums are paid the Company on the date the covered call contract is enter into, and they ranged between of 3.7% to 4.25% per month (representing aggregate origination fee revenue of $309,263 as of April 14, 2026). A fee of 7.5% of premiums earned on the covered call transactions is due to the Company's contract Chief Investment Advisor.

Sale of Intangible Digital Assets (1 million SIP Tokens) — In March 2026, the Company's Board of Directors approved selling up to 1 million $IP Tokens and using the proceeds therefrom for operations. As of March 31, 2026, the

IP Strategy Holdings, Inc.
Notes to Consolidated Financial Statements

NOTE 19 — SUBSEQUENT EVENTS (cont.)

Company sold these $IP Tokens at an average price of $0.798 for cash proceeds of $798,450 before deducting any fees or commissions on any such sales.

Notice of Delisting or Failure to Satisfy a Continued Listing Rule or Standard, and Proposed Stock Split — On March 20, 2026, the Company received a notice from Nasdaq, indicating that the Company's common stock did not meet the Minimum Bid Price Requirement, as the closing bid price for the common stock was below $1.00 per share for thirty (30) consecutive business days. Although issuers are typically provided a 180-calendar-day compliance period to regain compliance with the Minimum Bid Price Requirement, the notice further stated that, pursuant to Nasdaq Listing Rule 5810(c)(3)(A)(iv), the Company is not eligible for any compliance period because the Company effected a reverse stock split within the prior one-year period, specifically a 1-for-20 reverse stock split effected on November 5, 2025.

On March 27, 2026 the Company filed with Nasdaq an appeal of the Nasdaq staff's delisting determination, following which Nasdaq scheduled a hearing on the appeal for April 30, 2026. The Company's filing of an appeal stays the delisting of the common stock. In anticipation of its filing with Nasdaq of an appeal, on March 20, 2026, the Company filed with the SEC a proxy statement for a special meeting of its stockholders as of record on March 19, 2026 to be held on April 10, 2026 to consider a proposal to authorize a reverse stock split of the common stock at a ratio ranging from 1:3 to 1:20, the actual ratio to be determined by the Company's board of directors. If the proposed reverse stock split is approved by the Company's stockholders at the special meeting, the Company expects promptly to effect a reverse stock split of the Common Stock at a ratio that will allow the bid price of the Common Stock to close at or above $1.00 per share. However, there can be no assurance that there will be sufficient time for the common stock to reach and exceed such bid price for a minimum of ten (10) consecutive business days prior the scheduled Nasdaq hearing, there can be no assurance that the Company will be able to regain compliance with the Minimum Bid Price Requirement prior to the Company's hearing before the Panel, or that the Panel will grant the Company an additional extension of time to regain Bid Price compliance.

In anticipation of a Nasdaq hearing, on April 10, 2026, the Company's stockholders approved a proposal to authorize a reverse stock split of the Company's common stock at a ratio of 1:3 to 1:20, the actual ratio to be determined by the board of directors on or prior to June 30, 2026. The Company expects to effect such a reverse stock split prior the scheduled Nasdaq hearing of the Company's appeal.

SEE REVERSE SIDE FOR RESTRICTIVE LEGEND(S)

Exhibit 4.1

FORM OF COMMON STOCK CERTIFICATE
OF
IP STRATEGY HOLDINGS, INC.
a Delaware Corporation

Number ____

***_____* Shares**
Common Stock

THIS CERTIFIES THAT_____ is the record holder of _____ (_____) fully paid and non-assessable shares of **Common Stock** of **IP Strategy Holdings, Inc**., a Delaware corporation (the "Corporation"), transferable on the books of the Corporation by the holder, in person, or by duly authorized attorney, upon surrender of this certificate properly endorsed or assigned.

This certificate and the shares represented hereby are issued and shall be held subject to all the provisions of the Certificate of Incorporation of the Corporation, as amended, restated or otherwise modified from time to time, and the Bylaws of the Corporation, as amended or restated from time to time, a copy of each of which is on file at the office of the Corporation and made a part hereof as fully as though the provisions of the Certificate of Incorporation and Bylaws were imprinted in full on this Certificate, to all of which the holder of this certificate, by acceptance hereof, assents.

The Corporation may issue shares of its capital stock without certificates. To the extent that shares of the Corporation are issued without certificates, the Corporation shall provide the holder thereof a written statement of the information required by Section 151(f) and Section 202(a) of the Delaware General Corporation Law.

The Corporation will furnish without charge to each shareholder who so requests in writing, the designations, relative rights, preferences and limitations of each class of stock or series thereof and the variations in rights, preferences, and limitations for each series, and the authority of the board of directors to determine variations for future series.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be signed by its duly authorized officers this ____ day of _____.

_____
President

_____
Secretary

FOR VALUE RECEIVED _____ HEREBY SELLS, ASSIGNS AND TRANSFERS UNTO _____, _____ SHARES REPRESENTED BY THE WITHIN CERTIFICATE AND DOES HEREBY IRREVOCABLY CONSTITUTE AND APPOINT _____ ATTORNEY TO TRANSFER THE SAID SHARES ON THE SHARE REGISTER OF THE WITHIN NAMED CORPORATION WITH FULL POWER OF SUBSTITUTION IN THE PREMISES.

DATED _____

_____
(Signature)

NOTICE: THE SIGNATURE ON THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THIS CERTIFICATE, IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT, OR ANY CHANGE WHATEVER.

SEE REVERSE SIDE FOR RESTRICTIVE LEGEND(S)

Exhibit 4.2

FORM OF PREFERRED STOCK CERTIFICATE
OF

IP STRATEGY HOLDINGS, INC.
a Delaware Corporation

Number ____

***_____* Shares**
[Series __] Preferred Stock

THIS CERTIFIES THAT_____ is the record holder of **_____ (_____) fully paid and non-assessable shares of [Series __] Preferred Stock**, par value $____ per share, of **IP Strategy Holdings, Inc.,** a Delaware corporation (the "Corporation"), transferable on the books of the Corporation by the holder, in person, or by duly authorized attorney, upon surrender of this Certificate properly endorsed or assigned.

This Certificate and the shares represented hereby are issued and shall be held subject to all the provisions of the Certificate of Incorporation of the Corporation, as amended, restated or otherwise modified from time to time, the Bylaws of the Corporation, as amended or restated from time to time, and to the Certificate of Designations establishing the rights, preferences, privileges, and restrictions of the [Series __] Preferred Stock, each of which is on file at the office of the Corporation and shall be furnished by the Corporation to any stockholder upon written request without charge.

The Corporation may issue shares of its capital stock without certificates. To the extent that shares of the Corporation are issued without certificates, the Corporation shall provide the holder thereof a written statement of the information required by Section 151(f) and Section 202(a) of the Delaware General Corporation Law.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be signed by its duly authorized officers this ____ day of _____.

_____
President

_____
Secretary

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. SUCH SECURITIES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (B) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS, IN EACH CASE IN ACCORDANCE WITH APPLICABLE LAW AND SUBJECT TO ANY TRANSFER RESTRICTIONS SET FORTH IN THE CERTIFICATE OF INCORPORATION OR ANY APPLICABLE AGREEMENT.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SHARES OF A SERIES OF PREFERRED STOCK AND ARE SUBJECT TO THE RIGHTS, PREFERENCES, PRIVILEGES AND RESTRICTIONS SET FORTH IN THE CERTIFICATE OF INCORPORATION OF THE CORPORATION AND THE CERTIFICATE OF DESIGNATIONS ESTABLISHING SUCH SERIES. THE CORPORATION WILL FURNISH WITHOUT CHARGE TO EACH STOCKHOLDER WHO SO REQUESTS A COPY OF THE FULL TEXT OF SUCH DESIGNATIONS.

THE SHARES REPRESENTED BY THIS CERTIFICATE MAY BE CONVERTIBLE INTO SHARES OF COMMON STOCK OF THE CORPORATION UPON THE TERMS AND CONDITIONS SET FORTH IN THE CERTIFICATE OF INCORPORATION OR THE CERTIFICATE OF DESIGNATIONS GOVERNING SUCH SERIES OF PREFERRED STOCK.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY BE SUBJECT TO ADDITIONAL TRANSFER RESTRICTIONS PURSUANT TO THE CERTIFICATE OF INCORPORATION, THE BLYAWS, OR ANY AGREEMENT TO WHICH THE CORPORATION AND THE HOLDER MAY BE A PARTY. A COPY OF ANY SUCH AGREEMENT WILL BE FURNISHED BY THE CORPORATION TO THE HOLDER OF RECORD UPON WRITTEN REQUEST.

Assignment Form

FOR VALUE RECEIVED _____ HEREBY SELLS, ASSIGNS AND TRANSFERS UNTO _____, _____ SHARES REPRESENTED BY THE WITHIN CERTIFICATE AND DOES HEREBY IRREVOCABLY CONSTITUTE AND APPOINT _____ ATTORNEY TO TRANSFER THE SAID SHARES ON THE SHARE REGISTER OF THE WITHIN NAMED CORPORATION WITH FULL POWER OF SUBSTITUTION IN THE PREMISES.

DATED _____

_____
(Signature)

NOTICE: THE SIGNATURE ON THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THIS CERTIFICATE, IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT, OR ANY CHANGE WHATEVER.

Exhibit 4.11

NEITHER THIS SECURITY NOR THE SECURITIES FOR WHICH THIS SECURITY IS EXERCISABLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS. THIS SECURITY AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN SECURED BY SUCH SECURITIES.

COMMON STOCK PURCHASE WARRANT

HERITAGE DISTILLING HOLDING COMPANY, INC.

Warrant Shares: _____ Issue Date: August 10, 2025

Vesting Term: 6-months
Vesting Price: $1.50 per share

THIS COMMON STOCK PURCHASE WARRANT (the "**Warrant**") certifies that, for value received, _____ or its assigns (the "**Holder**"), is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time on or after the Vesting Date (as defined in Section 4 below) and on or prior to 5:00 p.m., New York City Time, on July 30, 2030 (the "**Termination Date**") but not thereafter, to subscribe for and purchase from Heritage Distilling Holding Company, Inc., a Delaware corporation (the "**Company**"), a number of shares (the "**Warrant Shares**") of common stock, par value $0.0001 per share (the "**Common Stock**"), as shown above. The purchase price of one share of Common Stock under this Warrant shall be equal to the Exercise Price, as defined in Section 1(c). Certain terms used in this Warrant are defined in Section 4 hereof.

This Warrant is being issued pursuant to that certain Debtor Exchange Agreement, executed _____ between the Holder and the Company.

1. Exercise.

(a) Exercise of Warrant. Exercise of the purchase rights represented by this Warrant may be made, in whole or in part, at any time or times on or after the Vesting Date and on or before the Termination Date by delivery to the Company (or such other office or agency of the Company as it may designate by notice in writing to the registered Holder at the address of the Holder appearing on the books of the Company) of a duly executed facsimile copy (or e-mail attachment) of the Notice of Exercise in the form annexed hereto and within five (5) Trading Days of the date said Notice of Exercise is delivered to the Company, the Company shall have received payment of the aggregate Exercise Price of the shares thereby purchased by wire transfer or cashier's check drawn on a United States bank or, if available,

pursuant to the cashless exercise procedure specified in Section 1(d) below. No ink-original Notice of Exercise shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Exercise form be required. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company until the Holder has purchased all of the Warrant Shares available hereunder and the Warrant has been exercised in full, in which case, the Holder shall surrender this Warrant to the Company for cancellation within five (5) Trading Days of the date the final Notice of Exercise is delivered to the Company. Partial exercises of this Warrant resulting in purchases of a portion of the total number of Warrant Shares available hereunder shall have the effect of lowering the outstanding number of Warrant Shares purchasable hereunder in an amount equal to the applicable number of Warrant Shares purchased. The Holder and the Company shall maintain records showing the number of Warrant Shares purchased and the date of such purchases. The Company shall deliver any objection to any Notice of Exercise within three (3) Business Days of receipt of such notice. **The Holder and any assignee, by acceptance of this Warrant, acknowledge and agree that, by reason of the provisions of this paragraph, following the purchase of a portion of the Warrant Shares hereunder, the number of Warrant Shares available for purchase hereunder at any given time may be less than the amount stated on the face hereof.**

(b) Exercise Basis. The maximum number of shares of Common Stock that may be acquired under this Warrant shall be as stated above.

(c) Exercise Price. The exercise price per share of the Common Stock under this Warrant shall be $0.01, subject to adjustment as set forth in Section 2 (the "**Exercise Price**").

(d) Cashless Exercise. If at the time of exercise hereof there is no effective registration statement registering, or the prospectus contained therein is not available for the resale of the Warrant Shares by the Holder, then this Warrant may also be exercised, in whole or in part, at such time by means of a "cashless exercise" in which the Holder shall be entitled to receive a number of Warrant Shares equal to the quotient obtained by dividing [(A-B) (X)] by (A).

If Warrant Shares are issued pursuant to this Section 1(d), the parties acknowledge and agree that in accordance with Section 3(a)(9) of the Securities Act, the Warrant Shares shall take on the characteristics of this Warrant, and the holding period of this Warrant may be tacked on to the holding period of the Warrant Shares. The Company agrees not to take any position contrary to this Section 1(d).

(e) Cashless Exercise Formula. If this Warrant is exercised pursuant to Section 1(d), then this Warrant may only be exercised, in whole or in part, at such time by means of a "cashless exercise" in which the Holder shall be entitled to receive a number of Warrant Shares equal to the quotient obtained by dividing [(A-B) (X)] by (A), where:

A = the Closing Price of the Common Stock on the Exercise Date;

B = the Exercise Price of this Warrant, as adjusted hereunder; and

X = the number of Warrant Shares that would be issuable upon exercise of this Warrant in accordance with the terms of this Warrant if such exercise were by means of a cash exercise rather than a cashless exercise.

(f) Mechanics of Exercise.

i. Delivery of Warrant Shares Upon Exercise. Warrant Shares purchased hereunder shall be transmitted by the Transfer Agent to the Holder by crediting the account of the Holder's or its designee's balance account with The Depository Trust Company through its Deposit or Withdrawal at Custodian system ("**DWAC**") if the Company is then a participant in such system and either (A) there is an effective registration statement under the Securities Act registering the resale of the Warrant Shares by the Holder or (B) the Warrant Shares are eligible for resale by the Holder without volume or manner-of-sale limitations pursuant to Rule 144, and otherwise by physical delivery of a certificate, registered in the Company's share register in the name of the Holder or its designee, for the number of Warrant Shares to which the Holder is entitled pursuant to such exercise to the address specified by the Holder in the Notice of Exercise by the date that is five (5) Trading Days after the delivery to the Company of the Notice of Exercise (such date, the "**Warrant Share Delivery Date**"). The Warrant Shares shall be deemed to have been issued, and Holder or any other Person so designated to be named therein shall be deemed to have become a holder of record of such shares for all purposes, as of the date the Warrant has been exercised, with payment to the Company of the Exercise Price (or by cashless exercise, if permitted) and all taxes required to be paid by the Holder, if any, pursuant to Section 1(f)(vi) prior to the issuance of such shares, having been paid.

ii. Delivery of New Warrant Upon Exercise. If this Warrant shall have been exercised in part, the Company shall, at the request of a Holder and upon surrender of this Warrant, at the time of delivery of the Warrant Shares, deliver to the Holder a new Warrant evidencing the rights of the Holder to purchase the unpurchased Warrant Shares called for by this Warrant, which new Warrant shall in all other respects be identical with this Warrant.

iii. Rescission Rights. If the Company fails to cause the Transfer Agent to transmit to the Holder the Warrant Shares pursuant to Section 1(f)(i) by the Warrant Share Delivery Date, then the Holder will have the right to rescind such exercise.

iv. Compensation for Buy-In on Failure to Timely Deliver Warrant Shares Upon Exercise. In addition to any other rights available to the Holder, if the Company fails to cause the Transfer Agent to transmit to the Holder the Warrant Shares (pursuant to an exercise on or before the Warrant Share Delivery Date, and if after such date the Holder is required by its broker to purchase (in an open market transaction or otherwise) or the Holder's brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by the Holder of the Warrant Shares that the Holder anticipated receiving upon such exercise (a "**Buy-In**"), then the Company shall (A) pay in cash to the Holder the amount, if any, by which (x) the Holder's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased exceeds (y) the amount obtained by multiplying (1) the number of Warrant Shares that the Company was required to deliver to the Holder in connection with the exercise at issue times (2) the price at which the sell order giving rise to such purchase obligation was executed, and (B) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of Warrant Shares for which such exercise was not honored (in which case such exercise shall be deemed rescinded) or deliver to the Holder the number of shares of Common Stock that would have been issued had the Company timely complied with its exercise and delivery obligations hereunder. For example, if the Holder purchases Common Stock having a total purchase price of $11,000 to cover a Buy-In with respect to an attempted exercise of shares of Common Stock with an aggregate sale price giving rise to such purchase obligation of $10,000, under clause (A) of the immediately preceding sentence the Company shall be required to pay the Holder $1,000. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy-In and, upon request of the Company, evidence of the amount of such loss. Nothing herein shall

limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver shares of Common Stock upon exercise of the Warrant as required pursuant to the terms hereof.

v. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such exercise, the Company shall, at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Exercise Price or round up to the next whole share.

vi. Charges, Taxes and Expenses. Issuance of Warrant Shares shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of Warrant Shares, all of which taxes and expenses shall be paid by the Company, and such Warrant Shares shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; provided, however, that in the event that Warrant Shares are to be issued in a name other than the name of the Holder, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by the Holder and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto. The Company shall pay all Transfer Agent fees required for same-day processing of any Notice of Exercise and all fees to the Depository Trust Company (or another established clearing corporation performing similar functions) required for same-day electronic delivery of the Warrant Shares.

vii. Closing of Books. The Company will not close its stockholder books or records in any manner which prevents the timely exercise of this Warrant, pursuant to the terms hereof.

(g) Holder's Exercise Limitations. The Company shall not effect any exercise of this Warrant, and a Holder shall not have the right to exercise any portion of this Warrant, pursuant to this Section 1 (other than the provisions of Section 1(d)), to the extent that after giving effect to such issuance after exercise as set forth on the applicable Notice of Exercise, the Holder (together with the Holder's Affiliates, and any other Persons acting as a group together with the Holder or any of the Holder's Affiliates), would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by the Holder and its Affiliates shall include the number of shares of Common Stock issuable upon exercise of this Warrant with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (i) exercise of the remaining, nonexercised portion of this Warrant beneficially owned by the Holder or any of its Affiliates and (ii) exercise or conversion of the unexercised or nonconverted portion of any other securities of the Company (including, without limitation, any other Common Stock Equivalents) subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by the Holder or any of its Affiliates. Except as set forth in the preceding sentence, for purposes of this Section 1(g), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder, it being acknowledged by the Holder that the Company is not representing to the Holder that such calculation is in compliance with Section 13(d) of the Exchange Act and the Holder is solely responsible for any schedules required to be filed in accordance therewith. To the extent that the limitation contained in this Section 1(g) applies, the determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates) and of which portion of this Warrant is exercisable shall be in the sole discretion of the Holder, and the submission of a Notice of Exercise shall be deemed to be the Holder's determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates)

and of which portion of this Warrant is exercisable, in each case subject to the Beneficial Ownership Limitation, and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 1(g), in determining the number of outstanding shares of Common Stock, a Holder may rely on the number of outstanding shares of Common Stock as reflected in (A) the Company's most recent periodic or annual report filed with the Commission, as the case may be, (B) a more recent public announcement by the Company or (C) a more recent written notice by the Company or the Transfer Agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of a Holder, the Company shall within two Trading Days confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by the Holder or its Affiliates since the date as of which such number of outstanding shares of Common Stock was reported. The "**Beneficial Ownership Limitation**" shall be 4.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon exercise of this Warrant. The Holder, upon notice to the Company, may increase or decrease the Beneficial Ownership Limitation provisions of this Section 1(g), provided that the Beneficial Ownership Limitation in no event exceeds 9.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon exercise of this Warrant held by the Holder and the provisions of this Section 1(g) shall continue to apply. Any increase in the Beneficial Ownership Limitation will not be effective until the 61st day after such notice is delivered to the Company. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 1(g) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Warrant.

2. Certain Adjustments.

(a) Stock Dividends and Splits. If the Company, at any time while this Warrant is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions on shares of its Common Stock or any other equity or equity equivalent securities payable in shares of Common Stock (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Company upon exercise of this Warrant), (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares, or (iv) issues by reclassification of shares of the Common Stock any shares of capital stock of the Company, then in each case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event, and the number of shares issuable upon exercise of this Warrant shall be proportionately adjusted such that the aggregate Exercise Price of this Warrant shall remain unchanged. Any adjustment made pursuant to this Section 2(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or reclassification.

(b) Subsequent Rights Offerings. In addition to any adjustments pursuant to Section 2(a) above, if at any time the Company grants, issues or sells any Common Stock Equivalents or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of shares

of Common Stock (the "**Purchase Rights**"), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, to the extent that the Holder's right to participate in any such Purchase Right would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Purchase Right to such extent (or beneficial ownership of such shares of Common Stock as a result of such Purchase Right to such extent) and such Purchase Right to such extent shall be held in abeyance for the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

(c) Pro Rata Distributions. During such time as this Warrant is outstanding, if the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to holders of shares of Common Stock, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a "**Distribution**"), at any time after the issuance of this Warrant, then, in each such case, upon the exercise of this Warrant, the Holder shall be entitled to participate in such Distribution to the same extent that the Holder would have participated therein if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date of which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the participation in such Distribution (provided, however, to the extent that the Holder's right to participate in any such Distribution would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Distribution to such extent (or in the beneficial ownership of any shares of Common Stock as a result of such Distribution to such extent) and the portion of such Distribution shall be held in abeyance for the benefit of the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

(d) Calculations. All calculations under this Section 2 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 2, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding treasury shares, if any) issued and outstanding.

(e) Notice to Holder.

i. Notice to Allow Exercise by Holder. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property, or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company

shall cause to be mailed to the Holder at its last address as it shall appear upon the Warrant Register of the Company, at least 10 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided in this Warrant constitutes, or contains, material, non-public information regarding the Company or any of the Subsidiaries, the Company shall simultaneously file such notice with the Securities and Exchange Commission pursuant to a Current Report on Form 8-K. The Holder shall remain entitled to exercise this Warrant during the period commencing on the date of such notice to the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

(f) Notwithstanding the provisions of Section 2(a) through 2(e) above, whenever any event requiring an adjustment to the Exercise Price or the number of shares issuable upon exercise of this Warrant shall occur prior to the date on which the Exercise Price or the number of shares issuable upon exercise of this Warrant shall be determined pursuant to the terms of this Warrant, such adjustment shall be effected upon the determination of the Exercise Price or number of shares, as the case may be, and any notice thereof to the Holder required by Section 2(e) shall thereafter be promptly provided to the Holder pursuant to Section 2(e).

3. Transfer of Warrant.

(a) Transferability. Subject to compliance with any applicable securities laws and the conditions set forth in Section 3(d) hereof, this Warrant and all rights hereunder are transferable, in whole or in part, upon surrender of this Warrant at the principal office of the Company or its designated agent, together with a written assignment of this Warrant substantially in the form attached hereto duly executed by the Holder or its agent or attorney and funds sufficient to pay any transfer taxes payable upon the making of such transfer. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees, as applicable, and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company unless the Holder has assigned this Warrant in full, in which case, the Holder shall surrender this Warrant to the Company within three (3) Trading Days of the date the Holder delivers an assignment form to the Company assigning this Warrant in full. This Warrant, if properly assigned in accordance herewith, may be exercised by a new holder for the purchase of Warrant Shares without having a new Warrant issued.

(b) New Warrants. This Warrant may be divided or combined with other Warrants upon presentation hereof at the aforesaid office of the Company, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by the Holder or its agent or attorney. Subject to compliance with Section 3(a), as to any transfer which may be involved in such division or combination, the Company shall execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants to be divided or combined in accordance with such notice. All Warrants

issued on transfers or exchanges shall be dated the original Issue Date and shall be identical with this Warrant except as to the number of Warrant Shares issuable pursuant thereto.

(c) Warrant Register; Registration. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the "**Warrant Register**"), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary. The Company shall register the shares underlying this Warrant in the next registration statement it files under the Securities Act for a Qualified Transaction.

(d) Transfer Restrictions. If, at the time of the surrender of this Warrant in connection with any transfer of this Warrant, the transfer of this Warrant shall not be either (i) registered pursuant to an effective registration statement under the Securities Act and under applicable state securities or blue sky laws or (ii) eligible for resale without volume or manner-of-sale restrictions or current public information requirements pursuant to Rule 144, the Company may require, as a condition of allowing such transfer, that the Holder or transferee of this Warrant, as the case may be, make usual and customary representations as to investment intent to the Company.

(e) Representation by the Holder. The Holder, by the acceptance hereof, represents and warrants that it is acquiring this Warrant and, upon any exercise hereof, will acquire the Warrant Shares issuable upon such exercise, for its own account and not with a view to or for distributing or reselling such Warrant Shares or any part thereof in violation of the Securities Act or any applicable state securities law, except pursuant to sales registered or exempted under the Securities Act.

4. Definitions. In addition to the terms defined elsewhere in this Warrant, the following terms have the meanings set forth in this Section 4:

"**Affiliate**" means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person, as such terms are used in and construed under Rule 405 under the Securities Act.

"**Business Day**" means any day except any Saturday, any Sunday, any day which is a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close.

"**Closing Price**" means, with respect to any Trading Day, the last quoted price of the Common Stock on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg.

"**Common Stock Equivalents**" means any securities of the Company or of the Company's subsidiaries that would entitle the holder thereof to acquire at any time shares of Common Stock, including, without limitation, any debt, preferred stock, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, shares of Common Stock.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"**Person**" means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

"**Qualified Transaction**" means a financing in which the Company receives gross proceeds in excess of $100 million in the form of cash and/or cryptocurrency, a significant amount of the net proceeds of which are designed for the Company to acquire and hold cryptocurrency as part of a cryptocurrency treasury strategy.

"**Qualified Transaction Date**" means the first date on which a Qualified Transaction closes.

"**Securities Act**" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"**Trading Day**" means a day on which the principal Trading Market for the Common Stock is open for trading.

"**Trading Market**" means any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE American, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange or the Cboe BZX Exchange, Inc. (or any successors to any of the foregoing).

"**Transfer Agent**" means Equiniti Trust Company, LLC or such other Person or any successor transfer agent of the Company in respect of the Common Stock.

"**Vesting Date**" means the earlier of (i) 6-months or (ii) the day following the Issue Date of this Warrant on which the Closing Price of the Common Stock on any Trading Day equals or exceeds $1.50 per share (the "**Vesting Price**"), subject to adjustment for stock splits, stock combinations or the like of the Common Stock.

5. Miscellaneous.

(a) No Rights as Stockholder Until Exercise. This Warrant does not entitle the Holder to any voting rights, dividends or other rights as a stockholder of the Company prior to the exercise hereof as set forth in Section 1(e)(i), except as expressly set forth in Section 2.

(b) Loss, Theft, Destruction or Mutilation of Warrant. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which, in the case of the Warrant, shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or stock certificate.

(c) Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then, such action may be taken or such right may be exercised on the next succeeding Business Day.

(d) Authorized Shares.

i. The Company covenants that, during the period the Warrant is outstanding, in the event the number of shares required to allow for the full exercise of this and Warrant and other warrants issued by the Company are not authorized in the Company treasury, the Company will seek stockholder approval to authorize such shares, and once such shares are authorized it will reserve from its authorized and unissued Common Stock a sufficient number of shares to provide for the issuance of the Warrant Shares upon the exercise of any purchase rights under this Warrant. To the extent the Holder desires to exercise this Warrant but the number of authorized shares in the Company's treasury are not available, the Termination Date will be extended by the number of days in which the Holder is unable to exercise this Warrant due solely to the lack of authorized shares plus one year. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of issuing the necessary Warrant Shares upon the proper exercise of the purchase rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the Trading Market upon which the Common Stock may be listed. The Company covenants that all Warrant Shares which may be issued upon the proper exercise of the purchase rights represented by this Warrant will, upon proper exercise of the purchase rights represented by this Warrant and payment for such Warrant Shares in accordance herewith, be duly authorized, validly issued to the extent the shares are authorized and available, fully paid and nonassessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

ii. Except and to the extent as waived or consented to by the Holder, the Company shall not by any action, including, without limitation, amending its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Holder as set forth in this Warrant against impairment. Without limiting the generality of the foregoing, the Company will (i) not increase the par value of any Warrant Shares above the amount payable therefor upon such exercise immediately prior to such increase in par value, (ii) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant, and (iii) use commercially reasonable efforts to obtain all such authorizations, exemptions or consents from stockholders and any public regulatory body having jurisdiction thereof, as may be, necessary to enable the Company to perform its obligations under this Warrant.

iii. Before taking any action which would result in an adjustment in the number of Warrant Shares for which this Warrant is exercisable or in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction thereof.

(e) Jurisdiction. All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be determined in accordance with the laws of the State of Delaware as they are applied to contracts executed, delivered and to be wholly performed within the State of Washington.

(f) Restrictions. The Holder acknowledges that the Warrant Shares acquired upon the exercise of this Warrant, if not registered and if the Holder does not utilize cashless exercise, will have restrictions upon resale imposed by state and federal securities laws.

(g) Nonwaiver and Expenses. No course of dealing or any delay or failure to exercise any right hereunder on the part of Holder shall operate as a waiver of such right or otherwise prejudice the Holder's rights, powers or remedies, notwithstanding the fact that all rights hereunder terminate on the Termination Date. If the Company willfully and knowingly fails to comply with any provision of this Warrant, which results in any material damages to the Holder, the Company shall pay to the Holder such amounts as shall be sufficient to cover any costs and expenses including, but not limited to, reasonable attorneys' fees, including those of appellate proceedings, incurred by the Holder in collecting any amounts due pursuant hereto or in otherwise enforcing any of its rights, powers or remedies hereunder.

(h) Notices. Any notice, request or other document required or permitted to be given or delivered to the either party to the other shall be delivered in by recognized overnight courier, facsimile or email as follows:

If to the Holder:

Name: _____

Address: _____

_____

Email: _____

If to the Company:

Heritage Distilling Holding Company, Inc.
_____
_____
Attn: Chief Executive Officer
Email: _____

(i) Limitation of Liability. No provision hereof, in the absence of any affirmative action by the Holder to exercise this Warrant to purchase Warrant Shares, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the purchase price of any Common Stock or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

(j) Successors and Assigns. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors and permitted assigns of the Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of any Holder from time to time of this Warrant and shall be enforceable by the Holder or holder of Warrant Shares.

(k) Amendment. No provision of this Warrant may be waived, modified, supplemented or amended except in a written instrument signed, in the case of an amendment, by the Company and the Holder or, in the case of a waiver, by the party against whom enforcement of any such waived provision

is sought. No waiver of any default with respect to any provision, condition or requirement of this Warrant shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right.

(l) Severability. Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

(m) Headings. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

****

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized as of the date first above indicated.

HERITAGE DISTILLING HOLDING COMPANY, INC.

By:_____
Name: Justin Stiefel
Title: Chief Executive Officer

NOTICE OF EXERCISE

TO: HERITAGE DISTILLING HOLDING COMPANY, INC.

(1) The undersigned hereby elects to purchase _____ Warrant Shares of the Company pursuant to the terms of the attached Warrant (only if exercised in full), and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

(2) Payment shall take the form of (check applicable box):

¨ lawful money of the United States.

¨ if permitted the cancellation of such number of Warrant Shares as is necessary, in accordance with the formula set forth in subsection 2(c), to exercise this Warrant with respect to the maximum number of Warrant Shares purchasable pursuant to the cashless exercise procedure set forth in subsection 2(c).

(3) (Optional) If the exercise is being done cashlessly, the net number of shares to be received is _____.

(4) Please issue said Warrant Shares in the name of the undersigned or in such other name as is specified below:

_____

(5) The Warrant Shares shall be delivered to the undersigned's account with the following transfer agent or to the following broker and DTC participant number:

_____
_____
_____

[**SIGNATURE OF HOLDER**]

Name of Investing Entity: _____

Signature of Authorized Signatory of Investing Entity: _____

Name of Authorized Signatory: _____

Title of Authorized Signatory _____

Date: _____

ASSIGNMENT FORM

(To assign all or a portion of the foregoing Warrant, execute this form and supply required information. Do not use this form to purchase shares.)

FOR VALUE RECEIVED, all rights evidenced by this Warrant to purchase the following number of shares of Common Stock issuable upon exercise of this Warrant are hereby assigned as follows:

_____ shares of Common Stock issuable upon exercise of this Warrant

To:

Name: _____

Address: _____

_____

Phone Number: _____

Email Address: _____

****

Holder's Signature: _____

Holder's Address: _____

_____

Dated: _____

Exhibit 4.13

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

The following description of the terms of the securities of IP Strategy Holdings, Inc. ("we", "our", "us" or the "Company") registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, is a summary and is not complete and is qualified in its entirety by reference to our Third Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation"), Certificate of Designations of Series A Convertible Preferred Stock ("Series A Certificate of Designations"), and Second Amended and Restated Bylaws (the "Bylaws"), each of which is included as an exhibit to the Annual Report on Form 10-K of which this exhibit is a part. We encourage you to read our Certificate of Incorporation, Series A Certificate of Designations, Bylaws, and the applicable provisions of the Delaware General Corporation Law (the "DGCL") for additional information.

General

Under our Certificate of Incorporation, our authorized capital stock consists of 995,000,000 shares, consisting of 985,000,000 shares of common stock, par value $0.0001 per share ("Common Stock"), and 10,000,000 shares of preferred stock, par value $0.0001 per share ("Preferred Stock"), which may be designated from time to time in accordance with our Certificate of Incorporation and of which 500,000 shares are designated as Series A Convertible Preferred Stock.

Common Stock

Voting Rights: Each outstanding share of Common Stock entitles the holder to one vote on all matters presented to the shareholders for a vote. Holders of shares of Common Stock have no cumulative voting, pre-emptive, subscription or conversion rights.

Dividend Rights: Subject to applicable law, the rights, if any, of the holders of any outstanding series of preferred stock, the holders of Common Stock shall be entitled to receive such dividends and other distributions (payable in cash, property or capital stock of the Company) when, as and if declared thereon by the Board of Directors from time to time out of any assets or funds of the Company legally available therefor and shall share equally on a per share basis in such dividends and distributions.

Liquidation Rights: Upon liquidation, subject to the right of any holders of preferred stock to receive preferential distributions, each outstanding share of Common Stock may participate pro rata in the assets remaining after payment of, or adequate provision for, all our known debts and liabilities.

Other Rights. Subject to applicable law, the Certificate of Incorporation (including any Certificate of Designation) and any agreement as may be entered into from time to time amongst the stockholders, shares of Common Stock and the rights and obligations associated therewith shall be fully transferable to any transferee.

Preferred Stock

Authority of Board of Directors to Create Series and Fix Rights. Under Certificate of Incorporation, our board of directors is authorized to issue up to 10,000,000 shares of Preferred Stock from time to time in

one or more series. The board of directors is authorized to fix by resolution as to any series the designation and number of shares of the series, the voting rights, the dividend rights, the redemption price, the amount payable upon liquidation or dissolution, the conversion rights, and any other designations, preferences or special rights or restrictions as may be permitted by law. Unless the nature of a particular transaction and the rules of law applicable thereto require such approval, our board of directors is authorized to issue shares of Preferred Stock without stockholder approval.

Series A Preferred Stock

In May 2024, our board of directors designated 500,000 shares of our authorized shares of Preferred Stock as Series A Convertible Preferred Stock, par value $0.0001 per share (the "Series A Preferred Stock"). The Series A Preferred Stock has a stated value of $12.00 per share (the "Series A Stated Value"). As of March 31, 2026, 210,700 shares of Series A Preferred Stock were issued and outstanding.

Dividends. The holders of Series A Preferred Stock are entitled to receive, out of funds legally available therefor, cumulative dividends on the Series A Preferred Stock at the rate of 15% per annum of the Series A Stated Value (or $1.80 per share) payable if and when declared by our board of directors or upon conversion or redemption of the Series A Preferred Stock. Dividends on the Series A Preferred Stock may be paid by us in cash, by delivery of shares of Common Stock or through a combination of cash and shares of Common Stock. If paid in Common Stock, the holder will receive a number of shares of Common Stock equal to the quotient of 110% of the accrued dividends to be paid in Common Stock divided by the Series A Conversion Price (as defined below). We may make payments of dividends in Common Stock only if the average closing price of our Common Stock over the five trading days preceding the dividend payment date is at or above the Series A Conversion Price.

Voting Rights. Holders of the Series A Preferred Stock have no voting rights except in connection with a proposed amendment to the terms of the Series A Preferred Stock or as required by law.

Optional Conversion. Each share of Series A Preferred Stock may be converted at any time at the election of the holder into a number of shares of Common Stock determined by dividing (a) an amount equal to 110% of the sum of (i) the Series A Stated Value plus (ii) the amount of all accrued and unpaid dividends, by (b) the then applicable Series A Conversion Price. The "Series A Conversion Price" is $80.00 per share. However, a holder (together with its affiliates) may not convert any of such holder's shares of Series A Preferred Stock to the extent that the holder (together with its affiliates) would own more than 4.99% (or, at the election of the holder, 9.99%) of our outstanding shares of Common Stock immediately after conversion, as such percentage ownership is determined in accordance with the terms of the Series A Preferred Stock.

Mandatory Conversion. Each share of Series A Preferred Stock will automatically be converted on June 15, 2027 into a number of shares of Common Stock determined by dividing (a) an amount equal to 110% of the sum of (i) the Series A Stated Value plus (ii) the amount of all accrued and unpaid dividends, by (b) the then-applicable Series A Conversion Price.

Redemption. At the option of our board of directors, we may redeem the outstanding shares of Series A Preferred Stock, in whole or in part, out of funds legally available therefore. The redemption price per share for shares of Series A Preferred Stock redeemed will be an amount equal to 110% of the sum of (i) the Series A Stated Value, plus (ii) the amount of the aggregate dividends then accrued on such share of Series A Preferred Stock and not previously paid. We will provide not less than 30 nor more than 60 days prior notice to the holders of any shares of Series A Preferred Stock to be redeemed.

Rights Upon Liquidation. In the event of any voluntary or involuntary liquidation, dissolution or winding up of our company, the holders of shares of Series A Preferred Stock then outstanding will be entitled to be paid out of our assets available for distribution to stockholders before any payment will be made to the holders of any other shares of our capital stock, including our Common Stock, by reason of their ownership thereof, an amount per share of Series A Preferred Stock equal to the greater of (i) 110% of the sum of (a) the Series A Stated Value, plus (b) the amount of the aggregate dividends then accrued on such share of Series A Preferred Stock and not previously paid, or (ii) such amount per share as would have been payable had all shares of Series A Preferred Stock been converted into Common Stock immediately prior to such liquidation, dissolution or winding up.

Anti-Takeover Effects of Delaware Law and the Certificate of Incorporation and Bylaws

The provisions of our Certificate of Incorporation, and our Bylaws could make it more difficult to acquire us by means of a merger, tender offer, proxy contest, open market purchases, removal of incumbent directors and otherwise. These provisions, which are summarized below, are expected to discourage types of coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to first negotiate with us. We believe that the benefits of increased protection of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging takeover or acquisition proposals because negotiation of these proposals could result in an improvement of their terms.

Calling of Special Meetings of Stockholders. Our Bylaws provide that special meetings of the stockholders may be called only by the board of directors pursuant to a resolution adopted by the majority of the board of directors.

Supermajority Vote of Stockholders. Our Certificate of Incorporation requires the affirmative vote of the holders of at least two-thirds of the voting power of all of our outstanding shares of voting stock, voting together as a single class, to amend, alter, change or repeal our Bylaws or certain provisions of our Certificate of Incorporation.

Removal of Directors; Vacancies. Our Bylaws provide that a director may be removed for cause by the affirmative vote of at least two-thirds of the voting power of the issued and outstanding stock entitled to vote; provided, however, that notice of intention to act upon such matter shall have been given in the notice calling such meeting.

Amendment of Bylaws. Our Bylaws provide that the Bylaws may be altered, amended or repealed at any meeting of the board of directors at which a quorum is present, by the affirmative vote of a majority of the directors present at such meeting.

Preferred Stock. Our Certificate of Incorporation authorizes the issuance of 10,000,000 shares of Preferred Stock with such rights and preferences as may be determined from time to time by our board of directors in their sole discretion. Our board of directors may, without stockholder approval, issue series of preferred stock with dividends, liquidation, conversion, voting or other rights that could adversely affect the voting power or other rights of the holders of our Common Stock.

Transfer Agent and Registrar

The transfer agent and registrar for our Common Stock is Equiniti Trust Company, LLC. The transfer agent and registrar's address is 28 Liberty Street, Floor 53, New York, New York 10005 and its telephone number is (800) 468-9716.

Listing

Our Common Stock is listed on the Nasdaq Stock Market under the symbol "IPST."

Exhibit 10.1

IP STRATEGY HOLDINGS, INC.

2019 STOCK INCENTIVE PLAN

SECTION 1. PURPOSE

The purpose of the IP Strategy Holdings, Inc. 2019 Stock Incentive Plan is to attract, retain and motivate employees, officers, directors, consultants, agents, advisors and independent contractors of the Company and its Affiliates by providing them with the opportunity to acquire an interest in the Company and to align their interests and efforts with the long-term interests of the Company's stockholders.

SECTION 2. DEFINITIONS

Certain capitalized terms used in the Plan have the meanings set forth in Appendix A.

SECTION 3. ADMINISTRATION

3.1 Administration of the Plan

(a) The Plan shall be administered by the Board, unless and until the Board delegates administrative authority of the Plan to a committee of the Board in accordance with Section 3.1(b).

(b) The Board may delegate some or all of the administration of this Plan to a Committee. If Plan administration is delegated to a Committee, the Committee will have, in connection with Plan administration, the powers theretofore possessed by the Board that have been delegated to the Committee, including the power to delegate to a subcommittee of the Committee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board will thereafter be to the Committee or subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of this Plan, as may be adopted from time to time by the Board. The Board may retain the authority to concurrently administer this Plan with the Committee and may, at any time, re-vest in the Board some or all of the powers previously delegated. Except as otherwise determined by the Board, the Committee shall consist solely of two (2) or more Directors appointed to the Committee from time to time by the Board. A majority of the members of the Committee may determine its actions.

(c) The Board may delegate to one or more Officers the authority to do one or both of the following: (i) designate Officers and Employees of the Company or any of its Subsidiaries to be recipients of Options and Stock Appreciation Rights (and, to the extent permitted by applicable law, other Awards) and the terms thereof, and (ii) determine the number of shares of Common Stock to be subject to such Awards granted to such Officers and Employees; provided, however, that the Board resolutions regarding such delegation will specify the total number of shares of Common Stock that may be subject to any Awards granted by the Officer and the Officer may not grant an Award to himself or herself. Notwithstanding the foregoing, the Board may not delegate authority to an Officer to determine the Fair Market Value as of the Grant Date of an Award.

3.2 Administration and Interpretation by Board or Committee

(a) Except for the terms and conditions explicitly set forth in the Plan and to the extent permitted by applicable law, the Board (or, as applicable, by the Committee) shall have full power and exclusive authority, subject to such orders or resolutions not inconsistent with the provisions of the Plan as may from time to time be adopted by the Board (or, as applicable, the Committee), to (i) select the Eligible Persons to whom Awards may from time to time be granted under the Plan; (ii) determine the type or types of Awards to be granted to each Participant under the Plan; (iii) determine the number of shares of Common Stock to be covered by each Award granted under the Plan; (iv) determine the terms and conditions of any Award granted under the Plan; (v) approve the forms of notice or agreement for use under the Plan; (vi) amend, modify, suspend, discontinue or terminate the Plan, waive any restrictions or conditions applicable to any Award or amend or modify the terms and conditions of any outstanding Award; (vii) determine whether, to what extent and under what circumstances Awards may be settled in cash, shares of Common Stock or other property or canceled or suspended; (viii) interpret and administer the Plan and any instrument evidencing an Award, notice or agreement

executed or entered into under the Plan; (ix) establish such rules and regulations as it shall deem appropriate for the proper administration and operation of the Plan; (x) delegate ministerial duties to such of the Company's employees as it so determines; and (xi) make any other determination and take any other action that the Board (or, as applicable, the Committee) deems necessary or desirable for administration of the Plan.

(b) In no event, however, shall the Board (or, as applicable, the Committee) have the right, without stockholder approval, to (i) lower the exercise or grant price of an Option or a Stock Appreciation Right after it is granted, except in connection with adjustments provided in Section 15.1; (ii) take any other action that is treated as a repricing under generally accepted accounting principles; (iii) cancel an Option or SAR at a time when its exercise or grant price exceeds the Fair Market Value of the underlying stock, in exchange for cash, another option, stock appreciation right, restricted stock, or other equity, unless the cancellation and exchange occurs in connection with a merger, acquisition, spin-off or other similar corporate transaction.

(c) The Board (or, as applicable, the Committee) shall adopt any determination regarding the effect on the vesting of an Award of a Company-approved leave of absence or a Participant's reduction in hours of employment or service made by the Company's Chief Executive Officer after review by the General Counsel, whose determination shall be final; provided, however, that the Board (or, as applicable, the Committee) shall not be required to defer to any determination made by the Chief Executive Officer and the General Counsel with respect to their own leave or reduction in hours.

(d) Decisions of the Board (or, as applicable, the Committee) shall be final, conclusive and binding on all persons, including the Company, any Participant, any stockholder and any Eligible Person.

SECTION 4. SHARES SUBJECT TO THE PLAN

4.1 Authorized Number of Shares

Subject to adjustment from time to time as provided in Section 15.1, the aggregate number of shares of Common Stock available for issuance under the Plan shall be 450,000; provided, however, that, no more than 450,000 shares of Common Stock may be granted as Incentive Stock Options. Shares issued under the Plan shall be drawn from authorized and unissued shares or shares now held or subsequently acquired by the Company as treasury shares.

4.2 Share Usage

(a) If any Award lapses, expires, terminates or is canceled prior to the issuance of shares thereunder, or if shares of Common Stock are issued under the Plan to a Participant and thereafter are forfeited to or otherwise reacquired by the Company, the shares subject to such Awards and the forfeited or reacquired shares shall again be available for issuance under the Plan. Any shares of Common Stock (i) tendered by a Participant or retained by the Company as full or partial payment to the Company for the purchase price of an Award or to satisfy tax withholding obligations in connection with an Award, or (ii) covered by an Award that is settled in cash, or in a manner such that some or all of the shares of Common Stock covered by the Award are not issued, shall be available for Awards under the Plan.

(b) The Board or Committee shall also, without limitation, have the authority to grant Awards as an alternative to or as the form of payment for grants or rights earned or due under other compensation plans or arrangements of the Company or an Affiliate, including, without limitation, compensation programs for hourly Employees.

(c) Notwithstanding any other provision of the Plan to the contrary, the Board or the Committee may grant Substitute Awards under the Plan. Substitute Awards shall not reduce the number of shares authorized for issuance under the Plan. In the event that an Acquired Entity has shares available for awards or grants under one or more preexisting plans not adopted in contemplation of such acquisition or combination, then, to the extent determined by the Board, the shares available for grant pursuant to the terms of such preexisting plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to holders of common stock of the entities that are parties to such acquisition or combination) may be used for Awards under the Plan (except for Incentive Stock Options) and shall not reduce the number of shares of Common Stock authorized for issuance under the Plan; provided, however, that Awards using such available shares shall not be made after the date awards or grants could have been made

under the terms of such preexisting plans, absent the acquisition or combination, and shall only be made to individuals who were not employees or directors of the Company prior to such acquisition or combination. In the event that a written agreement between the Company and an Acquired Entity pursuant to which a merger or consolidation is completed is approved by the Board and that agreement sets forth the terms and conditions of the substitution for or assumption of outstanding awards of the Acquired Entity, those terms and conditions shall be deemed to be the action of the Board (or, as applicable, the Committee) without any further action by the Board or Committee, as applicable, except as may be required for compliance with Rule 16b-3 under the Exchange Act, and the persons holding such awards shall be deemed to be Participants.

(d) Notwithstanding any other provision of the Plan to the contrary, Awards may be granted in exchange for HDC Share Awards in connection with the Restructuring Transactions, and any such Awards shall reduce the number of shares authorized for issuance under the Plan. Section 4.2(a) will apply to any such Awards and any shares of Common Stock issued under the Plan in respect of any such Award.

SECTION 5. ELIGIBILITY

Incentive Stock Options may be granted only to Employees of the Company, or the Company's "parent corporation" or "subsidiary corporation" (as such terms are defined in Sections 424(e) and (f) of the Code). Any other Awards may be granted to any Employee, Officer or Director whom the Board (or, as applicable, the Committee) from time to time selects; provided, however, that Nonqualified Stock Options and SARs may not be granted to Employees, Directors and Consultants who are providing Continuous Service only to any "parent" of the Company, as such term is defined in Rule 405, unless the stock underlying such Awards is treated as "service recipient stock" under Section 409A of the Code because the Awards are granted pursuant to a corporate transaction (such as a spin off transaction) or unless such Awards comply with the distribution requirements of Section 409A of the Code. In addition, a Consultant will not be eligible for the grant of an Award if, at the time of grant, either the offer or the sale of the Company's securities to such Consultant is not exempt under Rule 701 because of the nature of the services that the Consultant is providing to the Company, because the Consultant is not a natural person, or because of any other provision of Rule 701, unless the Company determines that such grant need not comply with the requirements of Rule 701 and will satisfy another exemption under the Securities Act as well as comply with the securities laws of all other relevant jurisdictions.

SECTION 6. AWARDS

6.1 Form, Grant and Settlement of Awards

Awards may be granted either alone or in addition to or in tandem with any other type of Award. Any Award settlement may be subject to such conditions, restrictions and contingencies as the Board (or, as applicable, the Committee) shall determine, including, for any Award that is not fully vested as of the Grant Date, any Vesting Commencement Date (which, if not specified, shall be the Grant Date).

6.2 Evidence of Awards

Awards granted under the Plan shall be evidenced by a written, including an electronic, instrument that shall contain such terms, conditions, limitations and restrictions as the Board (or, as applicable, the Committee) shall deem advisable and that are not inconsistent with the Plan.

6.3 Dividends and Distributions

Participants may, if the Board (or, as applicable, the Committee) so determines be credited with dividends or dividend equivalents for dividends paid with respect to shares of Common Stock underlying an Award (other than an Option or a Stock Appreciation Right) in a manner determined by the Board (or, as applicable, the Committee) in its sole discretion; provided, however, that with respect to Awards that are subject to achievement of performance goals, any such credited dividends or dividend equivalents may only be paid with respect to the portion of such Awards that is actually earned. The Board (or, as applicable, the Committee) may apply any restrictions to the dividends or dividend equivalents that the Board or Committee, as applicable, deems appropriate. The Board (or, as applicable, the Committee), in its sole discretion, may determine the form of payment of dividends or dividend equivalents, including cash, shares of Common Stock, Restricted Stock or Restricted Stock Units. Also, notwithstanding the foregoing, the right to any dividends or dividend equivalents declared and paid on Restricted Stock or Restricted Stock Units must comply with or qualify for an exemption under Section 409A.

SECTION 7. OPTIONS

7.1 Grant of Options

The Board (or, as applicable, the Committee) may grant Options designated as Incentive Stock Options or Nonqualified Stock Options. All Options will be separately designated Incentive Stock Options or Nonqualified Stock Options at the time of grant, and, if certificates are issued, a separate certificate or certificates will be issued for shares of Common Stock purchased on exercise of each type of Option. If an Option is not specifically designated as an Incentive Stock Option, then the Option will be considered a Nonqualified Stock Option.

7.2 Option Exercise Price

Options shall be granted with an exercise price per share not less than 100% of the Fair Market Value of the Common Stock on the Grant Date (and such exercise price shall not be less than the minimum exercise price required by Section 422 of the Code with respect to Incentive Stock Options); provided, however, that the exercise price of any Incentive Stock Option granted to a Ten Percent Stockholder must be at least one hundred ten percent (110%) of the Fair Market Value on the Grant Date; and provided, further, that an Option that is a Substitute Award or an Option granted in exchange for an HDC Share Award that is a stock option in connection with the Restructuring Transactions may be granted with an exercise price lower than one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Option as of the Grant Date, if the exercise price for the Substitute Award or Option granted in connection with the Restructuring Transactions is determined in a manner consistent with the provisions of Sections 409A and 424(a) of the Code (whether or not such Options are Incentive Stock Options), or is otherwise compliant with Section 409A of the Code.

7.3 Term of Options

Subject to earlier termination in accordance with the terms of the Plan and the instrument evidencing the Option, the maximum term of an Option shall be seven (7) years from the Grant Date; provided, however, that any Incentive Stock Option granted to a Ten Percent Stockholder shall not be exercisable after the expiration of five (5) years from the Grant Date.

7.4 Exercise of Options

The instrument evidencing the Option shall set forth the time at which, or the installments in which, the Option shall vest and become exercisable.

To the extent an Option has vested and become exercisable, the Option may be exercised in whole or from time to time in part by delivery, as directed by the Company, to the Company or a brokerage firm designated or approved by the Company of a properly executed stock option exercise agreement or notice, in a form and in accordance with procedures established by the Board (or, as applicable, the Committee), setting forth the number of shares with respect to which the Option is being exercised, the restrictions imposed on the shares purchased under such exercise agreement or notice, if any, and such representations and agreements as may be required by the Board or Committee, accompanied by payment in full as described in Section 7.5. An Option may be exercised only for whole shares and may not be exercised for less than a reasonable number of shares at any one time, as determined by the Board or Committee.

7.5 Payment of Exercise Price

The exercise price for shares purchased under an Option shall be paid in full to the Company by delivery of consideration equal to the product of the Option exercise price and the number of shares purchased. Such consideration must be paid before the Company will issue the shares being purchased and must be in a form or a combination of forms acceptable to the Board or Committee for that purchase, which forms may include:

(a) cash;

(b) check or wire transfer;

(c) having the Company withhold shares of Common Stock that would otherwise be issued on exercise of the Option that have an aggregate Fair Market Value equal to the aggregate exercise price of the shares being purchased under the Option; or

(d) such other consideration as the Board or Committee may permit.

7.6 Effect of Termination of Service

(a) The instrument that evidences an Option shall set forth whether the Option shall continue to be exercisable, and the terms and conditions of such exercise, after a Termination of Service, any of which provisions may be waived or modified by the Board (or, as applicable, the Committee) at any time.

(b) If the exercise of the Option following a Participant's Termination of Service, but while the Option is otherwise exercisable, would be prohibited solely because the issuance of Common Stock would violate the laws of any state or foreign jurisdiction, then the Option shall remain exercisable until the earlier of (i) the Option Expiration Date and (ii) the expiration of a period of three (3) months (or such longer period of time as determined by the Board or the Committee, as applicable, in its sole discretion) after the Participant's Termination of Service during which the exercise of the Option would not be in violation of such laws or other requirements.

7.6 Non-Exempt Employees

No Option granted to an Employee who is a "non-exempt employee" for purposes of the Fair Labor Standards Act of 1938, as amended, will be first exercisable for any shares of Common Stock until at least six (6) months following the Grant Date of the Option. Notwithstanding the foregoing, consistent with the provisions of the Worker Economic Opportunity Act, in the event of the Participant's death or Disability, upon a corporate transaction in which the vesting of such Options accelerates, or upon the Participant's Retirement any such vested Options may be exercised earlier than six (6) months following the Grant Date. The foregoing provision is intended to operate so that any income derived by a non-exempt employee in connection with the exercise or vesting of an Option will be exempt from his or her regular rate of pay.

SECTION 8. INCENTIVE STOCK OPTION LIMITATIONS

Notwithstanding any other provision of the Plan to the contrary, the terms and conditions of any Incentive Stock Options shall in addition comply in all respects with Section 422 of the Code, or any successor provision, and any applicable regulations thereunder. To the extent that the aggregate Fair Market Value (determined at the applicable Grant Date) of shares of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any Participant during any calendar year (under all plans of the Company and any Affiliates) exceeds one hundred thousand dollars ($100,000), the Options or portions thereof that exceed the limit (according to the order in which they were granted) will be treated as Nonqualified Stock Options, notwithstanding any contrary provision of the applicable instrument(s) evidencing the Options. If the stockholders of the Company do not approve the Plan within twelve (12) months after the Board's adoption of the Plan (or the Board's adoption of any amendment to the Plan that constitutes the adoption of a new plan for purposes of Section 422 of the Code), Incentive Stock Options granted under the Plan after the date of the Board's adoption (or approval) will be treated as Nonqualified Stock Options. No Incentive Stock Options may be granted more than ten (10) years after the earlier of the approval by the Board or the stockholders of the Plan (or any amendment to the Plan that constitutes the adoption of a new plan for purposes of Section 422 of the Code). In interpreting and applying the provisions of the Plan, any Option granted as an Incentive Stock Option pursuant to the Plan shall, to the extent permitted by law, be construed as an "incentive stock option" within the meaning of Section 422 of the Code.

SECTION 9. STOCK APPRECIATION RIGHTS

9.1 Grant of Stock Appreciation Rights

The Board (or, as applicable, the Committee) may grant Stock Appreciation Rights to Participants at any time on such terms and conditions as the Committee shall determine in its sole discretion. A SAR may be granted in tandem with an Option or alone ("freestanding"). The grant price of a tandem SAR shall be equal to the exercise price of the related Option. The grant price of a freestanding SAR shall be established in accordance with procedures for Options set forth in Section 7.2. A SAR may be exercised upon such terms and conditions and for the term as the Board or Committee determines in its sole discretion; provided, however, that, subject to earlier termination in

accordance with the terms of the Plan and the instrument evidencing the SAR, the maximum term of a freestanding SAR shall be seven (7) years, and in the case of a tandem SAR, (a) the term shall not exceed the term of the related Option and (b) the tandem SAR may be exercised for all or part of the shares subject to the related Option upon the surrender of the right to exercise the equivalent portion of the related Option, except that the tandem SAR may be exercised only with respect to the shares for which its related Option is then exercisable. Any tandem SAR that relates to a Nonqualified Stock Option may be granted at the same time the Option is granted or at any time thereafter but before the exercise or expiration of the Option. Any tandem SAR that relates to an Incentive Stock Option must be granted at the same time the Incentive Stock Option is granted. The instrument that evidences a Stock Appreciation Right shall set forth whether the SAR shall continue to be exercisable, and the terms and conditions of such exercise, after a Termination of Service, any of which provisions may be waived or modified by the Board (or, as applicable, the Committee) at any time.

9.2 Payment of SAR Amount

Upon the exercise of an SAR, a Participant shall be entitled to receive payment in an amount determined by multiplying: (a) the difference between the Fair Market Value of the Common Stock on the date of exercise over the grant price of the SAR by (b) the number of shares with respect to which the SAR is exercised. At the discretion of the Board (or, as applicable, the Committee) and as set forth in the instrument evidencing the Award, the payment upon exercise of an SAR may be in cash, in shares, in some combination thereof or in any other manner approved by the Board (or, as applicable, the Committee) in its sole discretion.

9.3 Non-Exempt Employees

No SAR granted to an Employee who is a "non-exempt employee" for purposes of the Fair Labor Standards Act of 1938, as amended, will be first exercisable for any shares of Common Stock until at least six (6) months following the Grant Date of the SAR. Notwithstanding the foregoing, consistent with the provisions of the Worker Economic Opportunity Act, in the event of the Participant's death or Disability, upon a corporate transaction in which the vesting of such SARs accelerates, or upon the Participant's Retirement any such vested SARs may be exercised earlier than six (6) months following the Grant Date. The foregoing provision is intended to operate so that any income derived by a non-exempt employee in connection with the exercise or vesting of a SAR will be exempt from his or her regular rate of pay.

SECTION 10. STOCK AWARDS, RESTRICTED STOCK AND RESTRICTED STOCK UNITS

10.1 Grant of Stock Awards, Restricted Stock and Restricted Stock Units

The Board (or, as applicable, the Committee) may grant Stock Awards, Restricted Stock and Restricted Stock Units on such terms and conditions and subject to such repurchase or forfeiture restrictions, if any, which may be based on continuous employment or service with the Company or the achievement of any performance goals, as the Board or the Committee, as applicable, shall determine in its sole discretion, which terms, conditions and restrictions shall be set forth in the instrument evidencing the Award. At the time of grant of a Stock Award, Restricted Stock, or Restricted Stock Units, the Board (or, as applicable, the Committee) will determine the consideration, if any, to be paid by the Participant upon delivery of each share of Common Stock subject to the Award, and any such Award may be awarded in consideration for (A) cash or cash equivalents, (B) past or future services actually or to be rendered to the Company or an Affiliate, or (C) any other form of legal consideration that may be acceptable to the Board in its sole discretion, and permissible under applicable law.

10.2 Vesting of Restricted Stock and Restricted Stock Units

Upon the satisfaction of any terms, conditions and restrictions prescribed with respect to Restricted Stock or Restricted Stock Units, or upon a Participant's release from any terms, conditions and restrictions on Restricted Stock or Restricted Stock Units, each as determined by the Board (or, as applicable, the Committee) and as set forth in instrument evidencing the Award, (a) the shares of Restricted Stock covered by each Award of Restricted Stock shall become freely transferable by the Participant, and (b) Restricted Stock Units shall be paid in shares of Common Stock or, if set forth in the instrument evidencing the Awards, in cash or a combination of cash and shares of Common Stock. Any fractional shares subject to such Awards shall be paid to the Participant in cash. Upon a Participant's Termination of Service, the Company may receive, through a forfeiture condition or a repurchase right, any or all of the shares of Common Stock held by the Participant that have not vested as of the date of termination of

Continuous Service under the terms of the instrument evidencing the Restricted Stock. Except as otherwise provided in the applicable instrument evidencing the Restricted Stock Units, the portion of the Restricted Stock Units that has not vested will be forfeited upon a Participant's Termination of Service.

SECTION 11. PERFORMANCE AWARDS

11.1 Performance Shares

The Board (or, as applicable, the Committee) shall have the discretion to grant Awards of Performance Shares, designate the Participants to whom Performance Shares are to be awarded and determine the number of Performance Shares and the terms and conditions of each such Award, which shall be reflected in the instrument evidencing the Award. Performance Shares shall consist of a unit valued by reference to a designated number of shares of Common Stock, the value of which may be paid to the Participant by delivery of shares of Common Stock or, if set forth in the instrument evidencing the Award, of such property as the Board or Committee shall determine, including, without limitation, cash, shares of Common Stock, other property, or any combination thereof, upon the attainment of performance goals, as established by the Board or the Committee, as applicable, and other terms and conditions specified by the Board or the Committee, as applicable. The amount to be paid under an Award of Performance Shares may be adjusted on the basis of such further consideration as the Board or the Committee, as applicable, shall determine in its sole discretion.

11.2 Performance Units

The Board (or, as applicable, the Committee)may grant Awards of Performance Units, designate the Participants to whom Performance Units are to be awarded and determine the number of Performance Units and the terms and conditions of each such Award, which shall be reflected in the instrument evidencing the Award. Performance Units shall consist of a unit valued by reference to a designated amount of property other than shares of Common Stock, which value may be paid to the Participant by delivery of such property as the Board or the Committee, as applicable, shall determine, including, without limitation, cash, shares of Common Stock, other property, or any combination thereof, upon the attainment of performance goals, as established by the Committee, and other terms and conditions specified by the Board or the Committee, as applicable. The amount to be paid under an Award of Performance Units may be adjusted on the basis of such further consideration as the Board or the Committee, as applicable, shall determine in its sole discretion.

SECTION 12. OTHER STOCK OR CASH-BASED AWARDS

Subject to the terms of the Plan and such other terms and conditions as the Board or the Committee, as applicable, deems appropriate, other incentives denominated in cash, shares of Common Stock or other property may be granted under the Plan, which incentives may be paid to the Participant by delivery of such property as the Board or the Committee, as applicable, shall determine, including, without limitation, cash, shares of Common Stock, other property, or any combination thereof, subject to the terms and conditions specified by the Board or the Committee, as applicable,

SECTION 13. WITHHOLDING

(a) The Company may require the Participant to pay to the Company the amount of (i) any taxes that the Company is required by applicable federal, state, local or foreign law to withhold with respect to the grant, vesting or exercise of an Award ("tax withholding obligations") and (ii) any amounts due from the Participant to the Company ("other obligations"). Notwithstanding any other provision of the Plan to the contrary, the Company shall not be required to issue any shares of Common Stock or otherwise settle an Award under the Plan until such tax withholding obligations and other obligations are satisfied.

(b) The Company may permit or require a Participant to satisfy all or part of the Participant's tax withholding obligations and other obligations by (i) paying cash to the Company (ii) having the Company withhold an amount from any cash amounts otherwise due or to become due from the Company to the Participant, (iii) having the Company withhold a number of shares of Common Stock that would otherwise be issued to the Participant (or become vested, in the case of Restricted Stock) having a Fair Market Value equal to the tax withholding obligations and other obligations, or (iv) surrendering a number of shares of Common Stock the Participant already owns having a value equal to the tax withholding obligations and other obligations. The value of the shares so withheld or

tendered may not exceed the employer's minimum required tax withholding rate (or such lesser amount as may be necessary to avoid classification of the Award as a liability for financial accounting purposes).

SECTION 14. ASSIGNABILITY

No Award or interest in an Award may be sold, assigned, pledged (as collateral for a loan or as security for the performance of an obligation or for any other purpose) or transferred by a Participant or made subject to attachment or similar proceedings otherwise than by will or by the applicable laws of descent and distribution, except to the extent the Participant designates one or more beneficiaries on a Company-approved form who may exercise the Award or receive payment under the Award after the Participant's death. During a Participant's lifetime, an Award may be exercised only by the Participant. Notwithstanding the foregoing and to the extent permitted by Section 422 of the Code, the Board (or the Committee, as applicable), in its sole discretion, may permit a Participant to assign or transfer an Award subject to such terms and conditions as the Board (or the Committee, as applicable) shall specify.

SECTION 15. ADJUSTMENTS

15.1 Adjustment of Shares

In the event that, at any time or from time to time, a stock dividend, stock split, spin-off, combination or exchange of shares, recapitalization, merger, consolidation, distribution to stockholders other than a normal cash dividend, or other change in the Company's corporate or capital structure results in (i) the outstanding shares of Common Stock, or any securities exchanged therefor or received in their place, being exchanged for a different number or kind of securities of the Company or (ii) new, different or additional securities of the Company or any other company being received by the holders of shares of Common Stock, or in the event of an extraordinary cash dividend, then the Board or Committee may make proportional adjustments in (1) the maximum number and kind of securities available for issuance under the Plan; (2) the maximum number and kind of securities issuable as Incentive Stock Options as set forth in Section 4.1; (3) the maximum numbers and kind of securities set forth in Section 4.1; and (4) the number and kind of securities that are subject to any outstanding Award and/or the per share price of such securities. The determination by the Board or Committee, as applicable, as to the terms of any of the foregoing adjustments shall be conclusive and binding.

Notwithstanding the foregoing provisions of this Section 15.1, the issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property, or for labor or services rendered, either upon direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, outstanding Awards. Also, notwithstanding the foregoing, a dissolution or liquidation of the Company or a change in control shall not be governed by this Section 15.1 but shall be governed by Sections 15.2 and 15.3, respectively.

15.2 Dissolution or Liquidation

To the extent not previously exercised or settled, and unless otherwise determined by the Board or Committee in its sole discretion, Awards shall terminate immediately prior to the dissolution or liquidation of the Company. To the extent a vesting condition, forfeiture provision or repurchase right applicable to an Award has not been waived by the Board or Committee, the Award shall be forfeited immediately prior to the consummation of the dissolution or liquidation.

15.3 Further Adjustment of Awards

Unless otherwise provided in the instrument evidencing an Award, the Board or the Committee, as applicable, shall have the discretion, exercisable at any time before a sale, merger, consolidation, reorganization, liquidation, dissolution or change of control of the Company, as defined by the Board or Committee, to take such action as it determines to be necessary or advisable with respect to Awards. Such authorized action may include (but shall not be limited to): (a) establishing, amending or waiving the type, terms, conditions or duration of, or restrictions on, Awards so as to provide for earlier, later, extended or additional time for exercise, accelerated vesting (in whole or in part) of the Award, lifting restrictions and other modifications; (b) arranging for the surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company) to assume or continue the Award or to substitute a similar stock award for the Award (including, but not limited to, an award to acquire the same

consideration paid to the stockholders of the Company pursuant to the transaction); (c) arranging for the assignment of any reacquisition or repurchase rights held by the Company in respect of Common Stock issued pursuant to Stock Award to the surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company); (d) canceling or arranging for the cancellation of the Award, to the extent not vested or not exercised prior to the effective time of the transaction, in exchange for cash consideration, if any, as the Board (or, as applicable, the Committee), in its sole discretion, may consider appropriate; or (e) providing that a Participant may not exercise an Award but will receive a payment, in the form as may be determined to be equal to the excess, if any, of (i) the value of the property the holder of the Award would have received upon the exercise of the Award, over (ii) any exercise price or grant price payable by such holder in connection with such exercise; provided that such payments may be delayed to the same extent that payment of consideration to the holders of the Common Stock in connection with the transaction is delayed as a result of escrows, earn outs, holdbacks or any other contingencies. The Board (or, as applicable) need not take the same action with respect to all Awards (or categories of Awards) or with respect to all Participants. The Board or the Committee, as applicable, may take such action before or after granting Awards to which the action relates and before or after any public announcement with respect to such sale, merger, consolidation, reorganization, liquidation, dissolution or change of control that is the reason for such action.

15.5 No Limitations

The grant of Awards shall in no way affect the Company's right to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

15.6 No Fractional Shares

In the event of any adjustment in the number of shares covered by any Award, each such Award shall cover only the number of full shares resulting from such adjustment, and any fractional shares resulting from such adjustment shall be disregarded.

15.8 Section 409A

Notwithstanding any other provision of the Plan to the contrary, (a) any adjustments made pursuant to this Section 15 to Awards that are considered "deferred compensation" within the meaning of Section 409A shall be made in compliance with the requirements of Section 409A and (b) any adjustments made pursuant to this Section 15 to Awards that are not considered "deferred compensation" subject to Section 409A shall be made in such a manner as to ensure that after such adjustment the Awards either (i) continue not to be subject to Section 409A or (ii) comply with the requirements of Section 409A.

SECTION 16. AMENDMENT AND TERMINATION

16.1 Amendment, Suspension or Termination

The Board or the Committee may amend, suspend or terminate the Plan or any portion of the Plan at any time and in such respects as it shall deem advisable; provided, however, that, to the extent required by applicable law, regulation or stock exchange rule, stockholder approval shall be required for any amendment to the Plan; and provided, further, that the Committee shall not have the authority to recommend any amendment that requires stockholder approval without prior approval by the Board. . Subject to Section 16.3, the Board or the Committee may amend the terms of any outstanding Award, prospectively or retroactively.

16.2 Term of the Plan

Unless sooner terminated as provided herein, or extended by the stockholders, the Plan shall terminate ten (10) years from the Effective Date. After the Plan is terminated, no future Awards may be granted, but Awards previously granted shall remain outstanding in accordance with their applicable terms and conditions and the Plan's terms and conditions.

16.3 Consent of Participant

The amendment, suspension or termination of the Plan or a portion thereof or the amendment of an outstanding Award shall not, without the Participant's consent, materially adversely affect any rights under any

Award theretofore granted to the Participant under the Plan; provided, however, the Board or the Committee may, without the affected Participant's consent, amend the terms of any Awards if necessary to bring the Award into compliance with Section 409A of the Code under Section 17.6(c) or to maintain the qualified status of the Award as an Incentive Stock Option. Any change or adjustment to an outstanding Incentive Stock Option shall not, without the consent of the Participant, be made in a manner so as to constitute a "modification" that would cause such Incentive Stock Option to fail to continue to qualify as an Incentive Stock Option. Notwithstanding the foregoing, any adjustments made pursuant to Section 15 shall not be subject to these restrictions.

SECTION 17. GENERAL

17.1 No Individual Rights

No individual or Participant shall have any claim to be granted any Award under the Plan, and the Company has no obligation for uniformity of treatment of Participants under the Plan.

Furthermore, nothing in the Plan or any Award granted under the Plan shall be deemed to constitute an employment contract or confer or be deemed to confer on any Participant any right to continue in the employ of, or to continue any other relationship with, the Company or limit in any way the right of the Company to terminate a Participant's employment or other relationship at any time, with or without cause.

17.2 Issuance of Shares

(a) Notwithstanding any other provision of the Plan, the Company shall have no obligation to issue or deliver any shares of Common Stock under the Plan or make any other distribution of benefits under the Plan unless, in the opinion of the Company's counsel, such issuance, delivery or distribution would comply with all applicable laws (including, without limitation, the requirements of the Securities Act or the laws of any state or foreign jurisdiction) and the applicable requirements of any securities exchange or similar entity.

(b) The Company shall be under no obligation to any Participant to register for offering or resale or to qualify for exemption under the Securities Act, or to register or qualify under the laws of any state or foreign jurisdiction, any shares of Common Stock, security or interest in a security paid or issued under, or created by, the Plan, or to continue in effect any such registrations or qualifications if made.

(c) As a condition to the exercise of an Option or any other receipt of Common Stock pursuant to an Award under the Plan, the Company may require (i) the Participant to represent and warrant at the time of any such exercise or receipt that such shares are being purchased or received only for the Participant's own account and without any present intention to sell or distribute such shares; (ii) the Participant to sign the Company's Shareholder Agreement; and (iii) such other action or agreement by the Participant as may from time to time be necessary to comply with the federal, state and foreign securities laws. At the option of the Company, a stop-transfer order against any such shares may be placed on the official stock books and records of the Company, and a legend indicating that such shares may not be pledged, sold or otherwise transferred, unless an opinion of counsel is provided (concurred in by counsel for the Company) stating that such transfer is not in violation of any applicable law or regulation, may be stamped on stock certificates to ensure exemption from registration. The Board or Committee may also require the Participant to execute and deliver to the Company a purchase agreement or such other agreement as may be in use by the Company at such time that describes certain terms and conditions applicable to the shares.

(d) To the extent the Plan or any instrument evidencing an Award provides for issuance of stock certificates to reflect the issuance of shares of Common Stock, the issuance may be effected on a noncertificated basis, to the extent not prohibited by applicable law or the applicable rules of any stock exchange.

17.3 Indemnification

Each person who is or shall have been a member of the Board, or a committee appointed by the Board, or an officer of the Company to whom authority was delegated in accordance with Section 3, shall be indemnified and held harmless by the Company against and from any loss, cost, liability or expense that may be imposed upon or reasonably incurred by such person in connection with or resulting from any claim, action, suit or proceeding to which such person may be a party or in which such person may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by such person in settlement thereof, with the

Company's approval, or paid by such person in satisfaction of any judgment in any such claim, action, suit or proceeding against such person; provided, however, that such person shall give the Company an opportunity, at its own expense, to handle and defend the same before such person undertakes to handle and defend it on such person's own behalf, unless such loss, cost, liability or expense is a result of such person's own willful misconduct or except as expressly provided by statute.

The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such person may be entitled under the Company's certificate of incorporation or bylaws, as a matter of law, or otherwise, or of any power that the Company may have to indemnify or hold harmless.

17.4 No Rights as a Stockholder

Unless otherwise provided by the Board or Committee or in the instrument evidencing the Award or in a written employment, services or other agreement with the Company or an Affiliate, no Award, other than a Stock Award, shall entitle the Participant to any cash dividend, voting or other right of a stockholder unless and until the date of issuance under the Plan of the shares that are the subject of such Award.

17.5 Market Stand-off.

In connection with any underwritten public offering by the Company of its equity securities pursuant to an effective registration statement filed under the Securities Act, including the Company's initial public offering, a person shall not sell, make any short sale of, loan, hypothecate, pledge, grant any option for the purchase of, or otherwise dispose or transfer for value or otherwise agree to engage in any of the foregoing transactions with respect to, any shares issued pursuant to an Award granted under the Plan without the prior written consent of the Company or its underwriters. Such limitations shall be in effect for such period of time as may be requested by the Company or such underwriters and agreed to by the Company's officers and directors with respect to their shares; provided, however, that in no event shall such period exceed 180 days. The limitations of this paragraph shall in all events terminate two years after the effective date of the Company's initial public offering. Holders of shares issued pursuant to an Award granted under the Plan shall be subject to the market standoff provisions of this paragraph only if the officers and directors of the Company are also subject to similar arrangements. In order to enforce the limitations of this Section 17.5, the Company may impose stop-transfer instructions with respect to the purchased shares until the end of the applicable standoff period.

In the event of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares or other change affecting the Company's outstanding Common Stock effected as a class without the Company's receipt of consideration, then any new, substituted or additional securities distributed with respect to the purchased shares shall be immediately subject to the provisions of this Section 17.5, to the same extent the purchased shares are at such time covered by such provisions.

17.6 Section 409A

(a) *General.* This Plan and Awards granted under this Plan are intended to be exempt from the requirements of Section 409A to the maximum extent possible, whether pursuant to the short-term deferral exception described in Treasury Regulation section 1.409A-1(b)(4), the exclusion applicable to stock options and certain other equity-based compensation under Treasury Regulation section 1.409A-1(b)(5), or otherwise. To the extent Section 409A is applicable to this Plan or any Award granted under this Plan, it is intended that this Plan and any Awards granted under this Plan comply with the deferral, payout and other limitations and restrictions imposed under Section 409A. Notwithstanding any other provision of this Plan or any Award granted under this Plan to the contrary, this Plan and any Award granted under this Plan shall be interpreted, operated and administered in a manner consistent with such intentions, and shall be deemed to incorporate by reference, to the extent needed and permissible, the terms and conditions necessary to avoid adverse consequences under Section 409A.

(b) *Separation from Service; Six Month Delay*. Without limiting the generality of the foregoing, and notwithstanding any other provision of this Plan or any Award granted under this Plan to the contrary, with respect to any payments and benefits under this Plan or any Award granted under this Plan to which Section 409A applies, all references in this Plan or any Award granted under this Plan to the termination of the Participant's employment or service are intended to mean the Participant's "separation from service," within the meaning of Section 409A(a)(2)(A)(i). In addition, if the Participant is a "specified employee," within the meaning of Section 409A, then

to the extent necessary to avoid subjecting the Participant to the imposition of any additional tax under Section 409A, amounts that would otherwise be payable under this Plan or any Award granted under this Plan during the six-month period immediately following the Participant's "separation from service," within the meaning of Section 409A(a)(2)(A)(i), shall not be paid to the Participant during such period, but shall instead be accumulated and paid to the Participant (or, in the event of the Participant's death, the Participant's estate) in a lump sum on the first business day after the earlier of the date that is six months following the Participant's separation from service or the Participant's death.

(c) *Unilateral Amendment*. Notwithstanding any other provision of this Plan or any Award to the contrary, the Board (or, as applicable, the Committee), to the extent it deems necessary or advisable in its sole discretion, reserves the right, but shall not be required, to unilaterally amend or modify this Plan and any Award granted under this Plan so that the Award qualifies for exemption from or complies with Section 409A.

(d) *No Guarantee of Tax Treatment.* Notwithstanding any provision of this Plan or any Award to the contrary, the Company does not guarantee to any Participant or any other person(s) with an interest in an Award that (i) any Award intended to be exempt from Section 409A shall be so exempt, (ii) any Award intended to comply with Section 409A shall so comply, or (iii) any Award shall otherwise receive a specific tax treatment under any other applicable tax law, nor in any such case will the Company or any affiliate be required to indemnify, defend or hold harmless any individual with respect to the tax consequences of any Award, and Participants must seek their own individual tax advice with respect to the Plan and their Award(s).

17.7 Deferrals

To the extent permitted by applicable law, the Board, in its sole discretion, may determine that the delivery of Common Stock or the payment of cash, upon the exercise, vesting or settlement of all or a portion of any Award may be deferred and may establish programs and procedures for deferral elections to be made by Participants. Deferrals by Participants will be made in accordance with Section 409A. Consistent with Section 409A, the Board may provide for distributions while a Participant is still an Employee or otherwise providing services to the Company. The Board is authorized to make deferrals of Awards and determine when, and in what annual percentages, Participants may receive payments, including lump sum payments, following the Participant's Termination of Service, and implement such other terms and conditions consistent with the provisions of this Plan and in accordance with applicable law.

17.8 Participants in Other Countries or Jurisdictions

Without amending the Plan, the Board or Committee may grant Awards to Eligible Persons who are foreign nationals on such terms and conditions different from those specified in the Plan as may, in the judgment of the Board or Committee, be necessary or desirable to foster and promote achievement of the purposes of the Plan and shall have the authority to adopt such modifications, procedures, subplans and the like as may be necessary or desirable to comply with provisions of the laws or regulations of other countries or jurisdictions in which the Company may operate or have employees to ensure the viability of the benefits from Awards granted to Participants employed in such countries or jurisdictions, meet the requirements that permit the Plan to operate in a qualified or tax-efficient manner, comply with applicable foreign laws or regulations and meet the objectives of the Plan.

17.9 No Obligation to Notify

Notwithstanding any provision in the Plan or any Award to the contrary, the Company will have no duty or obligation to any Participant to advise such holder as to the time or manner of exercising such Award. Furthermore, the Company will have no duty or obligation to warn or otherwise advise such holder of a pending termination or expiration of an Award or a possible period in which the Award may not be exercised. The Company has no duty or obligation to minimize the tax consequences of an Award to any Participant.

17.10 No Trust or Fund

The Plan is intended to constitute an "unfunded" plan. Nothing contained herein shall require the Company to segregate any monies or other property, or shares of Common Stock, or to create any trusts, or to make any special

deposits for any immediate or deferred amounts payable to any Participant, and no Participant shall have any rights that are greater than those of a general unsecured creditor of the Company.

17.11 Successors

All obligations of the Company under the Plan with respect to Awards shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all the business and/or assets of the Company.

17.12 Severability

If any provision of the Plan or any Award is determined to be invalid, illegal or unenforceable in any jurisdiction, or as to any person, or would disqualify the Plan or any Award under any law deemed applicable by the Board or Committee, such provision shall be construed or deemed amended to conform to applicable laws, or, if it cannot be so construed or deemed amended without, in the Board or Committee's determination, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, person or Award, and the remainder of the Plan and any such Award shall remain in full force and effect.

17.13 Choice of Law and Venue

The Plan, all Awards granted thereunder and all determinations made and actions taken pursuant hereto, to the extent not otherwise governed by the laws of the United States, shall be governed by the laws of the State of Delaware without giving effect to principles of conflicts of law. Participants irrevocably consent to the nonexclusive jurisdiction and venue of the state and federal courts located in the State of Washington.

17.14 Legal Requirements

The granting of Awards and the issuance of shares of Common Stock under the Plan are subject to all applicable laws, rules and regulations and to such approvals by any governmental agencies or national securities exchanges as may be required.

SECTION 18. EFFECTIVE DATE

The effective date (the "***Effective Date***") is the date on which the Plan is approved by the stockholders of the Company. If the stockholders of the Company do not approve the Plan within 12 months after the Board's adoption of the Plan, any Incentive Stock Options granted under the Plan will be treated as Nonqualified Stock Options.

(Updated to reflect the Company's name change effective February 18, 2026)

APPENDIX A TO

IP STRATEGY HOLDINGS, INC. 2019 STOCK INCENTIVE PLAN DEFINITIONS

As used in the Plan:

"***Acquired Entity***" means any entity acquired by the Company or with which the Company merges or combines. "***Affiliate***" means, at the time of determination, any

"parent" or "majority-owned subsidiary" of the Company,

as such terms are defined in Rule 405. The Board will have the authority to determine the time or times at which "parent" or "majority-owned subsidiary" status is determined within the foregoing definition.

"***Award***" means any Option, Stock Appreciation Right, Stock Award, Restricted Stock, Restricted Stock Unit, Performance Share, Performance Unit, cash-based award or other incentive payable in cash or in shares of Common Stock as may granted under the Plan.

"***Board***" means the Board of Directors of the Company.

"***Code***" means the Internal Revenue Code of 1986, as amended from time to time.

"***Committee***" means a committee composed of one (1) or more Directors to whom authority has been delegated by the Board in accordance with Section 3.1(b).

"***Common Stock***" means the [common stock par value $0.001 per share], of the Company. "***Company***" means IP Strategy Holdings, Inc., a

Delaware corporation.

"***Consultant***" means any individual who is (a) engaged by the Company or any Affiliate to render consulting or advisory services, including any consultant, agent, advisor or independent contractor who is providing bona fide services to the Company or any Affiliate, whether or not compensated for such services; or (b) serving as a member of the board of directors of an Affiliate, whether or not compensated for such services; provided, however, that service solely as a Director, or payment of a fee for such service, will not cause a Director to be considered a "Consultant" for purposes of this Plan.

"***Director***" means a member of the Board.

"***Disability*** ," unless otherwise defined by the Board or Committee for purposes of the Plan in the instrument evidencing an Award or in a written employment, services or other agreement between the Participant and the Company means a mental or physical impairment of the Participant that is expected to result in death or that has lasted or is expected to last for a continuous period of 12 months or more and that causes the Participant to be unable to perform his or her material duties for the Company and to be engaged in any substantial gainful activity, as provided in Sections 22(e)(3) and 409A(a)(2)(c)(i) of the Code, as determined by the Company's General Counsel for Employees or, in the case of Directors and Officers, the Board or the Committee, whose determination shall be conclusive and binding.

"***Effective Date***" has the meaning set forth in Section 18.

"***Eligible Person***" means any Employee, Director or Consultant eligible to receive an Award as set forth in Section 5.

"***Employee***" means any individual employed by the Company or an Affiliate; provided, however, that service solely as a Director, or payment of a fee for the services, will not cause a Director to be considered an "Employee" for purposes of this Plan.

"***Entity***" means any individual, entity or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act).

"***Exchange Act***" means the Securities Exchange Act of 1934, as amended from time to time.

"***Fair Market Value***" means, as of any date, the value of the Common Stock determined by the Board in compliance with Section 409A of the Code or, in the case of an Incentive Stock Option, in compliance with Section 422 of the Code.

"***Grant Date***" means the later of (a) the date on which the Board or Committee completes the corporate action authorizing the grant of an Award or such later date specified by the Board or Committee and (b) the date on which all conditions precedent to an Award have been satisfied, provided that conditions to the exercisability or vesting of Awards shall not defer the Grant Date.

"***HDC Share Award***" means a stock option or restricted stock unit granted under the Heritage Distilling Company, Inc. 2018 Stock Incentive Plan and outstanding as of immediately prior to the Restructuring Transactions.

"***Incentive Stock Option***" means an Option granted with the intention that it qualify as an "incentive stock option" as that term is defined for purposes of Section 422 of the Code or any successor provision.

"***Nonemployee Director***" means any member of the Board who is not an Employee of the Company. "***Nonqualified Stock Option***" means an Option that does not qualify or is not intended to qualify as an Incentive Stock Option.

"***Officer***" means any person designated by the Company as an officer.

"***Option***" means a right to purchase Common Stock granted under Section 7. "***Option Expiration Date***" means the last day of the maximum term of an Option. "***Participant***" means any Eligible Person to whom an Award is granted.

"***Performance Award***" means an Award of Performance Shares or Performance Units granted under Section 11.

"***Performance Share***" means an Award of units denominated in shares of Common Stock granted under Section 11.1.

"***Performance Unit***" means an Award of units denominated in cash or property other than shares of Common Stock granted under Section 11.2.

"***Plan***" means the IP Strategy Holdings, Inc. 2019 Incentive Plan.

"***Restricted Stock***" means an Award of shares of Common Stock granted under Section 10.1, the rights of ownership of which are subject to restrictions prescribed by the Board or Committee.

"***Restricted Stock Unit***" means an Award of the right to receive shares of Common Stock granted under Section 10.1.

"***Restructuring Transactions***" means the transactions contemplated by that Agreement and Plan of Merger, dated as of May 1, 2019, by and among the Company, Heritage Transitory Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of Company, and Heritage Distilling Company, Inc., a Washington corporation.

"***Retirement***," unless otherwise defined in the instrument evidencing the Award or in a written employment, services or other agreement between the Participant and the Company, means "Retirement" as defined for purposes of the Plan by the Board or Committee or the Company's General Counsel or, if not so defined, means Termination of Service on or after the date the Participant reaches "normal retirement age," as that term is defined in Section 411(a)(8) of the Code.

"***Rule 405***" means Rule 405 promulgated under the Securities Act.

"***Rule 701***" means Rule 701 promulgated under the Securities Act.

"***Securities Act***" means the Securities Act of 1933, as amended from time to time.

"***Section 409A***" means Section 409A of the Code, and the Treasury Regulations promulgated thereunder.

"***Stock Appreciation Right***" or "***SAR***" means a right granted under Section 9.1 to receive the excess of the Fair Market Value of a specified number of shares of Common Stock over the grant price.

"***Stock Award***" means an Award of shares of Common Stock granted under Section 10.1, the rights of ownership of which are not subject to restrictions prescribed by the Board or Committee.

"***Substitute Awards***" means Awards granted or shares of Common Stock issued by the Company in substitution or exchange for awards previously granted by an Acquired Entity.

"***Ten Percent Stockholder***" means a person who owns (or is deemed to own pursuant to Section 424(d) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Affiliate.

"***Termination of Service***," unless the Board or Committee shall determine otherwise in the instrument evidencing the Award or in a written employment, services or other agreement between the Participant and the Company or an Affiliate, means a termination of employment or service relationship with the Company for any reason, whether voluntary or involuntary, including by reason of death, Disability or Retirement. Any question as to whether and when there has been a Termination of Service for the purposes of an Award and the cause of such Termination of Service shall be determined by the Company's General Counsel or, with respect to directors and executive officers, by the Board or Committee, as applicable, whose determination shall be conclusive and binding. Transfer of a Participant's employment or service relationship between the Company and an Affiliate shall not be considered a Termination of Service for purposes of an Award. A Participant's change in status from an Employee to a Nonemployee Director or Consultant or a change in status from a Nonemployee Director or Consultant to an Employee shall not be considered a Termination of Service.

"***Vesting Commencement Date***" means the Grant Date or such other date selected by the Board or the Committee as the date from which an Award begins to vest.

Exhibit 10.2

IP STRATEGY HOLDINGS, INC.

2024 EQUITY INCENTIVE PLAN

Effective November 25, 2024
(as amended through February 18, 2026)

ARTICLE I
PURPOSE

The Plan's purpose is to encourage and enable employees, directors, and independent contractors of the Company and its subsidiaries ("***Service Providers***") to acquire or increase their holdings of common stock of the Company, promoting alignment with the interests of the Company and its shareholders. The Plan shall be a catalyst in the attraction, motivation, and retention of Service Providers by offering a form of compensation that has the ability to generate personal wealth through capital appreciation, dividends, and liquidity events. Capitalized terms used in the Plan are defined in Article XI.

ARTICLE II
ELIGIBILITY

Service Providers are eligible to be granted Awards under the Plan, subject to the limitations described herein.

ARTICLE III
ADMINISTRATION AND DELEGATION

3.1 Administration. The Plan is administered by the Board of Directors of the Company, or upon its delegation, by a committee of the Board of Directors (the "***Administrator***"). The Administrator has authority to grant Awards and set Award terms and conditions, subject to the conditions and limitations in the Plan. The Administrator also has the authority to take all actions and make all determinations under the Plan, to interpret the Plan and Award Agreements and to adopt, amend and repeal Plan administrative rules, guidelines and practices as it deems advisable. The Administrator may correct defects and ambiguities, supply omissions and reconcile inconsistencies in the Plan or any Award as it deems necessary or appropriate to administer the Plan and any Awards. The Administrator may delegate its authority to one or more officers of the Company with respect to Awards that do not involve "insiders" within the meaning of Section 16 of the Exchange Act. The acts of such delegates shall be treated as acts of the Administrator, and such delegates shall report regularly to the Administrator regarding the delegated duties and responsibilities and any Awards granted. The Administrator's determinations under the Plan are in its sole discretion and will be final and binding on all persons having or claiming any interest in the Plan or any Award.

3.2 Appointment of Committees. To the extent Applicable Laws permit, the Board may delegate any or all of its powers under the Plan to one or more Committees. The Board may abolish any Committee or re-vest in itself any previously delegated authority at any time.

ARTICLE IV
STOCK AVAILABLE FOR AWARDS

4.1 Number of Shares. Subject to adjustment under Article VIII and the terms of this Article IV, the maximum number of shares of Common Stock that may be issued under the Plan shall be

thirty-five million (35,000,000) shares.(the "***Overall Share Limit***"), provided, however, that the Overall Share Limit shall not include Stock Appreciation Rights units in which the Award Grant of such units are paid out in cash at the time of exercise rather than in actual Shares of stock. Shares issued under the Plan may consist of authorized but unissued Shares, Shares purchased on the open market or treasury Shares.

4.2 Share Recycling. If all or any part of an Award expires, lapses or is terminated, surrendered, repurchased, canceled without having been fully exercised or forfeited, or exchanged for or settled in cash, in any case, in a manner that results in the Company not issuing any Shares covered by the Award or acquiring Shares at a price not greater than the price (as adjusted to reflect any Equity Restructuring) paid by the Participant for such Shares, the unused or reacquired Shares covered by the Award will, as applicable, become or again be available for Award grants under the Plan. Further, Shares delivered (either by actual delivery or attestation) to the Company by a Participant to satisfy the applicable exercise or purchase price of an Award and/or to satisfy any applicable tax withholding obligation (including Shares retained by the Company from the Award being exercised or purchased and/or creating the tax obligation) will, as applicable, become or again be available for Award grants under the Plan. The payment of Dividend Equivalents in cash in conjunction with any outstanding Awards shall not count against the Overall Share Limit.

4.3 Incentive Stock Option Limitations. Notwithstanding anything to the contrary herein, no more than 2,500,000 Shares may be issued pursuant to the exercise of Incentive Stock Options.

4.4 Substitute Awards. In connection with an entity's merger or consolidation with the Company or the Company's acquisition of an entity's property or stock, the Administrator may grant Awards in substitution for any options, stock or stock-based awards granted before such merger or consolidation by such entity or its affiliate in accordance with Applicable Laws. Substitute Awards may be granted on such terms as the Administrator deems appropriate, notwithstanding limitations on Awards in the Plan. Substitute Awards will not count against the Overall Share Limit (nor shall Shares subject to a Substitute Award be added to the Shares available for Awards under the Plan as provided above), except that Shares acquired by exercise of substitute Incentive Stock Options will count against the maximum number of Shares that may be issued pursuant to the exercise of Incentive Stock Options under the Plan. Additionally, in the event that a company acquired by the Company or any Subsidiary, or with which the Company or any Subsidiary combines, has shares available under a pre-existing plan approved by stockholders and not adopted in contemplation of such acquisition or combination, the shares available for grant under such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for new Awards under the Plan and shall not reduce or affect the Overall Share Limit; provided that such new Awards shall not be made after the date grants could have been made under the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not Service Providers prior to such acquisition or combination.

4.5 Non-Employee Director Compensation. The Board may make Awards to non-employee Directors from time to time, subject to the limitations in the Plan. The Board will determine the terms, conditions and amounts of all such non-employee Director Awards in its discretion and pursuant to the exercise of its business judgment, taking into account such factors, circumstances, external market compensation survey data and considerations as it shall deem relevant from time to time.

ARTICLE V
STOCK OPTIONS AND STOCK APPRECIATION RIGHTS

5.1 General.

(a) The Administrator may grant Options or Stock Appreciation Rights to Service Providers subject to the limitations in the Plan, including any limitations in the Plan that apply to Incentive Stock Options. All Options shall be separately designated as Incentive Stock Options or Non-Qualified Stock Options at the time of grant. To the extent that an Option is designated as an Incentive Stock Option but does not qualify as such under Section 422 of the Code, the Option (or nonqualifying portion thereof) shall be treated as a Nonqualified Option. The Administrator will determine the number of Shares covered by each Option and Stock Appreciation Right, the exercise price of each Option and Stock Appreciation Right and the conditions and limitations applicable to the exercise of each Option and Stock Appreciation Right.

(b) A Stock Appreciation Right will entitle the Participant (or other individual entitled to exercise the Stock Appreciation Right) to receive from the Company upon exercise of the exercisable portion of the Stock Appreciation Right an amount determined by multiplying the excess, if any, of the awarded Fair Market Value or Fair Grant Value, as applicable, of one Share on the date of exercise over the exercise price of the Stock Appreciation Right by the number of Shares with respect to which the Stock Appreciation Right is exercised, subject to any limitations of the Plan or that the Administrator may impose. A Stock Appreciation Right may be payable in cash, Shares valued at Fair Market Value or a combination of the two, as the Administrator may determine or provide in the Award Agreement.

5.2 Exercise Price. The Administrator will establish each Option's and Stock Appreciation Right's exercise price per share and shall specify the exercise price in the Award Agreement. Unless otherwise determined by the Administrator, the exercise price will not be less than 100% of the awarded Fair Market Value or Fair Grant Value, as applicable, of one Share on the grant date of the Option or Stock Appreciation Right. In no event shall the Option price per share of any Option be less than par value per share of Common Stock.

5.3 Duration. Each Option or Stock Appreciation Right will be exercisable at such times and as specified in the Award Agreement, provided that, unless otherwise determined by the Administrator in accordance with Applicable Laws, the term of an Option or Stock Appreciation Right will not exceed ten years. Notwithstanding the foregoing, if the Participant, prior to the end of the term of an Option or Stock Appreciation Right, violates the non-competition, non-solicitation, confidentiality or other similar restrictive covenant provisions of any employment contract, confidentiality and nondisclosure agreement or other agreement between the Participant and the Company or any of its Subsidiaries, the right of the Participant and the Participant's transferees to exercise any Option or Stock Appreciation Right issued to the Participant shall terminate immediately upon such violation and cease to be exercisable, unless the Administrator otherwise determines.

5.4 Vesting of Options and Stock Appreciation Rights. Each Option or Stock Appreciation Right may, but need not, vest and therefore become exercisable in periodic installments that may, but need not, be equal. The Option or Stock Appreciation Right may be subject to such other terms and conditions on the time or times when it may be exercised (which may be based on a performance goal, which may be based on the Performance Criteria, or other criteria) as the Administrator may deem appropriate. The vesting provisions of individual Options and Stock Appreciation Rights may vary.

5.5 Exercise.

(a) Options and Stock Appreciation Rights may be exercised by delivering to the Company a written notice of exercise, in a form the Administrator approves (which may be electronic), signed by the person authorized to exercise the Option or Stock Appreciation Right, together with, as applicable, payment in full (i) as specified in Section 5.6 of the exercise price for the number of Shares for which the Award is exercised and (ii) as specified in Section 9.8 for any applicable taxes. Unless the Administrator otherwise determines, an Option or Stock Appreciation Right may not be exercised for a fraction of a Share.

(b) If an Option is granted to an Employee who is a non-exempt employee for purposes of the Fair Labor Standards Act of 1938, as amended, the Option will not be first exercisable for any Shares until at least six (6) months following the date of grant of the Option (although the Option may vest prior to such date). Consistent with the provisions of the Worker Economic Opportunity Act, (i) if such non-exempt Employee dies or suffers a Disability, (ii) upon a Change in Control in which such Option is not assumed, continued, or substituted, or (iii) upon the Participant's retirement (as such term may be defined in the Participant's Award Agreement, in another agreement between the Participant and the Company or a Subsidiary, or, if no such definition, in accordance with the then current employment policies and guidelines of the Company or employing Subsidiary), the vested portion of any Option may be exercised earlier than six (6) months following the date of grant. The foregoing provision is intended to operate so that any income derived by a non-exempt employee in connection with the exercise or vesting of an Option will be exempt from the Participant's regular rate of pay. To the extent permitted and/or required for compliance with the Worker Economic Opportunity Act to ensure that any income derived by a non-exempt employee in connection with the exercise, vesting, or issuance of any Shares under any other Award will be exempt from the employee's regular rate of pay, the provisions of this Section 5.5(b) will apply to all Awards and are hereby incorporated by reference into such Award Agreements.

5.6 Payment Upon Exercise. Subject to Section 10.8, any Company insider trading policy (including blackout periods) and Applicable Laws, the exercise price of an Option must be paid by:

(a) cash, wire transfer of immediately available funds or by check payable to the order of the Company, provided that the Company may limit the use of one of the foregoing payment forms if one or more of the payment forms below is permitted;

(b) if there is a public market for Shares at the time of exercise, unless the Administrator otherwise determines, (i) delivery (including electronically or telephonically to the extent permitted by the Administrator) of an irrevocable and unconditional undertaking by a broker acceptable to the Administrator to deliver promptly to the Company sufficient funds to pay the exercise price, or (ii) the Participant's delivery to the Company of a copy of irrevocable and unconditional instructions to a broker acceptable to the Administrator to deliver promptly to the Company cash or a check sufficient to pay the exercise price; provided that such amount is paid to the Company at such time as may be required by the Administrator;

(c) to the extent permitted by the Administrator, delivery (either by actual delivery or attestation) of Shares owned by the Participant valued at their awarded Fair Market Value or grant date Fair Grant Value, as applicable, which meet the conditions established by the Administrator to avoid adverse accounting consequences to the Company (as determined by the Administrator);

(d) to the extent permitted by the Administrator, surrendering Shares then issuable upon the Option's exercise valued at their Fair Market Value on the exercise date; or

(e) to the extent permitted by the Administrator, any combination of the above payment forms.

5.7 Termination of Service.

(a) General. Unless otherwise provided in an Award Agreement or in an employment agreement the terms of which have been approved by the Administrator, or as otherwise determined by the Administrator, following a Participant's Termination of Service (other than upon the Participant's death or Disability), a Participant may exercise an Option or Stock Appreciation Right (to the extent that the Participant was entitled to exercise such Option or Stock Appreciation Right as of the date of such Termination of Service) but only within such period of time ending on the earlier of (i) the date three (3) months following the Participant's Termination of Service or (ii) the expiration of the term of the Option or Stock Appreciation Right as set forth in the Award Agreement. If, after Termination of Service, the Participant does not exercise the Option or Stock Appreciation Right within the time specified in the Award Agreement, the Option or Stock Appreciation Right shall terminate and cease to be exercisable. Notwithstanding the foregoing, if the Termination of Service is by the Company or any Subsidiary for Cause, all outstanding Options and Stock Appreciation Rights (whether or not vested) shall immediately terminate and cease to be exercisable.

(b) Extension of Termination Date. The Administrator may provide in a Participant's Award Agreement that if the exercise of the Option or Stock Appreciation Right following the Participant's Termination of Service would be prohibited because the issuance of Shares would violate the registration requirements under the Securities Act or any other federal or state securities law or the rules of any securities exchange or interdealer quotation system, then the Option or Stock Appreciation Right shall terminate on the earlier of (i) the expiration of the term of the Option or Stock Appreciation Right or (ii) the date three (3) months following the end of the period during which the exercise of the Option or Stock Appreciation Right would be in violation of such registration or other securities law requirements.

(c) Disability of Participant. Unless otherwise provided in an Award Agreement or in an employment agreement the terms of which have been approved by the Administrator, or as otherwise determined by the Administrator, following a Participant's Termination of Service as a result of the Participant's Disability, a Participant may exercise an Option or Stock Appreciation Right (to the extent that the Participant was entitled to exercise such Option or Stock Appreciation Right as of the date of such Termination of Service) but only within such period of time ending on the earlier of (i) the date twelve (12) months following the Participant's Termination of Service or (ii) the expiration of the term of the Option or Stock Appreciation Right as set forth in the Award Agreement. If, after Termination of Service, the Participant does not exercise the Option or Stock Appreciation Right within the time specified in the Award Agreement, the Option or Stock Appreciation Right shall terminate and cease to be exercisable. Notwithstanding the above, if the Termination of Service was due to a validly documented and Company acknowledged injury suffered while working for the Company (a "***Company Injury***"), the time for the Participant to exercise such Options or Stock Appreciation Rights shall be extended to three (3) months after the Participant is certified to have recovered to the maximum extent possible from such Company Injury.

(d) Death of Participant. Unless otherwise provided in an Award Agreement or in an employment agreement the terms of which have been approved by the Administrator, or as otherwise determined by the Administrator, following a Participant's Termination of Service as a result of the Participant's death, the Option or Stock Appreciation Right may be exercised (to the extent the Participant was entitled to exercise such Option or Stock Appreciation Right as of the date of death) by the Participant's estate, by a person who acquired the right to exercise the Option or Stock Appreciation

Right by bequest or inheritance or by a person designated to exercise the Option or Stock Appreciation Right upon the Participant's death, but only within such period of time ending on the earlier of (i) the date three (3) months following the final closing of the estate, or (ii) the expiration of the term of the Option or Stock Appreciation Right as set forth in the Award Agreement. If, after the Participant's death, the Option or Stock Appreciation Right is not exercised within the time specified in the Award Agreement, the Option or Stock Appreciation Right shall terminate and cease to be exercisable.

5.8 Additional Terms of Incentive Stock Options. The Administrator may grant Incentive Stock Options only to employees of the Company, any of its present or future parent or subsidiary corporations, as defined in Sections 424(e) or (f) of the Code, respectively, and any other entities the employees of which are eligible to receive Incentive Stock Options under the Code. If an Incentive Stock Option is granted to a Greater Than 10% Stockholder, the exercise price will not be less than 110% of the Fair Market Value of one Share on the Option's grant date, and the term of the Option will not exceed five (5) years. All Incentive Stock Options will be subject to and construed consistently with Section 422 of the Code. By accepting an Incentive Stock Option, the Participant agrees to give prompt notice to the Company of dispositions or other transfers of Shares acquired under the Option made within (a) two (2) years from the grant date of the Option or (ii) one (1) year after the transfer of such Shares to the Participant, with such notice specifying the date of the disposition or other transfer and the amount the Participant realized, in cash, other property, assumption of indebtedness or other consideration, in such disposition or other transfer. Neither the Company, nor any Subsidiary, nor the Administrator, nor any of their Affiliates will be liable to a Participant, or any other party, if an Option fails or ceases to qualify as an "incentive stock option" under Section 422 of the Code. Any Option or portion thereof that fails to qualify as an "incentive stock option" under Section 422 of the Code for any reason will be a Non-Qualified Stock Option.

ARTICLE VI
RESTRICTED STOCK AWARDS; RESTRICTED STOCK UNITS

6.1 General.

(a) The Administrator may grant Restricted Stock Awards, or the right to purchase Restricted Stock Awards, to any Service Provider, subject to the Company's right to repurchase from the Participant all or part of such Shares at their issue price or other stated or formula price (or to require forfeiture of such Shares) if conditions the Administrator specifies in the Award Agreement are not satisfied before the end of the applicable restriction period(s) that the Administrator establishes for such Award. Restricted Stock Units may be awarded at either the Fair Market Value or the Fair Grant Value, as determined by the Administrator.

(b) The Administrator may grant Restricted Stock Units to any Service Provider, which Awards may be subject to vesting and forfeiture conditions, as set forth in an Award Agreement. The Administrator will determine and set forth in the Award Agreement the terms and conditions for each Restricted Stock Award and Restricted Stock Unit, subject to the conditions and limitations contained in the Plan. Restricted Stock Units may be awarded at either the Fair Market Value or the Fair Grant Value, as determined by the Administrator.

6.2 Restricted Stock Awards.

(a) Stockholder Rights. Subject to any restrictions set forth in the Award Agreement, Participants holding Restricted Stock Awards that have vested and settled generally shall have the rights and privileges of a stockholder with respect to such Shares, including the right to vote such Shares, and the right to dividends as provided in Section 6.2(b).

(b) Dividends. Participants holding Restricted Stock Awards will be entitled to all ordinary cash dividends paid with respect to such Shares that have vested and settled, unless the Administrator provides otherwise in the Award Agreement. In addition, unless the Administrator provides otherwise, if any dividends or distributions are paid in Shares, or consist of property other than an ordinary cash dividend, the Shares or other property will be subject to the same restrictions on transferability and forfeitability as the Restricted Stock Awards with respect to which they were paid if the Restricted Stock Awards have vested and settled.

(c) Stock Certificates. The Company may require that the Participant deposit in escrow with the Company (or its designee) any stock certificates issued in respect of Restricted Stock Awards, together with a stock power endorsed in blank.

(d) Section 83(b) Election. If a Participant makes an election under Section 83(b) of the Code to be taxed with respect to the Restricted Stock Awards as of the grant date, rather than as of the date(s) upon which such Participant would otherwise be taxable under Section 83(a) of the Code, such Participant shall be required to deliver a copy of such election to the Company promptly after filing such election with the Internal Revenue Service (along with proof of the timely filing thereof) along with the value of the grant.

6.3 Restricted Stock Units.

(a) Settlement. The Administrator may provide that settlement of Restricted Stock Units will occur upon or as soon as reasonably practicable after the Restricted Stock Units vest or will instead be deferred, on a mandatory basis or at the Participant's election, in a manner intended to comply with Section 409A. The Administrator may provide that the Restricted Stock Units will settle upon more than one vesting condition.

(b) Stockholder Rights. A Participant will not have any rights of a stockholder with respect to Shares subject to any Restricted Stock Unit unless and until the Shares are delivered in settlement of the Restricted Stock Unit.

(c) Dividend Equivalents. Prior to settlement or forfeiture, Restricted Stock Units awarded under the Plan may, at the Administrator's discretion, provide for a right to Dividend Equivalents. Such right entitles the holder to be credited with an amount equal to all dividends paid on one Share while the Restricted Stock Unit is outstanding. Dividend Equivalents may be converted into additional Restricted Stock Units. Settlement of Dividend Equivalents may be made in the form of cash, Shares, other securities, other property, or in a combination of the foregoing. Prior to distribution, any Dividend Equivalents shall be subject to the same conditions and restrictions as the Restricted Stock Units to which they attach.

ARTICLE VII
OTHER STOCK OR CASH BASED AWARDS

7.1 Other Stock or Cash Based Awards. The Administrator may grant Other Stock or Cash Based Awards to any Service Provider, including Awards to receive Shares in the future or Awards to receive annual or other periodic or long-term cash bonus awards. The Administrator will determine and set forth in the Award Agreement the terms and conditions for each Other Stock or Cash Based Award, including any purchase price, performance goal (which may be based on the Performance Criteria), transfer restrictions, and vesting conditions.

7.2 Payment Form. Other Stock or Cash Based Awards will also be available as a payment form in the settlement of other Awards, as standalone payments and as payment in lieu of compensation

to which a Participant is otherwise entitled. Other Stock or Cash Based Awards may be paid in Shares, cash or other property, as the Administrator determines.

ARTICLE VIII
ADJUSTMENTS FOR CHANGES IN COMMON STOCK AND CERTAIN OTHER EVENTS

8.1 Equity Restructuring. In connection with any Equity Restructuring, notwithstanding anything to the contrary in this Article VIII, the Administrator will equitably adjust each outstanding Award as it deems appropriate, in an equitable and a non-arbitrary manner, to reflect the Equity Restructuring, which may include adjusting the number and type of securities subject to each outstanding Award, the Award's exercise price (if applicable), granting additional Awards to Participants, and making cash payments to Participants. The adjustments provided under this Section 8.1 will be nondiscretionary, final, and binding on all persons, including the affected Participant and the Company; provided that the Administrator will determine whether an adjustment is equitable and shall insure any such adjustment is applied equitably across all Plan Participates who hold the same type of Awards being adjusted.

8.2 Corporate Transactions. In the event of any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property); reorganization, merger, consolidation, combination, amalgamation, repurchase, recapitalization, liquidation, or dissolution; sale, transfer, exchange or other disposition of all or substantially all of the assets of the Company or sale or exchange of Shares or other securities of the Company; Change in Control; issuance of warrants or other rights to purchase Shares or other securities of the Company; other similar corporate transaction or event; other unusual or nonrecurring transaction or event affecting the Company or its financial statements; or any change in any Applicable Laws or accounting principles, the Administrator, subject to any limitations in Applicable Laws, is authorized without any further required approval or action of the stockholders to take action as it deems appropriate and to alter, amend or suspend rules of the Plan in order to (x) prevent dilution or enlargement of the benefits or potential benefits intended by the Administrator to be made available under the Plan or with respect to any Award, (y) facilitate such transaction or event or (z) give effect to such changes in Applicable Laws or accounting principles. The Administrator may take such action either in the Award Agreement or by action taken prior to the occurrence of such transaction or event (except that action to give effect to a change in Applicable Laws or accounting principles may be made within a reasonable period of time after such change). The Administrator's action(s) may include, but shall not be limited to, any one or more of the following actions:

(a) To provide for the cancellation of any such Award in exchange for either an amount of cash or other property with a value equal to the amount that could have been obtained upon the exercise or settlement of the vested portion of such Award or realization of the Participant's rights under the vested portion of such Award, as applicable; provided that, if the amount that could have been obtained upon the exercise or settlement of the vested portion of such Award or realization of the Participant's rights, in any case, is equal to or less than zero, then the Award may be terminated without payment;

(b) To provide that such Award shall vest and, to the extent applicable, be exercisable as to all Shares covered thereby, notwithstanding anything to the contrary in the Plan or the provisions of such Award;

(c) To provide that such Award be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or be substituted for by awards covering the stock of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and

types of shares and/or applicable exercise or purchase price, in all cases, as determined by the Administrator;

(d) To make adjustments in the number and type of shares (or other securities or property) subject to such Award and/or with respect to which new Awards may be granted under the Plan (including, but not limited to, adjustments of the limitations in Article IV hereof on the maximum number and type of shares which may be issued, and including increasing the Overall Share Limit if allowed by Applicable Laws) and/or in the terms and conditions of (including the exercise or purchase price or applicable performance goals), and the criteria included in, outstanding Awards;

(e) To replace such Award with other rights or property selected by the Administrator of equal or greater value; and/or

(f) To provide that unvested Awards will terminate and cannot vest, be exercised or become payable after the applicable event unless such Awards are part of an agreed upon offer of employment or a valid employment or service provider contract.

8.3 Administrative Stand Still. In the event of any pending stock dividend, stock split, combination or exchange of shares, merger, consolidation or other distribution (other than normal cash dividends) of Company assets to stockholders, or any other extraordinary transaction or change affecting the Shares or the share price of Common Stock, including any Equity Restructuring or any securities offering or other similar transaction, for administrative convenience, the Administrator may refuse to permit the exercise of any Award for up to sixty (60) days before or after such transaction.

8.4 General.

(a) Subject to Applicable Laws, except as expressly provided in the Plan or the Administrator's action under the Plan, no Participant will have any rights due to any subdivision or consolidation of Shares; dividend payment; increase or decrease in the number of shares of any class; or dissolution, liquidation, merger, or consolidation of the Company or other corporation. Except as expressly provided with respect to an Equity Restructuring under Section 8.1 above or the Administrator's action under the Plan, no issuance by the Company of shares of any class, or securities convertible into shares of any class, will affect, and no adjustment will be made regarding, the number of Shares subject to an Award or the Award's exercise or purchase price.

(b) The existence of the Plan, any Award Agreements and the Awards granted hereunder will not affect or restrict in any way the Company's right or power to make or authorize (i) any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, (ii) any merger, consolidation, dissolution or liquidation of the Company or sale of Company assets or (iii) any sale or issuance of securities, including securities with rights superior to those of the Shares, subject to Applicable Laws.

(c) The Administrator may treat Participants and Awards (or portions thereof) differently from other Participants or other Awards under this Article VIII, and the Administrator need not treat Participants or Awards (or portions thereof) uniformly, Subject to Applicable Laws.

ARTICLE IX
GENERAL PROVISIONS APPLICABLE TO AWARDS

9.1 Transferability. Except as the Administrator may determine or provide in an Award Agreement, Awards may not be sold, assigned, transferred, pledged or otherwise encumbered, either voluntarily or by operation of law, except by will or the laws of descent and distribution, or, subject to the

Administrator's consent for Awards other than Incentive Stock Options, pursuant to a domestic relations order, and, during the life of the Participant, will be exercisable only by the Participant. References to a Participant, to the extent relevant in the context, will include references to a Participant's authorized transferee that the Administrator specifically approves.

9.2 Documentation. Each Award will be evidenced in an Award Agreement, which may be written or electronic, as the Administrator determines. Each Award may contain terms and conditions in addition to those set forth in the Plan.

9.3 Discretion. Except as the Plan otherwise provides, each Award may be made alone or in addition or in relation to any other Award. The terms of each Award to a Participant need not be identical, and the Administrator need not treat Participants or Awards (or portions thereof) uniformly.

9.4 Default Vesting. Unless otherwise set forth in an individual Award Agreement, each Award shall vest over a four (4) year period, with one-quarter (1/4) of the Award vesting on the first annual anniversary of the date of grant, with the remainder of the Award vesting monthly thereafter.

9.5 Leaves of Absence.

(a) Unless the Administrator provides otherwise, vesting of Awards granted hereunder will be suspended during any Employee's unpaid leave of absence and will resume on the date the Employee returns to work on a regular schedule as determined by the Administrator; provided, however, that no vesting credit will be awarded for the time vesting has been suspended during such leave of absence. A Service Provider will not cease to be an Employee in the case of (i) any leave of absence approved by the Company or the employing Subsidiary, although any leave of absence not provided for in the applicable employee manual of the Company or employing Subsidiary needs to be approved by the Administrator, or (ii) transfers between locations of the Company or between the Company, its parent, or any Subsidiary.

(b) Unless the Administrator determines otherwise, no Option granted to a Participant who is an employee at the time of grant shall be exercised unless the Participant is, at the time of exercise characterized as an active employee and has been an employee continuously since the date the Option was granted.

(i) An Option shall not be affected by any change in the terms, conditions or status of the Participant's employment, provided that the Participant continues to be an employee of the Company or a related corporation.

(ii) The employment relationship shall be treated as continuing or intact for any period that the Participant is on military or sick leave or other bona fide leaves of absence, provided that such leave does not exceed 90 days, or, if longer, as long as the Participant's right to reemployment is guaranteed either by statute or by contact. The employment relationship shall be treated as continuing or intact while the Participant is not in active service because of disability. For the purpose of this Plan, "disability" shall have the meaning ascribed to the term in any employment agreement, consulting agreement, to which a Participant is a party, or if no such agreement applies, "disability" shall mean the inability of the Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death, or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months. The Administrator shall have sole authority to determine whether a Participant is disabled, and, if applicable, the date of a

Participant's termination of employment or service for any reason (the "***termination date***").

9.6 Other Change in Status. Subject to compliance with Applicable Laws, including Section 409A of the Code, in the event a Service Provider's regular level of time commitment in the performance of services for the Company, its parent, or any Subsidiary is reduced (for example, and without limitation, if the Service Provider is an Employee of the Company and the Employee has a change in status from a full-time Employee to a part-time Employee for reasons other than because of a change in medical condition or as a result of a validly documented and Company acknowledged injury suffered while working for the Company) after the date of grant of any Award to the Service Provider, the Administrator has the right in its sole discretion to (a) make a corresponding reduction in the number of Shares subject to any portion of such Award that is scheduled to vest or become payable after the date of such change in time commitment, and (b) in lieu of or in combination with such a reduction, extend the vesting or payment schedule applicable to such Award. In the event of any such reduction, the Service Provider will have no right with respect to any portion of the Award that is so reduced or extended.

9.7 Effect of Termination of Service; Change in Status. The Administrator will determine, in its sole discretion, the effect of all matters and questions relating to any Termination of Service, including, without limitation, (a) whether a Termination of Service has occurred, (b) whether a Termination of Service resulted from a discharge for Cause, (c) whether a particular leave of absence constitutes a Termination of Service, (d) whether a change in a Participant's Service Provider status affects an Award, and (e) the extent to which, and the period during which, the Participant, the Participant's legal representative, conservator, guardian or Designated Beneficiary may exercise rights under an Award, if applicable. Notwithstanding the above, in the event the Termination was due to incapacitation or a Company Injury, the Administrator may not begin the process of Termination of Service until a medical opinion from the medical professional providing care to the Participant determines that either the Participant is not likely to recover from the incapacity, or in the event of a Company Injury, that the Participant has recovered to the maximum extent possible from the Company Injury. Nothing in the preceding sentence shall create or imply any ongoing employment obligation, relationship or agreement by the Company toward the Participant simply by virtue of the fact that a Termination of Service has not been declared.

9.8 Withholding.

(a) Each Participant must pay the Company, or make provision satisfactory to the Administrator for payment of, any taxes required by Applicable Laws to be withheld in connection with such Participant's Awards by the date of the event creating the tax liability. The Company may deduct an amount sufficient to satisfy such tax obligations based on the applicable statutory withholding rates (or such other rate as may be determined by the Company after considering any accounting consequences or costs) from any payment of any kind otherwise due to a Participant.

(b) Subject to Section 10.8 and any Company insider trading policy (including blackout periods), a Participant may satisfy such tax obligations (i) in cash, by wire transfer of immediately available funds, by check made payable to the order of the Company, provided that the Company may limit the use of one of the foregoing payment forms if one or more of the payment forms below is permitted, (ii) to the extent permitted by the Administrator, in whole or in part by delivery of Shares, including Shares retained from the Award creating the tax obligation, valued at their awarded Fair Market Value or Fair Grant Value, as applicable, (provided such delivery does not create adverse accounting consequences to the Company, as determined by the Administrator), (iii) if there is a public market for Shares at the time the tax obligations are satisfied, unless the Administrator otherwise determines, (A) delivery (including electronically or telephonically to the extent permitted by the

Administrator) of an irrevocable and unconditional undertaking by a broker acceptable to the Administrator to deliver promptly to the Company sufficient funds to satisfy the tax obligations, or (B) delivery by the Participant to the Administrator of a copy of irrevocable and unconditional instructions to a broker acceptable to the Administrator to deliver promptly to the Company cash or a check sufficient to satisfy the tax withholding; provided that such amount is paid to the Company at such time as may be required by the Administrator, or (iv) to the extent permitted by the Administrator, any combination of the foregoing payment forms. If any tax withholding obligation will be satisfied under clause (ii) of the immediately preceding sentence by the Administrator's retention of Shares from the Award creating the tax obligation and there is a public market for Shares at the time the tax obligation is satisfied, the Administrator may elect to instruct any broker determined acceptable to the Administrator for such purpose to sell on the applicable Participant's behalf some or all of the Shares retained and to remit the proceeds of the sale to the Company or its designee. Each Participant's acceptance of an Award under the Plan will constitute the Participant's authorization to the Administrator and instruction and authorization to such broker to complete the transactions described in the preceding sentence.

9.9 Amendment of Award; Repricing.

(a) The Administrator may amend, modify or terminate any outstanding Award, including by substituting another Award of the same or a different type, changing the exercise or settlement date, and converting an Incentive Stock Option to a Non-Qualified Stock Option. The Participant's consent to such action will be required unless (i) the action does not materially and adversely affect the Participant's rights under the Award, or (ii) the change is permitted under Article VIII or pursuant to Section 10.6.

(b) The Administrator may, subject to approval by the stockholders of the Company if required by Applicable Laws, (i) reduce the exercise price of outstanding Options or Stock Appreciation Rights, (ii) cancel outstanding Options or Stock Appreciation Rights in exchange for cash, other Awards or Options or Stock Appreciation Rights with an exercise price that is less than the exercise price of the original Options or Stock Appreciation Rights, or (iii) take such other action that is considered a "repricing" for purposes of Applicable Laws.

9.10 Conditions on Delivery of Stock. The Company will not be obligated to deliver any Shares under the Plan or remove restrictions from Shares previously delivered under the Plan until (a) all Award conditions have been met or removed to the Administrator's satisfaction, (b) as determined by the Administrator, all other legal matters regarding the issuance and delivery of such Shares have been satisfied, including any applicable securities laws and stock exchange or stock market rules and regulations, and (c) the Participant has executed and delivered to the Company such representations or agreements as the Administrator deems necessary or appropriate to satisfy any Applicable Laws. The Company's inability to obtain authority from any regulatory body having jurisdiction, which the Administrator determines is necessary to the lawful issuance and sale of any securities, will relieve the Company of any liability for failing to issue or sell such Shares.

9.11 Acceleration. The Administrator may at any time provide that an Award will become immediately vested and fully or partially exercisable, free of some or all restrictions or conditions, or otherwise fully or partially realizable.

ARTICLE X
MISCELLANEOUS

10.1 No Right to Employment or Other Status. No person will have any claim or right to be granted an Award, and the grant of an Award will not be construed as giving a Participant the right to continued employment or any other relationship with the Company. The Company expressly reserves the

right at any time to dismiss or otherwise terminate its relationship with a Participant free from any liability or claim under the Plan or any Award, except as expressly provided in an Award Agreement.

10.2 No Rights as Stockholder; Certificates. Subject to the Award Agreement, no Participant or Designated Beneficiary will have any rights as a stockholder with respect to any Shares to be distributed under an Award until becoming the record holder of such Shares. Notwithstanding any other provision of the Plan, unless the Administrator otherwise determines or Applicable Laws require, the Company will not be required to deliver to any Participant certificates evidencing Shares issued in connection with any Award and instead such Shares may be recorded in the books of the Company (or, as applicable, its transfer agent or stock plan administrator). The Company may place legends on stock certificates issued under the Plan that the Administrator deems necessary or appropriate to comply with Applicable Laws.

10.3 Effective Date and Term of Plan. The Plan will become effective on the Effective Date and, unless earlier terminated by the Board, will remain in effect until the earlier of (a) the earliest date as of which all Awards granted under the Plan have been satisfied in full or terminated and no Shares approved for issuance under the Plan remain available to be granted under new Awards or (b) the tenth (10^{th}) anniversary of the earlier of the date the Plan is approved by the Board or the date the Plan is approved by the Company's stockholders. If the Plan is not originally approved by the Company's stockholders, the Plan will not become effective, and no Awards will be granted under the Plan.

10.4 Amendment of Plan. The Board and the Administrator may each amend, suspend or terminate the Plan at any time; provided that no amendment, other than an increase to the Overall Share Limit, may materially and adversely affect any Award outstanding at the time of such amendment without the affected Participant's consent. No Awards may be granted under the Plan during any suspension period or after Plan termination or expiration of the Plan's term. Awards outstanding at the time of any Plan suspension or termination will continue to be governed by the Plan and the Award Agreement, as in effect before such suspension or termination. If stockholder approval to amend the Plan is required by state law, corporate charter, company by-laws or other approved filing or policy, the Board will obtain stockholder approval of any such Plan amendment to the extent necessary to comply with Applicable Laws.

10.5 Provisions for Foreign Participants. The Administrator may modify Awards granted to Participants who are foreign nationals or employed outside the United States or establish subplans or procedures under the Plan to address differences in laws, rules, regulations or customs of such foreign jurisdictions with respect to tax, securities, currency, employment, employee benefits or other matters.

10.6 Section 409A.

(a) General. The Company intends that all Awards be structured to comply with, or be exempt from, Section 409A, such that no adverse tax consequences, interest, or penalties under Section 409A apply. Notwithstanding anything in the Plan or any Award Agreement to the contrary, the Administrator may, without a Participant's consent, amend this Plan or Awards, adopt policies and procedures, or take any other actions (including amendments, policies, procedures and retroactive actions) as are necessary or appropriate to preserve the intended tax treatment of Awards, including any such actions intended to (i) exempt this Plan or any Award from Section 409A, or (ii) comply with Section 409A. The Company makes no representations or warranties as to an Award's tax treatment under Section 409A or otherwise. The Company will have no obligation under this Section 10.6 or otherwise to avoid the taxes, penalties or interest under Section 409A with respect to any Award and will have no liability to any Participant or any other person if any Award, compensation or other benefits under the Plan are

determined to constitute noncompliant "nonqualified deferred compensation" subject to taxes, penalties or interest under Section 409A.

(b) Separation from Service. If an Award constitutes "nonqualified deferred compensation" under Section 409A, any payment or settlement of such Award upon a termination of a Participant's Service Provider relationship will, to the extent necessary to avoid taxes under Section 409A, be made only upon the Participant's "separation from service" (within the meaning of Section 409A), whether such "separation from service" occurs upon or after the Termination of Service of a Participant. For purposes of this Plan or any Award Agreement relating to an Award that constitutes "nonqualified deferred compensation" under Section 409A, references to a "termination," "termination of employment," Termination of Service or like terms means a "separation from service" (within the meaning of Section 409A).

(c) Payments to Specified Employees. Notwithstanding any contrary provision in the Plan or any Award Agreement, any payment of "nonqualified deferred compensation" to a "specified employee" (as defined under Section 409A and as the Administrator determines) due to such Participant's "separation from service" will, to the extent necessary to avoid taxes under Section 409A(a)(2)(B)(i) of the Code, be delayed for the six-month period immediately following such "separation from service" (or, if earlier, until the specified employee's death) and will instead be paid (as set forth in the Award Agreement) on the day immediately following such delay period or as soon as administratively practicable thereafter (without interest). Any payments of "nonqualified deferred compensation" payable more than six months following the Participant's "separation from service" will be paid at the time or times the payments are otherwise scheduled to be made. Furthermore, notwithstanding any contrary provision of the Plan or any Award Agreement, any payment of "nonqualified deferred compensation" under the Plan that may be made in installments shall be treated as a right to receive a series of separate and distinct payments.

10.7 Limitations on Liability. Notwithstanding any other provision of the Plan or any Award Agreement, no individual acting as a director, officer, other employee or agent of the Company or any Subsidiary will be liable to any Participant, former Participant, spouse, beneficiary, stockholders (to the extent allowed by Applicable Law), or any other person for any claim, loss, liability, or expense incurred in connection with the Plan or any Award, and such individual will not be personally liable with respect to the Plan or any Award because of any contract or other instrument executed in his or her capacity as an Administrator, director, officer, other employee or agent of the Company or any Subsidiary. The Company will indemnify and hold harmless each director, officer, other employee and agent of the Company or any Subsidiary that has been or will be granted or delegated any duty or power relating to the Plan's administration or interpretation, against any cost or expense (including attorneys' fees) or liability (including any sum paid in settlement of a claim with the Administrator's approval) arising from any act or omission concerning this Plan or any Award unless arising from such person's own fraud or bad faith.

10.8 Lock-Up Period. The Company may, at the request of any underwriter representative, in connection with registering the offering of any Company securities under the Securities Act, prohibit Participants from, directly or indirectly, selling or otherwise transferring any Shares or other Company securities during a period of up to one hundred eighty days following the effective date of a Company registration statement filed under the Securities Act, or such longer period as determined by the underwriter.

10.9 Data Privacy.

(a) As a condition for receiving any Award, each Participant explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of personal data as

described in this section by and among the Company and its Subsidiaries and Affiliates exclusively for implementing, administering and managing the Participant's participation in the Plan, and to the publication and public filing of information about the Participant and the amount, type and value of Awards granted under the Plan for purposes of complying with federal and state securities laws. The Company and its Subsidiaries and Affiliates may hold certain personal information about a Participant, including the Participant's name, address and telephone number; birthdate; social security, insurance number or other identification number; salary; nationality; job title(s); any shares or securities held by the Participant in the Company or its Subsidiaries and Affiliates; and any Award details, to implement, manage and administer the Plan and Awards (the "***Data***").

(b) The Company and its Subsidiaries and Affiliates may transfer the Data amongst themselves as necessary to implement, administer and manage a Participant's participation in the Plan, and the Company and its Subsidiaries and Affiliates may transfer the Data to third parties assisting the Company with Plan implementation, administration and management. These recipients may be located in the jurisdiction where the Participant is located or elsewhere, and the jurisdiction where the Participant is located may have different data privacy laws and protections than the jurisdiction where the recipient is located. By accepting an Award, each Participant authorizes such recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, to implement, administer and manage the Participant's participation in the Plan, including any required Data transfer to a broker or other third party with whom the Company or the Participant may elect to deposit any Shares.

(c) The Company may cancel a Participant's ability to participate in the Plan and, in the Administrator's discretion, forfeit any outstanding Awards if the Participant withdraws the consents in this Section 10.9. For more information on the consequences of withdrawing consent, Participants may contact their local human resources representative.

10.10 Severability. If any portion of the Plan, or any action taken under it, is held illegal or invalid for any reason, the illegality or invalidity will not affect the remaining parts of the Plan, and the Plan will be construed and enforced as if the illegal or invalid provisions had been excluded, and the illegal or invalid action will be null and void.

10.11 Governing Documents. If any conflict occurs between the Plan and any Award Agreement or other written agreement between a Participant and the Company (or any Subsidiary) that the Administrator has approved, the Plan will govern, unless it is expressly specified in such Award Agreement or other written document that a specific provision of the Plan will not apply.

10.12 Governing Law. The Plan and all Awards will be governed by and interpreted in accordance with the laws of the State of Delaware, disregarding any state's choice-of-law principles requiring the application of a jurisdiction's laws other than the State of Delaware.

10.13 Forfeiture Events; Claw-back Provisions.

(a) The Administrator may specify in an Award Agreement that the Participant's rights, payments and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture or recoupment upon the occurrence of certain events, in addition to applicable vesting conditions of an Award. Such events may include, without limitation, breach of non-competition, non-solicitation, confidentiality, or other restrictive covenants that are contained in the Award Agreement or otherwise applicable to the Participant, a Participant's Termination of Service for Cause, or other conduct by the Participant that is detrimental to the business or reputation of the Company and/or its Subsidiaries and Affiliates.

(b) All Awards (including any proceeds, gains or other economic benefit the Participant actually or constructively receives related to an Award or the receipt or resale of any Shares underlying the Award) will be subject to any Company claw-back, recovery, or recoupment policy as in effect from time to time, including any policy adopted to comply with Applicable Laws (including the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules or regulations promulgated thereunder). In addition, the Administrator may include such other claw-back, recovery, or recoupment provisions in an Award Agreement as it determines is necessary or appropriate.

10.14 Titles and Headings. The titles and headings in the Plan are for convenience of reference only and, if any conflict, the Plan's text, rather than such titles or headings, will control.

10.15 Conformity to Securities Laws. As a condition for receiving any Award, each Participant acknowledges that the Plan and each Award is intended to conform to the extent necessary with Applicable Laws. Notwithstanding anything herein to the contrary, the Plan and all Awards will be administered only in conformance with Applicable Laws. To the extent Applicable Laws permit, the Plan and all Award Agreements will be deemed amended as necessary to conform to Applicable Laws.

10.16 Relationship to Other Benefits. The benefits and rights provided under the Plan are wholly discretionary and, although provided by the Company, do not constitute regular or periodic payments. No payment under the Plan will be considered part of a Participant's salary or compensation or taken into account in determining any benefits under any pension, retirement, savings, profit sharing, group insurance, welfare, severance, resignation, redundancy or other end of service payments, or other benefit plan of the Company or any Subsidiary except as expressly provided in writing in such other plan or an agreement thereunder.

10.17 Broker-Assisted Sales. In the event of a broker-assisted sale of Shares in connection with the payment of amounts owed by a Participant under or with respect to the Plan or any Award, including amounts to be paid under Section 9.8(b)(iii): (a) any Shares to be sold through the broker-assisted sale will be sold on the day the payment first becomes due, or as soon thereafter as practicable; (b) such Shares may be sold as part of a block trade with other Participants in the Plan in which all participants receive an average price; (c) the applicable Participant will be responsible for all broker's fees and other costs of sale, and by accepting an Award, each Participant agrees to indemnify and hold the Company harmless from any losses, costs, damages, or expenses relating to any sale; (d) to the extent the Company or its designee receives sale proceeds that exceed the amount owed, the Company will pay such excess in cash to the applicable Participant as soon as reasonably practicable; (e) the Company and its designees are under no obligation to arrange for a sale at any particular price; and (f) in the event the proceeds of a sale are insufficient to satisfy the Participant's obligation, the Participant may be required to pay immediately upon demand to the Company or its designee an amount in cash sufficient to satisfy any remaining portion of the Participant's obligation.

10.18 Unfunded Plan. The Plan shall be unfunded. Neither the Company, the Board nor the Administrator shall be required to establish any special or separate fund or to segregate any assets to assure the performance of its obligations under the Plan.

10.19 Fractional Shares. No fractional Shares shall be issued or delivered pursuant to the Plan. The Administrator shall determine whether cash, additional Awards or other securities or property shall be issued or paid in lieu of fractional Shares or whether any fractional Shares should be rounded, forfeited or otherwise eliminated.

10.20 Section 16 of the Exchange Act. It is the intent of the Company that the Plan satisfy, and be interpreted in a manner that satisfies, the applicable requirements of Rule 16b-3 so that Participants will be entitled to the benefit of Rule 16b-3 (or any other rule promulgated under Section 16 of the

Exchange Act) and will not be subject to short-swing liability under Section 16 of the Exchange Act. Accordingly, if the operation of any provision of the Plan would conflict with the intent expressed in this Section 10.20, such provision to the extent possible shall be interpreted and/or deemed amended so as to avoid such conflict.

ARTICLE XI
DEFINITIONS

As used in the Plan, the following words and phrases will have the following meanings:

11.1 "***Administrator***" means the Board or a Committee to the extent that the Board's powers or authority under the Plan have been delegated to such Committee.

11.2 "***Affiliate***" means a corporation or other entity that, directly or through one or more intermediaries, controls, is controlled by or is under common control with, the Company.

11.3 "***Applicable Laws***" means the requirements relating to the administration of equity incentive plans under U.S. federal and state securities, tax and other applicable laws, rules and regulations, the applicable rules of any stock exchange or quotation system on which the Shares are listed or quoted and the applicable laws and rules of any country or other jurisdiction where Awards are granted.

11.4 "***Award***" means, individually or collectively, a grant under the Plan of Options, Stock Appreciation Rights, Restricted Stock Awards, Restricted Stock Units, Dividend Equivalents or Other Stock or Cash Based Awards.

11.5 "***Award Agreement***" means a written agreement evidencing an Award, which may be electronic, that contains such terms and conditions as the Administrator determines, consistent with and subject to the Plan.

11.6 "***Board***" means the Board of Directors of the Company.

11.7 "***Cause***" means (a) if a Participant is a party to a written offer letter, employment, severance, consulting, or similar agreement with the Company or any of its Subsidiaries or an Award Agreement in which the term "cause" is defined (a "***Relevant Agreement***"), "cause" as defined in the Relevant Agreement, and (b) if no Relevant Agreement exists, (i) the Participant's dishonest statements or acts with respect to the Company or any of its Subsidiaries or Affiliates, or any of their current or prospective customers, suppliers, vendors or other third parties with which such entity does business; (ii) the Participant's commission of, or plea of guilty or *nolo contendere* to (A) a felony (or crime of similar magnitude under Applicable Laws outside the United States) or (B) any misdemeanor involving moral turpitude, deceit, dishonesty or fraud; (iii) the Participant's failure to perform his or her assigned duties and responsibilities to the reasonable satisfaction of the Company, which failure continues, in the reasonable judgment of the Company, after written notice given to the Participant by the Company; (iv) the Participant's gross negligence, willful misconduct or insubordination with respect to the Company or any of its Subsidiaries or Affiliates; (v) the Participant's violation of any provision of any agreement(s) between the Participant and the Company or any of its Subsidiaries or Affiliates relating to non-competition, non-solicitation, nondisclosure, confidentiality, assignment of inventions or other similar restrictive covenant; (vi) the Participant's material violation of any written policies or codes of conduct of the Company or any of its Subsidiaries or Affiliates, including written policies related to discrimination, harassment, performance of illegal or unethical activities, and ethical misconduct; or (vii) the Participant's conduct that brings or is reasonably likely to bring the Company or any of its Subsidiaries or Affiliates negative publicity or into public disgrace, embarrassment, or disrepute.

11.8 "***Change in Control***" means and includes each of the following:

(a) A transaction or series of transactions (other than an offering of Common Stock to the general public through a registration statement filed with the Securities and Exchange Commission or a transaction or series of transactions that meets the requirements of clauses (i) and (ii) of subsection (c) below) whereby any "person" or related "group" of "persons" (as such terms are used in Sections 13(d) and 14(d)(2) of the Exchange Act) (other than the Company, any of its Subsidiaries, an employee benefit plan maintained by the Company or any of its Subsidiaries, or a "person" that, prior to such transaction, directly or indirectly controls, is controlled by, or is under common control with, the Company) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3) of securities of the Company possessing more than fifty percent (50%) of the total combined voting power of the Company's securities outstanding immediately after such acquisition; or

(b) During any twelve (12) month period, individuals who, at the beginning of such period, constitute the Board together with any new Director(s) (other than a Director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in subsections (a) or (c)) whose election to the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the Directors then still in office who either were Directors at the beginning of the twelve (12) month period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(c) The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (i) a merger, consolidation, reorganization, or business combination in which the Company does not emerge from the transaction as the resulting named Successor Entity after consummation of the transaction or ; (ii) a sale or other disposition of all or substantially all of the Company's assets in any single transaction or series of related transactions or (iii) the acquisition of assets or stock of another entity, in each case other than a transaction:

(A) which results in the Company's voting securities outstanding immediately before the transaction continuing to represent, directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, where "***Successor Entity***" means the Company or the person that owns or controls all or substantially all of the Company's assets as a result of the transaction or otherwise succeeds to the business of the Company, and

(B) after which no person or group beneficially owns voting securities representing fifty percent (50%) or more of the combined voting power of the Successor Entity unless the Successor Entity is a company whose stock is traded on a public stock exchange, in which case there shall be no deemed Change of Control; provided, however, that no person or group shall be treated for purposes of this clause (B) as beneficially owning fifty percent (50%) or more of the combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction.

Notwithstanding the foregoing, if a Change in Control constitutes a payment event with respect to any Award (or portion of any Award) that constitutes "nonqualified deferred compensation" under Section 409A, to the extent necessary to avoid taxes under Section 409A, the transaction or event described in subsection (a), (b) or (c) must also constitute a "change in control event," as defined in Treasury Regulation Section 1.409A-3(i)(5).

The Administrator shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change in Control has occurred, the date of the occurrence of such Change in Control and any incidental matters relating thereto; provided that any exercise of authority in conjunction with a determination of whether a Change in Control constitutes a "change in control event," as defined in Treasury Regulation Section 1.409A-3(i)(5), shall be consistent with such regulation.

11.9 "***Code***" means the Internal Revenue Code of 1986, as amended, and the regulations issued thereunder.

11.10 "***Committee***" means one or more committees or subcommittees of the Board or otherwise consisting of one or more Directors (or executive officers, to the extent Applicable Laws permit). To the extent required to comply with the provisions of Rule 16b-3, it is intended that each member of the Committee will be, at the time the Committee takes any action with respect to an Award that is subject to Rule 16b-3, a "non-employee director" within the meaning of Rule 16b-3; however, a Committee member's failure to qualify as a "non-employee director" within the meaning of Rule 16b-3 will not invalidate any Award that is otherwise validly granted under the Plan.

11.11 "***Common Stock***" means the common stock, $0.0001 par value per share, of the Company, or such other securities of the Company as may be designated by the Administrator from time to time in substitution thereof.

11.12 "***Company***" means IP Strategy Holdings, Inc., a Delaware corporation, or any successor.

11.13 "***Consultant***" means any person, including any adviser, engaged by the Company or its parent or Subsidiary to render services to such entity if the consultant or adviser: (a) renders bona fide services to the Company (or its parent or Subsidiary); (b) renders services not in connection with the offer or sale of securities in a capital-raising transaction and does not directly or indirectly promote or maintain a market for the Company's securities; and (c) is a natural person.

11.14 "***Designated Beneficiary***" means the beneficiary or beneficiaries the Participant designates, in a manner the Administrator determines, to receive amounts due or exercise the Participant's rights if the Participant dies or becomes incapacitated. Without a Participant's effective designation, "Designated Beneficiary" will mean the Participant's estate.

11.15 "***Director***" means a Board member.

11.16 "***Disability***" means, unless the applicable Award Agreement says otherwise, that the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment; *provided, however,* for purposes of determining the term of an Incentive Stock Option pursuant to Section 5.7(c) hereof, the term "Disability" shall have the meaning ascribed to it within the meaning of Section 22(e)(3) of the Code. The determination of whether an individual has a Disability shall be determined under procedures established by the Administrator. Except in situations where the Administrator is determining Disability for purposes of the term of an Incentive Stock Option, the Administrator may rely on any determination that a Participant is disabled for purposes of benefits under any long-term disability plan maintained by the Company or any of its Subsidiaries or Affiliates in which the Participant participates.

11.17 "***Dividend Equivalents***" means a right granted to a Participant under the Plan to receive the equivalent value (in cash or Shares) of cash dividends paid on Shares.

11.18 "***Effective Date***" means the date as of which this Plan is adopted by the Board, subject to the approval of the Plan by the Company's stockholders in accordance with Section 422 of the Code and

the regulations promulgated thereunder. If such approval is not obtained, this Plan and any Awards granted under the Plan shall be null and void and of no force and effect.

11.19 "***Employee***" means any employee of the Company or any of its Subsidiaries.

11.20 "***Equity Restructuring***" means a nonreciprocal transaction between the Company and its stockholders, such as a stock dividend, stock split, spin-off or recapitalization through a large, nonrecurring cash dividend, that affects the number or kind of shares or the share price of Common Stock and causes a change in the per share value of the Common Stock underlying outstanding Awards.

11.21 "***Exchange Act***" means the Securities Exchange Act of 1934, as amended.

11.22 ***"Fair Grant Value"*** means the value of specific types of Awards that are allowed under law to have a different stated grant value at the time of Award than the Fair Market Value of the Company shares, The Fair Grant Value shall be determined by the Administrator after taking into account all available information, public reports, third-party or outside consultant reports, accounting our auditor reviews, legal advice, tax advice, GAAP protocols and other relevant inputs, Nothing herein shall change the treatment of the value, recognition or tax treatment of any exercised Awards, or the treatment of any gain between the Fair Grant Value and the Fair Market Value. Nothing herein shall allow for the granting of an award at a Fair Grant Value if GAAP or the law requires them to be awarded at the Fair Market Value. The Administrator's determination of Fair Market Value shall be conclusive and binding on all persons.

11.23 "***Fair Market Value***" means, as of any date, the value of Common Stock determined as follows: (a) if the Common Stock is readily tradable on an established securities market, its Fair Market Value will be the closing sales price for such Common Stock as quoted on such exchange for such date, or if no sale occurred on such date, the last day preceding such date during which a sale occurred, as reported in The Wall Street Journal or another source the Administrator deems reliable; (b) if the Common Stock is not readily tradable on an established securities market but is quoted on a national market or other quotation system, its Fair Market Value will be the closing sales price on such date, or if no sales occurred on such date, then on the last date preceding such date during which a sale occurred, as reported in The Wall Street Journal or another source the Administrator deems reliable; or (c) if the Common Stock is not readily tradable on an established securities market, its Fair Market Value will be determined in good faith by the Administrator; provided, in any case the Administrator may determine the Fair Market Value in its discretion to the extent such determination does not constitute a "material revision" to the Plan under applicable stock exchange or stock market rules and regulations (or otherwise require stockholder approval).

Notwithstanding the preceding, for federal, state, and local income tax reporting purposes and for such other purposes as the Administrator deems appropriate, Fair Market Value shall be determined by the Administrator in accordance with uniform and nondiscriminatory standards adopted by it from time to time. In addition, the determination of Fair Market Value in all cases shall be in accordance with the requirements set forth under Section 409A to the extent necessary for an Award to comply with, or be exempt from, Section 409A. The Administrator's determination of Fair Market Value shall be conclusive and binding on all persons.

11.24 "***Greater Than 10% Stockholder***" means an individual then owning (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company or its parent or subsidiary corporation, as defined in Section 424(e) and (f) of the Code, respectively.

11.25 "***Incentive Stock Option***" means an Option intended to qualify as an "incentive stock option" as defined in Section 422 of the Code.

11.26 "***Non-Qualified Stock Option***" means an Option not intended or not qualifying as an Incentive Stock Option.

11.27 "***Option***" means an option to purchase Shares.

11.28 "***Other Stock or Cash Based Awards***" means Awards of cash, Shares, or other property that are valued wholly or partially by referring to, or are otherwise based on, Shares.

11.29 "***Overall Share Limit***" has the meaning set forth in Section 4.1.

11.30 "***Participant***" means a Service Provider who has been granted an Award.

11.31 "***Performance Criteria***" mean the criteria (and adjustments) that the Administrator may select for an Award to establish performance goals for a performance period, which may include the following: net earnings or losses (either before or after one or more of interest, taxes, depreciation, amortization, and non-cash equity-based compensation expense); gross or net sales; revenue; sales or revenue growth; net income (either before or after taxes) or adjusted net income; profits (including but not limited to gross profits, net profits, profit growth, net operation profit or economic profit); profit return ratios or operating margin; budget or operating earnings (either before or after taxes or before or after allocation of corporate overhead and bonus); cash flow (including operating cash flow, free cash flow or cash flow return on capital); return on assets; return on capital or invested capital; cost of capital; return on stockholders' equity; total stockholder return; return on sales; costs, reductions in costs and cost control measures; expenses; working capital; earnings or loss per share; adjusted earnings or loss per share; price per share or dividends per share (or appreciation in or maintenance of such price or dividends); regulatory achievements or compliance; implementation, completion or attainment of objectives relating to research, development, regulatory, commercial, or strategic milestones or developments; market share; economic value or economic value added models; division, group or corporate financial goals; customer satisfaction/growth; customer service; employee satisfaction; recruitment and maintenance of personnel; human resources management; supervision of litigation and other legal matters; strategic partnerships and transactions; financial ratios (including those measuring liquidity, activity, profitability or leverage); debt levels or reductions; sales-related goals; financing and other capital raising transactions; cash on hand; acquisition activity; investment sourcing activity; marketing initiatives; and other measures of performance selected by the Board or Administrator whether or not listed herein, any of which may be measured in absolute terms or as compared to any incremental increase or decrease. Such performance goals also may be based solely by reference to the Company's performance or the performance of a Subsidiary, division, business segment or business unit of the Company or a Subsidiary, or based upon performance relative to performance of other companies or upon comparisons of any of the indicators of performance relative to performance of other companies. The Administrator may provide for exclusion of the impact of an event or occurrence which the Administrator determines should appropriately be excluded, including (a) restructurings, discontinued operations, extraordinary items, and other unusual, infrequently occurring or non-recurring charges or events, (b) asset write-downs, (c) litigation or claim judgments or settlements, (d) acquisitions or divestitures, (e) reorganization or change in the corporate structure or capital structure of the Company, (f) an event either not directly related to the operations of the Company, Subsidiary, division, business segment or business unit or not within the reasonable control of management, (g) foreign exchange gains and losses, (h) a change in the fiscal year of the Company, (i) the refinancing or repurchase of bank loans or debt securities, (j) unbudgeted capital expenditures, (k) the issuance or repurchase of equity securities and other changes in the number of outstanding shares, (l) conversion of some or all of convertible securities

to Common Stock, (m) any business interruption event, (n) the cumulative effects of tax or accounting changes in accordance with U.S. generally accepted accounting principles, or (o) the effect of changes in other laws or regulatory rules affecting reported results.

11.32 "***Plan***" means this IP Strategy Holdings, Inc. 2024 Equity Incentive Plan, as may be amended from time to time.

11.33 "***Restricted Stock Award***" means Shares awarded to a Participant under Article VI subject to certain vesting conditions and other restrictions.

11.34 "***Restricted Stock Unit***" means an unfunded, unsecured right to receive, on the applicable settlement date, one or more Shares or an amount in cash or other consideration determined by the Administrator to be of equal value as of such settlement date, subject to certain vesting conditions and other restrictions.

11.35 "***Rule 16b-3***" means Rule 16b-3 promulgated under the Exchange Act.

11.36 "***Section 409A***" means Section 409A of the Code and all regulations, guidance, compliance programs and other interpretative authority thereunder.

11.37 "***Securities Act***" means the Securities Act of 1933, as amended.

11.38 "***Service Provider***" means an Employee, Consultant or Director.

11.39 "***Shares***" means shares of Common Stock.

11.40 "***Stock Appreciation Right***" means a stock appreciation right granted under Article V.

11.41 "***Subsidiary***" means any entity (other than the Company), whether domestic or foreign, in an unbroken chain of entities beginning with the Company if each of the entities other than the last entity in the unbroken chain beneficially owns, at the time of the determination, securities or interests representing at least fifty percent (50%) of the total combined voting power of all classes of securities or interests in one of the other entities in such chain.

11.42 "***Substitute Awards***" shall mean Awards granted or Shares issued by the Company in assumption of, or in substitution or exchange for, awards previously granted, or the right or obligation to make future awards, in each case by a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines.

11.43 "***Termination of Service***" means the date the Participant ceases to be a Service Provider.

* * *

Exhibit 10.3

IP STRATEGY HOLDINGS, INC.

RESTRICTED STOCK UNIT AWARD AGREEMENT

This Restricted Stock Unit Award Agreement ("Agreement") is made and entered into as of the date of grant (the "Date of Grant") set forth in the Notice of Restricted Stock Units (the "Notice") attached to and made a part of this Agreement, by and between IP Strategy Holdings, Inc., a Delaware corporation ("Company"), and the participant named in the Notice (the "Participant"). Capitalized terms not defined herein shall have the respective meanings ascribed to them in the Company's 2024 Equity Incentive Plan, as amended ("Plan"), and in the Notice, which is incorporated herein by reference. A copy of the Plan has been provided to Participant.

1. Grant of Restricted Stock Units ("RSUs"). The Company hereby grants ("Grant") to Participant a restricted stock unit award ("Award"), subject to the Participant continuing to provide services to the Company ("Service-Based Requirement"), for a number of shares of common stock of the Company as set forth in the Notice ("Shares"). The Award is subject to all of the terms and conditions set forth herein and in the Plan, which is incorporated herein in its entirety. In the event of any conflict between the terms in the Award and the Plan, the terms of the Plan will control. For purposes of this Agreement, references to an "outstanding" RSU means an RSU that has been granted under this Award but has not yet become a Vested RSU. Such RSUs shall remain set aside for the Participant until they are fully vested and shall not terminate or otherwise revert to the Company unless specifically outlined herein.

2. Settlement. Settlement of RSUs will be made within 30 days following the applicable date of vesting under the vesting schedule set forth in the Notice. Settlement of RSUs will be in shares of common stock of the Company.

3. Accelerated Vesting.

3.1 Upon Termination of Service initiated solely by the Company for any reason, except death, disability or Cause, unless otherwise detailed in an Employment Agreement, Change of Control Agreement, Separation Agreement or another valid agreement, on the date of Termination of Service, all unvested RSUs made under the Award shall be forfeited and returned back to the Plan. All RSUs that have met the Service-Based Requirement through the date of Termination of Service shall be deemed to have met the Service-Based Requirement such that all such unvested RSUs shall remain outstanding following such Termination of Service, and shall continue to be eligible for vesting until such time as the RSUs shall have otherwise vested or settled.

3.2 Unless otherwise covered in the Participant's employment agreement, upon voluntary Termination of Service by the Participant, all RSUs that have met the Service-Based Requirement shall remain outstanding and be eligible for vesting until such time as the RSUs

shall have otherwise vested or settled. For the avoidance of doubt, RSUs that have not met the Service-Based Requirement shall terminate and shall not continue to vest after the Termination of Service, unless otherwise covered in Participant's Employment Agreement, Change of Control Agreement, Separation Agreement or another valid agreement .

3.3 Unless otherwise covered in Participant's Employment Agreement, Change of Control Agreement, Separation Agreement or another valid agreement, upon Termination of Service because of the death or disability of Participant, the RSUs granted hereunder shall be deemed to meet the Service-Based Requirement for a period of 3 months following the closing of the estate of the decedent, or 12 months following a disability. For the avoidance of doubt, this provision is intended to allow RSUs to continue to vest per the Award through and during the 3 months following the closing of the estate of the Participant, or incapacitation of the Participant unless another provision in this Award, the Plan or Participants Employment Agreement, Change of Control Agreement or another valid agreement provides a more advantageous outcome to Participant. In such case the provision in this Agreement or any conflicting document, Plan or employment agreement that is most advantageous to the Participant shall take priority. For Termination of Service under this section, the Board may at any time waive any restrictions of any Participant agreement, or provide benefits more generous than allowed in such agreement, to recognize Participant's service to the Company. RSUs which will not meet the Service-Based Requirement at the end of that 12-month period shall automatically terminate upon such Termination of Service unless otherwise waived by the Board. All RSUs that have met the Service-Based Requirement under this section shall remain outstanding following such death or disability, and shall continue to be eligible for vesting until such time as the RSUs shall have otherwise vested or settled.

3.4 Upon Participant's Termination of Service for Cause all RSUs that have not met the Service-Based Requirement shall automatically terminate upon the first notification to Participant of such termination, unless such termination is waived by the Board, and all RSUs that have met the Service-Based Requirement, shall remain outstanding and be eligible for vesting until such time as the RSUs shall have otherwise vested or settled.

3.5 All RSUs set forth in the Notice, whether or not vesting has begun, shall accelerate and shall immediately vest in full (i) immediately prior to any Change in Control (as defined in the Plan), or (ii) immediately upon the expiration of any lock-up period required for such Award, such that all RSUs shall be Vested RSUs at such time.

For purposes of this Agreement, "Cause" means (i) the Participant's conviction of, or plea of guilty or nolo contendere to, a misdemeanor involving dishonesty, wrongful taking of property, immoral conduct, bribery or extortion or any felony; (ii) willful material misconduct by the Participant in connection with the business of the Company; (iii) the Participant's continued and willful failure to perform substantially his or her responsibilities to the Company, after written demand for substantial performance has been given by the Company that specifically identifies how the Participant has not substantially performed his responsibilities and the Participant has failed to reasonably cure such performance; or (iv) the Participant's willful disclosure of confidential information.

4. No Obligation to Employ. Nothing in the Plan or this Agreement shall confer on Participant any right to continue in the employ of, or other relationship (whether as an officer, director, consultant or otherwise) with, the Company or any parent, subsidiary or affiliate of the Company, or limit in any way the right of the Company (or any parent, subsidiary or affiliate of the Company) to terminate Participant's employment or other relationship at any time, with or without Cause.

5. Taxes.

5.1 Participant acknowledges that, regardless of any action taken by the Company, the ultimate liability for all income tax, social insurance, fringe benefits tax, payment on account or other tax-related items related to Participant's participation in the Plan and legal applicability thereto, which are traditionally the responsibility of the recipient, ("Tax-Related Items") is and remains Participant's responsibility and may exceed the amount actually withheld by the Company unless the Board of Directors approves of the Company paying for all or a portion of such tax liabilities in its sole discretion.

5.2 Prior to any relevant taxable or tax withholding event, as applicable, Participant agrees to make adequate arrangements satisfactory to the Company to satisfy all Tax-Related Items.

5.3 Participant agrees to pay to the Company any amount of his or her portion of Tax-Related Items that the Company may be required to withhold or account for as a result of Participant's participation in the Plan that cannot be satisfied by any of the means previously described. Notwithstanding any contrary provision of the Plan or of this Agreement, if Participant fails to make satisfactory arrangements for the payment of any Tax-Related Items when due, Participant permanently forfeits the Restricted Stock Units on which the Tax-Related Items were not satisfied and also permanently forfeit any right to receive Shares thereunder. In that case, the Restricted Stock Units will be returned to the Company at no cost to the Company.

5.4 If the settlement of the Vested RSUs occurs in connection with Participant's Termination of Service, and Participant is deemed to be a "specified employee" within the meaning of Section 409A of the Code, as determined by the Board, as of the date of the Termination of Service, then to the extent necessary to prevent any accelerated or additional tax under Section 409A of the Code, such settlement will be delayed until the earlier of: (x) the date that is six months following the Termination of Service and (y) Participant's death.

5.5 The Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A of the Code, and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by Participant on account of non-compliance with, or failure to meet an exemption from, Section 409A of the Code.

6. Compliance with Laws and Regulations. The exercise of the RSUs and the issuance and transfer of Shares shall be subject to compliance by the Company and Participant with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Company's Common Stock may be listed at the time of such issuance or transfer. Participant understands that the Company is under no obligation to register or qualify the Shares with the Securities and Exchange Commission, any state securities commission or any stock exchange to effect such compliance. If any part of this Agreement is deemed to be invalid by statute, regulation or rule the implementation of the obligations herein shall be restructured to maximize to the greatest extent possible the benefits, or net cash equivalent thereof, the RSU recipient would have received had the Agreement been fully implemented as originally drafted.

7. Nontransferability of RSUs. The RSUs may not be transferred in any manner other than by will or by the laws of descent and distribution and may be exercised during the lifetime of Participant only by Participant. The terms of the RSUs shall be binding upon the executors, administrators, successors and assigns of Participant. Failure of any recipient by way of will or other inheritance transfer or distribution to execute any reasonably required documents, or to cover any aforementioned Tax obligations associated with the RSUs or Shares shall void the RSUs or Shares at no cost to the Company.

8. Privileges of Stock Ownership. Participant shall not have any of the rights of a shareholder with respect to any Shares until the RSUs have been settled.

9. Market Standoff Agreement. Participant acknowledges and agrees to comply with the Market Standoff restrictions set forth in the Plan, if any.

10. Interpretation. Any dispute regarding the interpretation of this Agreement shall be submitted by Participant or the Company to the Plan Administrator for review. The resolution of such a dispute by the Plan Administrator shall be final and binding on the Company and Participant.

11. Notices. Any notice required to be given or delivered to the Company under the terms of this Agreement shall be in writing and addressed to the General Counsel of the Company at its principal corporate offices. Any notice required to be given or delivered to Participant shall be in writing and addressed to Participant at the address indicated above or to such other address as such party may designate in writing from time to time to the Company. All notices shall be deemed to have been given or delivered upon: personal delivery; three days after deposit in the United States mail by certified or registered mail (return receipt requested); one business day after deposit with any return receipt express courier (prepaid); or one business day after transmission by facsimile (transmission confirmed).

12. Successors and Assigns. The Company may assign any of its rights under this Agreement. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement

shall be binding upon Participant and Participant's heirs, executors, administrators, legal representatives, successors and assigns.

13. Limitation on Rights; No Right to Future Grants; Extraordinary Item of Compensation. By entering into this Agreement and accepting the grant of the RSUs evidenced hereby, Participant acknowledges: (a) that the Plan is discretionary in nature and may be suspended or terminated by the Company at any time; (b) that the grant of the RSUs is a one-time benefit which does not create any contractual or other right to receive future grants of options, or benefits in lieu of options; (c) that all determinations with respect to any such future grants, including, but not limited to, the times when RSUs will be granted, the number of shares subject to each Award, and the time or times when each RSU will be settled, will be at the sole discretion of the Company; (d) that the value of the RSUs is an extraordinary item of compensation which is outside the scope of Participant's employment contract, if any; and that the RSU is not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments; (e) that the vesting of the RSUs cease upon termination of employment or service relationship with the Company for any reason except as may otherwise be explicitly provided in the Plan or this Agreement; and (f) that the future value of the underlying Shares is unknown and cannot be predicted with certainty.

14. Entire Agreement. The Plan and the Notice are incorporated herein by reference. This Agreement, the Notice, and the Plan constitute the entire agreement of the parties and supersede all prior undertakings and agreements with respect to the subject matter hereof.

15. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware or such other jurisdiction under which the Plan is governed, without regard to its provisions regarding conflicts of laws. Participant hereby consents to any such change in jurisdiction without further action by Participant. Participant irrevocably consents to the nonexclusive jurisdiction and venue shall reside in the state and federal courts located in the State of Delaware.

ACCEPTANCE BY PARTICIPANT

Upon acceptance of a Grant under the Plan, Participant hereby acknowledges receipt of a copy of the Notice, the Plan, and this Agreement. Participant has read and understands the terms and provisions thereof, and accepts the RSUs subject to all the terms and conditions of the Notice, the Plan, and this Agreement. Participant acknowledges that there may be adverse tax consequences upon settlement of the RSUs or disposition of the Shares and that Participant should consult a tax adviser prior to such settlement or disposition.

By the Participant's electronic acceptance of this Award through the Company's equity plan administration platform, the Participant acknowledges and agrees that the Participant has received, reviewed, and accepts the terms and conditions of the Company's 2024 Equity Incentive Plan, as amended (the "Plan"), this Agreement, and the Notice. The Participant acknowledges that the Participant has had an opportunity to consult with legal counsel of the Participant's choosing prior to accepting this Award and fully understands all provisions of the Plan, the Agreement, and the Notice.

Exhibit 19

IP Strategy Holdings, Inc.

INSIDER TRADING POLICY

Dated: November 21, 2024
(as amended April 9, 2026)

FAQ

IP Strategy Holdings, Inc. ("IPST" or the "Company") has adopted formal policies and procedures to prevent insider trading violations by its officers, directors, employees and related individuals. The following summary is presented in question and answer format. **The following information is a summary only. All persons subject to the insider trading policy must read the entire policy.**

What is the insider trading policy?

The insider trading policy contains rules applicable to our officers, directors, employees, consultants, contractors, and vendors, and related individuals, concerning trading in stock or other securities of IPST and companies with whom IPST does business. Among other things, the policy prohibits trading in IPST securities while in possession of inside information.

What is "inside information?"

Inside information is material, non-public information concerning IPST or any other public company with whom IPST does business. The policy contains many examples of types of material, non-public information.

Who is subject to the insider trading policy?

The policy covers the officers, directors, employees, consultants, contractors, and vendors of IPST and all of its subsidiaries. The policy also covers family members of these persons and others who have or may have access to inside information, including family members whose investments are controlled or influenced by these persons.

Who is the compliance officer and what does he do?

Justin Stiefel is currently the compliance officer under the Company's insider trading policy. The compliance officer is responsible for ensuring compliance with the policy, and his duties include pre-approving all trades by persons subject to the pre-approval requirements described below.

Who are Section 16 Insiders?

Section 16 is part of the Securities Exchange Act of 1934. It requires certain senior officers, directors and large stockholders to file reports with the Securities and Exchange Commission about their shareholdings and trades. Section 16 Insiders are listed on Exhibit A to the policy. Section 16 Insiders are considered "Access Personnel" under the policy. Exhibit A will be automatically amended whenever the IPST Board of Directors changes the designation of Section 16 insiders.

Who are Access Personnel?

Access Personnel include the Section 16 Insiders and all other officers and employees of the Company.

Is anyone else considered Access Personnel?

Occasionally, the compliance officer may designate additional persons as Access Personnel on a temporary basis if they gain access to inside information, including vendors, contractors, suppliers or other designated persons who are not officers or employees of the Company. The compliance officer will inform people in writing if they become Access Personnel and will inform them when they are no longer deemed Access Personnel.

What special restrictions apply to Access Personnel?

Access Personnel are subject to one or both of the following restrictions:

1. No trading in IPST securities during times of the year called blackout periods.

2. Required approval of the compliance officer prior to trading in IPST securities, even outside of the blackout periods.

What is the blackout period?

The blackout period during which certain Access Personnel cannot trade in IPST securities begins fifteen (15) calendar days before the last trading day of a fiscal quarter and ends at the commencement of trading on the third trading day following public release of the Company's annual or quarterly financial results. Notwithstanding this, the timing of blackout periods may be adjusted in certain circumstances, including during the first quarter based on filing date of the previous year's annual results so long as the Company qualifies as a "smaller reporting company" as that term is defined in the applicable securities laws and regulations. In addition, following the public release of the Company's annual financial results, there will generally be a limited trading window during which trading is permitted, subject to compliance with this Policy. IPST may extend the blackout period or implement different blackout periods at any time by giving written notice to all Access Personnel. In addition, IPST may waive compliance with a blackout period if all material information concerning the Company has been publicly disclosed or is known by both parties to the proposed transaction. It is important to remember that even outside of the blackout period, Covered Persons are prohibited from buying, selling or otherwise transferring IPST securities if they are aware of material non-public information. Details are contained in the full *Insider Trading Policy*.

What are the pre-clearance requirements?

Access Personnel must obtain the written permission of the compliance officer prior to engaging in any trade in IPST securities. Approval may take up to two business days, so Access Personnel should plan in advance. When Access Personnel request permission to make a trade, the compliance officer will complete a pre-clearance checklist and if the trade is approved, will give written permission for the trade. The written permission will expire at the end of the second trading day following the date of written permission unless a longer period is granted in the sole discretion of the compliance officer. Any such permission will automatically expire without advance notice upon the commencement of a blackout period.

What is the restriction on market limit orders?

Market limit orders are open orders placed with a broker which are to be executed only if the securities reach a certain price. A market limit order may continue indefinitely, or it may expire at a set time. In order to prevent Access Personnel from accidentally engaging in a trade when trading is not allowed, Access Personnel subject to pre-clearance requirements may not enter any market limit orders with their brokers for IPST securities except market limit orders which expire within the time allowed for trading after receiving written permission to trade from the compliance officer.

Access Personnel subject to blackout periods may not enter into any market limit orders with their brokers for IPST securities other than orders which expire before the commencement of the next blackout period. The above restrictions are not applicable to approved Rule 10b5-1 plans (see below).

Does the policy have exceptions for Rule 10b5-1 plans?

The Company will in certain cases permit persons subject to this policy to enter into "blind trusts" or advance trading plans, and thereby avoid the prohibitions in the policy on trading while in possession of inside information. All such plans by Access Personnel will require approval by the compliance officer, which approval must be obtained in advance of any trade that would otherwise be subject to the policy.

I am not listed as Access Personnel. Does the policy apply to me?

Yes. While people who are not Access Personnel are not subject to the blackout periods or pre-clearance requirements, all employees, vendors, contractors, and consultants of IPST and its subsidiaries are prohibited from trading while in possession of inside information.

Can I sell IPST shares short?

No. Selling shares short is a bet that the price of IPST common stock will go down. We cannot have a situation where any of our Access Personnel would benefit financially at the expense of our existing stockholders. The same policy applies to acquiring any derivative security (such as a put option) whose value would increase if the stock price goes down. Section 16 Insiders are prohibited by law, as well as by the policy, from selling short.

What about my options issued pursuant to one of IPST's stock option or employee stock purchase plans?

You may exercise options issued by IPST for cash, and you may complete purchases under a tax-qualified employee stock purchase plan, during blackout periods and even if you possess inside information. The special exceptions for exercise of an option and for employee stock purchase plan purchases do not apply to the sale of the IPST common stock you receive on exercise or purchase. All sales of IPST common stock are subject to the policy. Unless you have sufficient cash to pay the exercise price and you intend to hold the shares you acquire upon exercise of an option, you should determine whether you are permitted to sell the shares before you exercise the option.

Can I pledge my securities in a margin account or to secure another type of loan?

Access Personnel may not hold securities of IPST in a margin account. Access Personnel may not pledge securities to secure other loans without special permission from the compliance officer. Permission for pledges may be granted only at a time when you are permitted to trade in IPST securities.

What are the penalties for violation of the policy?

Violation of the policy may expose the violator to severe criminal and civil penalties. IPST will consider disciplinary action, up to and including termination, of any person who violates the policy.

IP Strategy Holdings, Inc.

INSIDER TRADING POLICY

Dated: November 21, 2024
(as amended April 9, 2026)

IP Strategy Holdings, Inc. ("IPST" or the "Company"), has implemented an Insider Trading Policy (the "Policy") to provide guidelines to officers, directors, employees and related individuals of the Company and its subsidiaries with respect to transactions in the Company's securities. The Policy is designed to prevent insider trading or the appearance of impropriety, to satisfy the Company's obligation to reasonably supervise the activities of Company personnel, and to help Company personnel avoid the severe consequences associated with violations of insider trading laws.

Introductory Information

Definition of Inside Information

"Inside Information" means material, non-public information. Information is material if a reasonable investor would consider it important to the total mix of information available about the Company. Information is non-public if it has not been explicitly disclosed by the Company in a press release or report filed with the Securities and Exchange Commission, or by another manner involving broad disclosure to the investing public. Information remains non-public until it has been so disclosed and the market has had time to absorb and evaluate the information.

Examples of types of information that will frequently be material include:

- operating or financial results,
- changes in earnings estimates,
- significant changes in sales volumes, market share, product pricing, mix of sales, strategic plans, or liquidity,
- the gain or loss of a substantial customer or supplier,
- a pending or proposed merger, acquisition or tender offer,
- a significant sale of assets or the disposition of a subsidiary,
- execution of a business contract that is important to the company financially, strategically or otherwise,
- the award or cancellation of significant licenses or sales contracts,
- significant policy changes by the Company's vendors or third-party service providers,
- major management or board of director changes,
- public or private financing transactions,

- plans for substantial capital investment,
- significant write-offs or increases in reserves,
- impending bankruptcy or financial liquidity problems,
- a significant cybersecurity breach,
- significant regulatory approvals or challenges,
- a change in state or federal law relating to the Company's industry,
- a change in federal enforcement practices with respect to participants in the Company's industry,
- pending or threatened litigation of potential significance to the company, or settlement or other resolution of ongoing litigation,
- significant new platform features or changes to existing platform features,
- delays in product development or problems with quality control,
- a stock split or other recapitalization,
- a change in dividend policy,
- a redemption or purchase by the Company of its securities, and
- any other information which is likely to have a significant impact on the Company.

Either positive or negative information may be material.

In general, information that is likely to affect the market price of the Company's securities is likely to be considered material.

If your securities transactions become the subject of scrutiny, they will be viewed after-the-fact with the benefit of hindsight. As a result, Covered Persons should give careful thought to whether any facts and circumstances exist that could raise suspicions about the propriety of the proposed transaction after the fact; for example, as to whether information that the Covered Person has become aware of may be construed as "material" and "nonpublic."

You should contact the Compliance Officer identified below if you are considering a transaction in Company securities shortly after public disclosures of material information by the Company.

Other Definitions

"Access Personnel" include the Section 16 Insiders and all other officers and employees of the Company, and may include vendors, contractors, suppliers or other designated persons who are not officers or employees of the Company, as designated by the Compliance Officer.

"Blackout Period" applies to all Access Personnel and is described below under the heading "Specific Procedures Applicable to Access Personnel."

"Compliance Officer" is the insider trading compliance officer appointed pursuant to this Policy. The Compliance Officer is currently Justin Stiefel but may be changed at any time by the Company with written notice to all Covered Persons.

"Covered Persons" are described below under the heading "Transactions Covered by the Policy."

"Section 16 Insiders" are the executive officers and directors of the Company and its subsidiaries who are subject to the reporting and liability provisions of Section 16 of the Securities Exchange Act of 1934, as amended. Section 16 Insiders are listed on Exhibit A to this Policy. Exhibit A will be updated automatically whenever the Board changes the designation of Section 16 insiders.

Transactions Covered by the Policy

This Policy applies to all transactions in the Company's securities, including common stock, options for common stock and other securities the Company may issue from time to time, such as preferred stock, warrants and convertible debentures, as well as to derivative securities relating to the Company's stock, whether or not issued by the Company (such as exchange-traded options). It applies to all officers of the Company, all members of the Company's Board of Directors, and all employees of, and consultants, contractors and vendors to, the Company and its subsidiaries, and will continue to apply to such persons for a period of ninety (90) days after their separation from the Company or the permanent cessation of business with the Company. It also applies to family members of such persons, and to others, to the extent such persons come to have access to Inside Information. Persons subject to this Policy are referred to as "Covered Persons."

Any person who possesses Inside Information regarding the Company is a Covered Person for so long as the information is non-public.

Gifts to Persons or Entities Other than 501(c)(3) Tax Exempt Non-Profits

Bona fide gifts to persons or entities other than 501(c)(3) tax exempt non-profits are generally not transactions subject to the Policy, unless the person making the gift has reason to believe that the recipient intends to sell Company securities while the Covered Person is restricted from trading under the Policy (including outside of a Blackout Period if the Covered Person is aware of material non-public information). Gifts of securities to family members of a Covered Person are subject to the same restrictions as the Covered Person making the gift, including restrictions on trading while aware of material non-public information or trading or selling such securities during Blackout Periods.

Charitable Gifts During Blackout Periods

Bona fide gifts of Company securities as donations to qualified charitable organizations under Section 501(c)(3) of the Internal Revenue Code, are generally not considered transactions subject to this Policy and may be made during Blackout Periods, provided that:

- The Covered Person does not possess material non-public information at the time of the gift;
- The gift is made without any arrangement, understanding, or expectation regarding the timing or terms of any subsequent sale or disposition of the securities by the recipient;

- The Covered Person does not retain any control or influence over the recipient's disposition of the securities; and
- The recipient is not acting on behalf of, or as an agent of, the Covered Person.

Covered Persons are strongly encouraged to seek pre-clearance for charitable gifts during Blackout Periods. Gifts that are pre-cleared in good faith and comply with the conditions above will not be deemed to violate this Policy, even if the recipient subsequently sells the securities.

For the avoidance of doubt, a Covered Person will not be deemed to have violated this Policy solely because a charitable organization independently determines to sell donated securities after receipt.

Mutual Funds

Transactions in mutual funds that hold Company securities are generally not transactions subject to the Policy. However, transactions in mutual funds may be prohibited under the Policy if a Covered Person becomes aware of material non-public information which might materially affect the value of the mutual fund as a whole.

Covered Persons are expected to use good judgment and contact the Compliance Officer in advance of a transaction if they have any doubt about whether a transaction is covered by the Policy.

Digital Assets and Cryptocurrency.

For purposes of this Policy, the prohibitions on trading while in possession of material non-public information apply equally to transactions in digital assets, cryptocurrencies, tokens, stablecoins, or other blockchain-based assets ("Digital Assets") to the extent a Covered Person possesses material non-public information relating to:

(i) the specific types of Digital Assets the Company holds;

(ii) any contemplated transaction involving Digital Assets by the Company;

(iii) material regulatory developments affecting the Company's business; or

(iv) any other material development involving Digital Assets that could reasonably be expected to affect the Company.

Except as described above, this Policy does not prohibit general trading in Digital Assets unrelated to the Company. For the avoidance of doubt, the general prohibitions on trading while in possession of material non-public information described in this Policy apply to Digital Assets.

Application of Policy After Relationship Terminates

If you are subject to a Blackout Period imposed by this Policy and your relationship terminates during a Blackout Period (or if you otherwise leave while in possession of Inside Information), you will continue to be subject to the Policy, and specifically to the ongoing prohibition against trading, until the later of the end of the Blackout Period or the commencement of trading on the second trading day following public announcement of any Inside Information of which you are aware.

If a Blackout Period is extended, or if a Blackout Period does not end on its normal date as the result of the commencement of a subsequent Blackout Period prior to the termination of the prior Blackout Period, the Compliance Officer may in his discretion waive the applicability of the extended or new Blackout Period to a person whose relationship with the Company has terminated during the prior Blackout Period, if the Compliance Officer determines that such person has not had access to any Inside Information relating to the extended or new Blackout Period.

The Company may institute stop-transfer instructions to its transfer agent in order to enforce this provision.

The Company's Policy

It is the policy of the Company that any Covered Person who possesses Inside Information about the Company may not buy or sell securities of the Company nor engage in any other action to take advantage of, or pass on to others, that information. This includes posting of Inside Information in chat-rooms or via other electronic communications. This Policy also applies to information relating to any other company, including customers, vendors or suppliers of the Company, obtained in the course of employment by or service to the Company.

Illegality of Insider Trading

It is illegal for any Covered Person to trade in the securities of the Company using material, non-public information about the Company. It is also illegal for any Covered Person to give Inside Information to others who may trade on the basis of that information.

Specific Policies Applicable to All Covered Persons

The Company intends to comply with the spirit as well as the letter of the insider trading laws. The Company's policy is to avoid even the appearance of improper conduct on the part of anyone employed by or associated with the Company, whether or not the conduct is literally in violation of the law.

1. *Trading on Inside Information*. No Covered Person and no member of the immediate family or household of any such person, may trade or otherwise engage in any transaction involving a purchase or sale of the Company's securities, including but not limited to, any offer to purchase or offer to sell, during any period commencing with the date that he or she possesses Inside Information concerning the Company, and ending when all material information known to such person has been available to investors generally for at least two (2) business days. Transactions that may be necessary or justifiable for independent reasons (such as the need to raise money for an emergency expenditure) are no exception. Even the appearance of an improper transaction must be avoided to preserve our reputation for adhering to the highest standards of conduct.

2. *Tipping*. No Covered Person may disclose ("tip") Inside Information to any other person (including family members) where such information may be used by such person to his or her profit by trading in the securities of companies to which such information relates. No Covered Person may recommend the purchase or sale of any Company securities, or pass on to any person any material non-public information concerning the Company, whether or not the Covered Person has any information regarding such person's intention to engage in any transaction involving Company securities.

3. *Confidentiality of Non-public Information; Prohibition on Electronic Posting of Confidential Information*. Non-public information relating to the Company is the property of the Company and the unauthorized disclosure of such information is forbidden. Covered Persons are prohibited from posting confidential information relating to the Company, including but not limited to

material non-public information, in internet chat rooms, on online message boards, on social media and social networking websites or through the use of any other form of electronic communication.

4. *No Short Sales*. Because short sales represent a bet that the Company's stock price will decline, the Company prohibits all Covered Persons from shorting the Company's stock. The Company also prohibits Covered Persons from acquiring any security or position which would increase in value if the Company's stock price declines, such as a put option. Short sales by Section 16 Insiders are prohibited by law as well as by this Policy. Any questions as to whether a transaction is a prohibited short sale should be raised with the Compliance Officer.

5. *Publicly-Traded Options*. Given the relatively short term of publicly-traded options, transactions in options may create the appearance that a Covered Person is trading based on material non-public information and focus a Covered Person's attention on short-term performance at the expense of the Company's long-term objectives. Accordingly, transactions in put options, call options or other derivative securities, on an exchange or in any other organized market, are prohibited by the Policy.

6. *Hedging Transactions*. Hedging or monetization transactions can be accomplished through a number of possible mechanisms, including financial instruments such as prepaid variable forwards, equity swaps, collars and exchange funds. Such hedging transactions may permit a Covered Person to continue to own Company securities obtained through employee benefit plans or otherwise, but without the full risks and rewards of ownership. When that occurs, the Covered Person may no longer have the same objectives as the Company's other shareholders. Any person wishing to enter into such an arrangement must first submit the proposed transaction, all agreements therefor and a written explanation of the purpose of the proposed transaction to the Compliance Officer for approval. The Compliance Officer may accept, reject or condition such transaction in his or her sole discretion.

7. *Margin Accounts and Pledges*. Securities held in a margin account may be sold by the broker without the customer's consent if the customer fails to meet a margin call. Similarly, securities pledged as collateral for a loan may be sold in foreclosure if the borrower defaults on the loan or, in many instances, if the value of the collateral declines. Because a margin sale or foreclosure sale may occur at a time when the pledgor is aware of material non-public information regarding the Company, Covered Persons are prohibited from holding securities of the Company in a margin account or pledging such securities as collateral for a loan. An exception to this prohibition may be permitted in certain limited circumstances with the advance written approval of the Compliance Officer. The Compliance Officer may accept, reject or condition such transaction in its sole discretion.

8. *Securities of Other Companies*. The foregoing provisions also apply to trading in the securities of other companies, including the Company's customers, vendors and suppliers, if any Covered Person becomes aware of material non-public information relating to such companies in the course of performing his or her duties for the Company. Covered Persons are prohibited from disclosing any material non-public information concerning other companies that they gain as part of their employment.

9. *Expert Networks*. "Expert networks" are firms that connect investment firms and others seeking information about specific industries, companies, products or business situations with outside experts who are able to provide information on such topics. Covered Persons may not act as consultants or employees of expert network firms or any similar enterprises unless the engagement has been approved in writing by the Compliance Officer.

Transactions by Family Members and Others

The Policy applies to family members and domestic partners of Covered Persons who reside in the same household with the Covered Person and family members who do not live in the Covered Person's household but whose transactions in Company securities are directed by a Covered Person or are subject to a Covered Person's influence or control (collectively, "Family Members"). Family Members generally include spouse, domestic partner, children and stepchildren, a child away at college and grandchildren, and may include parents, stepparents, grandparents, siblings and in-laws. Questions as to which persons

are subject to the restrictions of the Policy should be directed to the Compliance Officer. Each Covered Person is responsible for the transactions in Company securities of these other persons and therefore should make them aware of the need to confer with him or her before trading in Company securities.

Transactions by Entities Affiliated with a Covered Person

The Policy applies to any entities whose transactions in Company securities are influenced or controlled by a Covered Person, including corporations, partnerships or trusts (collectively, "Controlled Entities"). Transactions by these Controlled Entities will be treated for the purposes of the Policy as if they are for the account of the affiliated Covered Person.

Potential Criminal and Civil Liability and/or Disciplinary Action

Penalties for trading on or communicating material non-public information are severe and may be applied against the individual involved in unlawful conduct, as well as against the Company and controlling persons of the Company. A person can be subject to some or all of the penalties noted below even if he or she does not personally benefit from the violation. Penalties include:

1. *Liability for Insider Trading*. Covered Persons may be subject to penalties of up to $5,000,000 and up to twenty years in jail for engaging in transactions in securities at a time when they have knowledge of Inside Information regarding the subject company.

2. *Liability for Tipping*. Covered Persons may also be liable for improper transactions by any person (commonly referred to as a "tippee") to whom they have disclosed Inside Information regarding the Company or to whom they have made recommendations or expressed opinions on the basis of such information as to trading in the Company's securities. The SEC has imposed large penalties even when the disclosing person did not profit from the trading. The SEC, the stock exchanges and the Financial Industry Regulatory Authority use sophisticated electronic surveillance techniques to uncover insider trading.

3. *Disciplinary Actions*. Covered Persons who violate this Policy will be subject to disciplinary action by the Company, which may include, in addition to other sanctions, ineligibility for future participation in the Company's equity incentive plans or termination of employment.

4. *Stop Transfer Order*. The Company may in its discretion impose or maintain stop transfer orders on securities held by Covered Persons during a Blackout Period.

You should be aware that stock market surveillance techniques have become extremely sophisticated and are being improved all the time. The chance that federal authorities or exchange regulators will detect even small-level trading is a significant one.

Individual Responsibility

Every Covered Person has the individual responsibility to comply with this Policy against insider trading, regardless of whether the Company has implemented a Blackout Period applicable to the Covered Person. Appropriate judgment should be exercised in connection with any trade or other restrictions in the Company's securities.

A Covered Person may, from time to time, have to forego a proposed transaction in the Company's securities even if he or she planned to make the transaction before learning of the Inside Information and even though the Covered Person believes he or she may suffer an economic loss or forego an anticipated profit by waiting. Covered Persons who have anticipated needs for liquidity should strongly consider adopting a Rule 10b5-1 plan.

Applicability of Policy to Inside Information Regarding Other Companies

This Policy also applies to Inside Information relating to other companies, including the Company's customers, vendors or suppliers ("business partners"), when that information is obtained in the course of employment with, or other services performed on behalf of, the Company. Civil and criminal penalties, and termination of employment, may result from trading on inside information regarding the Company's business partners. All employees should treat Inside Information about the Company's business partners with the same care required with respect to information related directly to the Company.

Specific Procedures Applicable to Access Personnel

Blackout Period

To ensure compliance with this Policy and applicable federal and state securities laws, it is the Company's policy that Access Personnel refrain from conducting any transactions involving the purchase or sale of the Company's securities during a "Blackout Period." The Blackout Period begins on the day which is fifteen (15) calendar days before the last trading day of a fiscal quarter, and ends at the commencement of trading on the third trading day following public release of the Company's annual or quarterly financial results; provided, however:

(i) Notwithstanding the foregoing, if the Company qualifies as a "smaller reporting company" under SEC rules at the end of a fiscal year, the Blackout Period applicable to the fourth fiscal quarter shall not commence earlier than January 1 of the following year, meaning there is no Blackout Period during the entire month of December unless otherwise prohibited herein;

(ii) Notwithstanding anything to the contrary, beginning on the third trading day following the public release of the Company's annual financial results in the Company's Annual Report on Form 10-K, there shall be ten (10) consecutive trading days during which no Blackout Period shall be in effect (the "Annual Trading Window"), provided that the individual is not otherwise in possession of material non-public information and, if applicable, has obtained any required pre-clearance.

(iii) The Annual Trading Window may not be shortened, suspended, or eliminated by the imposition or extension of any Blackout Period, except in extraordinary circumstances involving material non-public information that has not been publicly disclosed and that affects all or substantially all Covered Persons, as determined by the Compliance Officer in consultation with legal counsel.

The Compliance Officer may extend the Blackout Period, or adopt additional Blackout Periods, in his or her sole discretion. The Compliance Officer may waive compliance with a Blackout Period if, following consultation with the Board of Directors and the Company's legal counsel, the Compliance Officer concludes that all material information concerning the Company has been publicly disclosed or, in the case of a proposed private transaction in the Company's securities, that neither party to such transaction is in possession of Inside Information which is not also known by the other party.

The safest periods for trading in the Company's securities, assuming the absence of Inside Information, are generally the Annual Trading Window described above and any open trading window following the public release of the Company's financial results, .

It is important to remember that, even if outside the Blackout Period, no Covered Person may trade in Company securities while in possession of Inside Information. Trading in the Company's securities outside of a Blackout Period should not be considered a "safe harbor," and all Access Personnel and other Covered Persons should use good judgment at all times. You should contact the Compliance Officer in advance of a transaction if you have any questions regarding a particular securities transaction.

Blackout Periods are procedural safeguards adopted to promote compliance with applicable securities laws. The existence of a Blackout Period does not constitute a determination that any individual possesses material non-public information, and the absence of a Blackout Period does not relieve any Covered Person from the obligation to refrain from trading while in possession of material non-public information.

Pre-Clearance of Trades

All Access Personnel of the Company must comply with the Company's pre-clearance process prior to engaging in any trade at any time in the Company's securities**. Access Personnel must contact the Compliance Officer at least two (2) business days prior to commencing any trade in the Company's securities.** The Company may, by written notice to all Access Personnel, exempt certain Access Personnel from the Company's pre-clearance process as set forth in such written notice.

The Compliance Officer will complete a pre-clearance checklist in the form attached as Exhibit C to this Policy and if the trade is approved, will give written permission for the trade in the form attached as Exhibit D to this Policy. The written permission will expire at the end of the second trading day following the date of written permission or the beginning of the Blackout Period, whichever is earlier. Accordingly, Access Personnel should not request permission to trade unless there is an intention to execute the trade immediately following receipt of written permission. The Compliance Officer is under no obligation to approve a transaction submitted for pre-clearance and may determine not to permit the transaction in his or her sole discretion.

Further Restrictions

As circumstances dictate, the Company may restrict trading by Access Personnel during otherwise open trading window periods. For example, the Company may restrict trading by Access Personnel during an ongoing cybersecurity investigation until the Company determines whether the incident is "material". In such event, the Compliance Officer will notify particular individuals that they should not engage in any transactions involving the Company's securities until such further restrictions are lifted by further notice. The notice need not state the reason for the further restrictions. Access Personnel who receive such notice should not disclose to others the existence of such further restrictions. Generally, these further restricted periods will end upon the earlier of the circumstances no longer being material or the open of market on the second trading day following the Company's public disclosure of such circumstances or their resolution.

Restriction on Market Limit Orders

In order to prevent Access Personnel from accidentally engaging in a trade when trading is not allowed, Access Personnel subject to Blackout Periods may not enter into any market limit orders with their brokers for securities of the Company other than orders which expire no later than the commencement of the next Blackout Period. Access Personnel subject to pre-clearance requirements are subject to the additional restriction that they may not enter any market limit orders for securities of the Company except market limit orders which expire within the time allowed for trading after receiving

written permission to trade from the Compliance Officer. All other market limit orders by Access Personnel for securities of the Company are prohibited. This paragraph does not however apply to approved Rule 10b5-1 plans.

Margin Accounts and Pledges

A pledge of securities may be considered a sale under the securities laws. In addition, securities held in a margin account or pledged as collateral for a loan may be sold by the broker without the customer's consent if the customer fails to meet a margin call. Similarly, securities pledged (or hypothecated) as collateral for a loan may be sold in foreclosure if the borrower defaults on the loan. Because the initial pledge may be a sale, and a later margin sale or foreclosure sale may occur at a time when the pledgor is aware of Inside Information or otherwise is not permitted to trade in securities of the Company, Access Personnel are prohibited from holding Company securities in a margin account or pledging Company securities for a loan. An exception to this prohibition may be granted where a person wishes to pledge Company securities as collateral for a loan (not including margin debt), if such person is otherwise permitted to transact in Company securities at the time of the pledge, and if such person clearly demonstrates the financial capacity to repay the loan without resort to the pledged securities. Any person who wishes to pledge Company securities as collateral for a loan must submit a request for approval to the Compliance Officer at least two weeks prior to the proposed execution of documents evidencing the proposed pledge.

Exception for Pre-Arranged Trading Programs (Rule 10b5-1)

Rule 10b5-1 of the Exchange Act allows a person to trade while aware of material non-public information if the trade was executed pursuant to a plan satisfying the requirements of Rule 10b5-1 (a "trading plan") that was established at a time when the person was not aware of material non-public information. Rule 10b5-1 is a complicated rule that requires sophisticated planning and should not be relied upon without the advice of one's own legal counsel or personal financial adviser.

Specific Requirements

Trades in Company securities that are executed pursuant to an approved trading plan are not subject to the prohibitions in the Policy, including Blackout Periods or pre-clearance requirements for Access Personnel. Trading plans must meet the following requirements:

1. *Pre-Approval*. For a Rule 10b5-1 plan to serve as an adequate defense against an allegation of insider trading, a number of legal requirements must be satisfied. Accordingly, anyone wishing to establish a Rule 10b5-1 plan must first receive approval from the Compliance Officer.

2. *Material Non-public Information and Special Blackouts*. An individual desiring to enter into a Rule 10b5-1 plan must enter into the plan at a time when he or she is not aware of any material nonpublic information about the Company or otherwise subject to a special trading blackout.

3. *Open Trading Window*. A Rule 10b5-1 plan may only be adopted during an open trading window (i.e., outside of a Blackout Period).

4. *30-Day / 90-Day Waiting Period*. Rapid transaction executions subsequent to plan adoption may create an appearance of impropriety and call into question whether a plan adopter had material non-public information at the time of plan adoption. To avoid even the appearance of impropriety and to comply with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended:

   (i) for directors and officers subject to Section 16 of the Exchange Act, the Company requires a waiting period between the date a Rule 10b5-1 plan is adopted and the date of the first trade under such plan that is no shorter than the later of (A) ninety (90) days or (B) two (2) business days following the filing of the Company's Form 10-Q or Form 10-K for the fiscal quarter in which the plan was adopted, not to exceed one hundred twenty (120) days; and

   (ii) for all other Covered Persons, the Company requires a waiting period of at least thirty (30) days between the date a Rule 10b5-1 plan is adopted and the date of the first possible transaction under the plan.

Trading plans may not be instituted, amended or terminated, and deviations from such plans may not be made during a Blackout Period or at a time when a Covered Person is aware of material non-public information. Any amendment or termination of an approved trading plan requires the advance approval of the Compliance Officer. The Compliance Officer may circulate from time to time criteria for clearance of trading plans. Section 16 Insiders must provide prompt notice to the Compliance Officer of all transactions under trading plans to facilitate filings required under Section 16(a) of the Exchange Act. Such filings are generally due within two (2) business days of a trade. The Company reserves the right to bar any transactions in Company securities, even those pursuant to trading plans previously approved, if the Compliance Officer or the Board of Directors, in consultation with the Compliance Officer, determines that such a bar is appropriate under the circumstances.

Exception for Stock Options and Employee Stock Purchase Plans

The Policy does not apply to the exercise of an employee stock option acquired pursuant to the Company's plans, or to the exercise of a tax withholding right pursuant to which a person has elected to have the Company withhold shares subject to an option to satisfy tax withholding requirements. The Policy does apply, however, to any sale of stock as part of a broker-assisted cashless exercise of an option and to any other market sale for the purpose of generating the cash needed to pay the exercise price of an option.

Purchases of Company stock through a 401(k) plan or employee stock purchase plan ("ESPP") resulting from your periodic contribution of money to the plan pursuant to your payroll deduction election are also exempt from this Policy, since the other party to those transactions is the Company itself and the price is determined by the terms of the option agreement or the plan. The trading restrictions do apply, however, to elections you may make to (a) begin participation or change participation levels in any ESPP or Company stock fund in the 401(k) plan, (b) sell any shares purchased under the ESPP, and (c) initiate an intra-plan transfer of an existing account balance into or out of the Company stock fund in the 401(k) plan.

Additional Information - Directors and Executive Officers

Directors and executive officers of the Company must also comply with the reporting obligations and limitations on short-swing transactions set forth in Section 16 of the Securities Exchange Act of 1934, as amended. The practical effect of these provisions is that Section 16 Insiders who purchase and sell the Company's securities within a six-month period must disgorge all profits to the Company whether or not they had knowledge of any Inside Information. Under these provisions, and so long as certain other criteria are met, in most cases neither the receipt of an option under the Company's option plans, nor the exercise of that option is deemed a purchase under Section 16; however, the sale of any such shares is a sale under Section 16. The exercise of options by Section 16 Insiders, although not subject to short-swing liability, must be disclosed on a Form 4 filed **within two business days after the exercise occurs**. The participation by executive officers in a tax-qualified employee stock purchase plan will not generally result in a Section 16 short-swing liability or reporting obligations; however, the sale of any shares acquired is subject to Section 16 reporting and short-swing liability. Generally, all other purchases and sales of Company securities by Section 16 Insiders must be disclosed on a Form 4 filed **within two business days after the transaction occurs**. Moreover, no officer or director may ever make a short sale of the Company's stock. The Company has provided, or will provide, separate memoranda and other appropriate materials to its officers and directors regarding compliance with Section 16 and its related rules.

Certification

Covered Persons will be required to certify their understanding of and compliance with this Policy on an annual basis, in the form attached as Exhibit E to this Policy.

Inquiries

Please direct your questions as to any of the matters discussed in the Policy to the Compliance Officer.

Duties of Compliance Officer

The duties of the Compliance Officer include the following:

1. Pre-clearance of all transactions involving the Company's securities by Access Personnel in order to determine compliance with the Policy, insider trading laws, Section 16 of the Exchange Act of 1934, as amended, and Rule 144 promulgated under the Securities Act of 1933, as amended.

2. Assistance in the preparation of Section 16 reports (Forms 3, 4 and 5) for all Section 16 Insiders.

3. Performance of cross-checks of available materials, which may include Forms 3, 4 and 5, Forms 144, officers and directors questionnaires, and reports received from the Company's stock administrator and transfer agent, to determine trading activity by officers, directors and others who have, or may have, access to Inside Information.

4. Circulation of the Policy to all Covered Persons on an annual basis and provision of the Policy and other appropriate materials to any officers, directors or others who have, or may have, access to Inside Information.

5. Reviewing proposed Rule 10b5-1 plans of Covered Persons.

6. Assisting the Company's Board of Directors in implementation of the Policy.

EXHIBIT A

SECTION 16 INSIDERS

updated as of January 6, 2025

Name	Title
Justin Stiefel	Chairman, Chief Executive Officer, and Treasurer
Jennifer Stiefel	Director, President, and Secretary
Michael Carrosino	Executive Vice President of Finance, Chief Financial Officer
Beth Marker	Senior Vice President of Retail Operations
Danielle Perkins	Senior Vice President of Wholesale Operations
Non-Employee Directors	
Troy Alstead	Director
Christopher (Toby) Smith	Director
Matthew J. Swann	Director
Eric S. Trevan, Ph.D.	Director
Andrew Varga	Director
Jeffrey Wensel, M.D., Ph.D.	Director

EXHIBIT B

INSIDER TRADING COMPLIANCE PROGRAM - PRE-CLEARANCE CHECKLIST

Individual Proposing To Trade: __
Compliance Officer: __
Proposed Trade: __
Date: __

☐ **No Blackout**. Confirm that the trade will not be made during a "Blackout Period."

☐ **Section 16 Compliance**. Confirm, if the individual is an officer or director subject to Section 16, that the proposed trade will not give rise to any potential liability under Section 16 as a result of matched past (or intended future) transactions. Also, ensure that a Form 4 has been or will be completed and will be filed within two (2) business days of the trade.

☐ **Prohibited Trades**. Confirm that the proposed transaction is not a short sale, put, call or other prohibited transaction.

Rule 144 Compliance. To the extent applicable confirm that:

☐ The current public information requirement has been met.

☐ Shares to be sold are not restricted or, if restricted, the holding period has been met.

☐ Volume limitations are not exceeded (confirm the individual is not part of an aggregated group).

☐ The manner of sale requirements have been met.

☐ The Notice on Form 144 has been completed and filed.

Rule 10b-5 Concerns. Confirm that:

☐ The individual has been reminded that trading is prohibited when in possession of any material information regarding the Company that has not been adequately disclosed to the public.

☐ The Compliance Officer has discussed with the insider any information known to the individual or the Compliance Officer which might be considered material, so that the individual has made an informed judgment as to the presence of inside information.

__
Signature of Compliance Officer

EXHIBIT C

PERMISSION TO TRADE

_____ is hereby permitted to buy/sell [circle one] shares of the common stock of IP Strategy Holdings, Inc.

[Include the following if sales to be made by affiliates pursuant to Rule 144. The securities must be sold in a broker's transaction, and you may not solicit or arrange for the solicitation of an order to buy the securities you are selling, or make any payment in connection with the offer and sale to any person other than the broker who executes an order to sell the securities.]

The permission to sell will expire on the close of trading on _____, 20__.

Very truly yours,

_____
Signature of Compliance Officer

EXHIBIT D

CERTIFICATE OF COMPLIANCE

I represent that I have read, and promise to comply with, the IP Strategy Holdings, Inc. Insider Trading Policy.

_____ Name: Date:

Exhibit 21.1

SUBSIDIARIES OF IP STRATEGY HOLDINGS, INC.

Subsidiaries	Place of Incorporation
Heritage Distilling Company, Inc.	Washington
IP Strategy, LLC	Nevada
Thinking Tree Spirits, Inc.	Oregon

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement on Form S-8 (File No. 333-292315) of our report dated April 14, 2026, with respect to the consolidated financial statements of IP Strategy Holdings, Inc. included in this Annual Report on Form 10-K for the year ended December 31, 2025.

/s/ CBIZ CPAs P.C.

Costa Mesa, California
April 14, 2026

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement on Form S-8 (File No. 333-292315) of our report dated April 28, 2025 (except for the effects of the stock split discussed in Note 1 and the discussions regarding liquidity in Note 1, as to which the date is April 14, 2026), with respect to the consolidated financial statements of IP Strategy Holdings, Inc. included in this Annual Report on Form 10-K for the year ended December 31, 2025.

/s/ Marcum LLP

Costa Mesa, California
April 14, 2026

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13A-14(A)

I, Justin Stiefel, certify that:

1. I have reviewed this Annual Report on Form 10-K of IP Strategy Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 14, 2026

By: /s/ Justin Stiefel

Name: Justin Stiefel

Title: Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULE 13A-14(A)

I, Michael Carrosino, certify that:

1. I have reviewed this Annual Report on Form 10-K of IP Strategy Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 14, 2026

By: /s/ Michael Carrosino

Name: Michael Carrosino

Title: Chief Financial Officer

Exhibit 32

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of IP Strategy Holdings, Inc., a Delaware corporation (the "Company"), hereby certifies that, to his knowledge:

(1) The Annual Report on Form 10-K of the Company for the year ended December 31, 2025 (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: April 14, 2026

By: /s/ Justin Stiefel

Name: Justin Stiefel

Title: Chief Executive Officer

By: /s/ Michael Carrosino

Name: Michael Carrosino

Title: Chief Financial Officer

Exhibit 97

IP STRATEGY HOLDINGS, INC.
CLAWBACK POLICY

Adopted: November 21, 2024

A. OVERVIEW

The Board of Directors (the "Board") of IP Strategy Holdings, Inc. (the "Company") believes that it is in the best interests of the Company and its shareholders to create and maintain a culture that emphasizes integrity and accountability. Accordingly, in accordance with the applicable rules of the Nasdaq Stock Market LLC (the "Nasdaq Rules"), Section 10D and Rule 10D-1 ("Rule 10D-1") of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Board has adopted this Policy (the "Policy") to provide for the recovery of erroneously awarded Incentive-based Compensation from Executive Officers. All capitalized terms used and not otherwise defined herein shall have the meanings set forth in Section H, below.

B. RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

(1) In the event of an Accounting Restatement, the Company will reasonably promptly recover the Erroneously Awarded Compensation Received in accordance with the Nasdaq Rules and Rule 10D-1 as follows:

(i) After an Accounting Restatement, the Compensation Committee (if composed entirely of independent directors, or in the absence of such a committee, a majority of independent directors serving on the Board) (the "Committee") shall determine the amount of any Erroneously Awarded Compensation Received by each Executive Officer and shall promptly notify each Executive Officer with a written notice containing the amount of any Erroneously Awarded Compensation and a demand for repayment or return of such compensation, as applicable.

(a) For Incentive-based Compensation based on (or derived from) the Company's stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement:

i. The amount to be repaid or returned shall be determined by the Committee based on a reasonable estimate of the effect of the Accounting Restatement on the Company's stock price or total shareholder return upon which the Incentive-based Compensation was Received; and

ii. The Company shall maintain documentation of the determination of such reasonable estimate and provide the relevant documentation as required to Nasdaq.

(ii) The Committee shall have discretion to determine the appropriate means of recovering Erroneously Awarded Compensation based on the particular facts and circumstances. Notwithstanding the foregoing, except as set forth in Section B(2) below, in no event may the Company accept an amount that is less than the amount of Erroneously Awarded Compensation in satisfaction of an Executive Officer's obligations hereunder.

(iii) To the extent that the Executive Officer has already reimbursed the Company for any Erroneously Awarded Compensation Received under any duplicative recovery obligations established by the Company or applicable law, it shall be appropriate for any such reimbursed amount to be credited to the amount of Erroneously Awarded Compensation that is subject to recovery under this Policy.

(iv) To the extent that an Executive Officer fails to repay all Erroneously Awarded Compensation to the Company when due, the Company shall take all actions reasonable and appropriate to recover

such Erroneously Awarded Compensation from the applicable Executive Officer. The applicable Executive Officer shall be required to reimburse the Company for any and all expenses reasonably incurred (including legal fees) by the Company in recovering such Erroneously Awarded Compensation in accordance with the immediately preceding sentence.

(2) Notwithstanding anything herein to the contrary, the Company shall not be required to take the actions contemplated by Section B(1) above if the Committee (which, as specified above, is composed entirely of independent directors or in the absence of such a committee, a majority of the independent directors serving on the Board) determines that recovery would be impracticable *and* any of the following three (3) conditions are met:

(i) The Committee has determined that the direct expenses paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered. Before making this determination, the Company must make a reasonable attempt to recover the Erroneously Awarded Compensation, document such attempt(s) and provide such documentation to Nasdaq;

(ii) Recovery would violate home country law where that law was adopted prior to November 28, 2022, provided that, before determining that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on violation of home country law, the Company has obtained an opinion of home country counsel, acceptable to Nasdaq, that recovery would result in such a violation and a copy of the opinion is provided to Nasdaq; or

(iii) Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Internal Revenue Code of 1986, as amended, and regulations thereunder.

C. DISCLOSURE REQUIREMENTS

The Company shall file all disclosures with respect to this Policy required by applicable U.S. Securities and Exchange Commission ("SEC") filings and rules, including without limitation, filing a copy of this Policy and any amendments thereto as an exhibit to the Company's annual report on Form 10-K.

D. PROHIBITION OF INDEMNIFICATION

The Company shall not be permitted to insure or indemnify any Executive Officer against (i) the loss of any Erroneously Awarded Compensation that is repaid, returned or recovered pursuant to the terms of this Policy, or (ii) any claims relating to the Company's enforcement of its rights under this Policy. Further, the Company shall not enter into any agreement that exempts any Incentive-based Compensation that is granted, paid or awarded to an Executive Officer from the application of this Policy or that waives the Company's right to recovery of any Erroneously Awarded Compensation, and this Policy shall supersede any such agreement (whether entered into before, on or after the Effective Date of this Policy).

E. ADMINISTRATION AND INTERPRETATION

This Policy shall be administered by the Committee, and any determinations made by the Committee shall be final and binding on all affected individuals.

The Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy and for the Company's compliance with Nasdaq Rules, Section 10D, Rule 10D-1 and any other applicable law, regulation, rule or interpretation of the SEC or Nasdaq promulgated or issued in connection therewith.

F. AMENDMENT; TERMINATION

The Committee may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary. Notwithstanding anything in this Section F to the contrary, no amendment or termination of this Policy shall be effective if such amendment or termination would (after taking into account any actions taken by the Company contemporaneously with such amendment or termination) cause the Company to violate any federal securities laws, SEC rule or Nasdaq rule.

G. OTHER RECOVERY RIGHTS

This Policy shall be binding and enforceable against all Executive Officers and, to the extent required by applicable law or guidance from the SEC or Nasdaq, their beneficiaries, heirs, executors, administrators or other legal representatives. The Committee intends that this Policy will be applied to the fullest extent required by applicable law. Any employment agreement, equity award agreement, compensatory plan or any other agreement or arrangement with an Executive Officer shall be deemed to include, as a condition to the grant of any benefit thereunder, an agreement by the Executive Officer to abide by the terms of this Policy. Any right of recovery under this Policy is in addition to, and not in lieu of, any other remedies or rights of recovery that may be available to the Company under applicable law, regulation or rule or pursuant to the terms of any policy of the Company or any provision in any employment agreement, equity award agreement, compensatory plan, agreement or other arrangement.

H. DEFINITIONS

For purposes of this Policy, the following capitalized terms shall have the meanings set forth below.

(1) "Accounting Restatement" means an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (a "Big R" restatement), or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a "little r" restatement).

(2) "Clawback Eligible Incentive Compensation" means all Incentive-based Compensation Received by an Executive Officer (i) on or after the effective date of the applicable Nasdaq Rules, (ii) after beginning service as an Executive Officer, (iii) who served as an Executive Officer at any time during the applicable performance period relating to any Incentive-based Compensation (whether or not such Executive Officer is serving at the time the Erroneously Awarded Compensation is required to be repaid to the Company), (iv) while the Company has a class of securities listed on a national securities exchange or a national securities association, and (v) during the applicable Clawback Period (as defined below).

(3) "Clawback Period" means, with respect to any Accounting Restatement, the three (3) completed fiscal years of the Company immediately preceding the Restatement Date (as defined below), and if the Company changes its fiscal year, any transition period of less than nine (9) months within or immediately following those three (3) completed fiscal years.

(4) "Erroneously Awarded Compensation" means, with respect to each Executive Officer in connection with an Accounting Restatement, the amount of Clawback Eligible Incentive Compensation that exceeds the amount of Incentive-based Compensation that otherwise would have been Received had it been determined based on the restated amounts, computed without regard to any taxes paid.

(5) "Executive Officer" means each individual who is currently or was previously designated as an "officer" of the Company as defined in Rule 16a-1(f) under the Exchange Act. For the avoidance of doubt, the identification of an executive officer for purposes of this Policy shall include each executive officer who is or was identified pursuant to Item 401(b) of Regulation S-K or Item 6.A of Form 20-F, as applicable, as well as the principal financial officer and principal accounting officer (or, if there is no principal accounting officer, the controller).

(6) "Financial Reporting Measures" means measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and all other measures that are

derived wholly or in part from such measures. Stock price and total shareholder return (and any measures that are derived wholly or in part from stock price or total shareholder return) shall, for purposes of this Policy, be considered Financial Reporting Measures. For the avoidance of doubt, a Financial Reporting Measure need not be presented in the Company's financial statements or included in a filing with the SEC.

(7) "Incentive-based Compensation" means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

(8) "Nasdaq" means the Nasdaq Stock Market LLC.

(9) "Received" means, with respect to any Incentive-based Compensation, actual or deemed receipt, and Incentive-based Compensation shall be deemed received in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive-based Compensation award is attained (even if the payment or grant of the Incentive-based Compensation to the Executive Officer occurs after the end of that period).

(10) "Restatement Date" means the earlier to occur of (i) the date the Board, a committee of the Board or the officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement, or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement.

I. EFFECTIVE DATE

This Policy shall be effective as of the date it is adopted by the Board.

(Updated to reflect the Company's name change effective February 18, 2026)