

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended: June 30, 2024

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-41612

ASSET ENTITIES INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction  
of incorporation)

88-1293236

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

100 Crescent Ct, 7th Floor, Dallas, TX

(Address of principal executive offices)

75201

(Zip Code)

(214) 459-3117

(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class B Common Stock, \$0.0001 par value per share	ASST	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

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

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

Yes  No

As of August 13, 2024, there were a total of 1,506,406 shares of the registrant's Class A Common Stock, \$0.0001 par value per share, outstanding and 1,713,780 shares of the registrant's Class B Common Stock, \$0.0001 par value per share, outstanding.

ASSET ENTITIES INC.

Quarterly Report on Form 10-Q  
Period Ended June 30, 2024

TABLE OF CONTENTS

**PART I**  
**FINANCIAL INFORMATION**

Item 1.	<a href="#">Financial Statements</a>	1
Item 2.	<a href="#">Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>	15
Item 3.	<a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	34
Item 4.	<a href="#">Controls and Procedures</a>	34

**PART II**  
**OTHER INFORMATION**

Item 1.	<a href="#">Legal Proceedings</a>	35
Item 1A.	<a href="#">Risk Factors</a>	35
Item 2.	<a href="#">Unregistered Sales of Equity Securities and Use of Proceeds</a>	35
Item 3.	<a href="#">Defaults Upon Senior Securities</a>	37
Item 4.	<a href="#">Mine Safety Disclosures</a>	37
Item 5.	<a href="#">Other Information</a>	37
Item 6.	<a href="#">Exhibits</a>	38
	<a href="#">Signatures</a>	39

**PART I**  
**FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS.**

**ASSET ENTITIES INC.**  
**UNAUDITED FINANCIAL STATEMENTS**

	<b><u>Page</u></b>
<a href="#">Balance Sheets as of June 30, 2024 (unaudited) and December 31, 2023</a>	2
<a href="#">Statements of Operations</a>	3
<a href="#">Statements of Changes in Stockholder's Equity</a>	4
<a href="#">Statements of Cash Flows</a>	6
<a href="#">Notes to Financial Statements</a>	7

**ASSET ENTITIES INC.**  
**Condensed Balance Sheets**

	<b>As of June 30, 2024</b>	<b>As of December 31, 2023</b>
	<u>(Unaudited)</u>	<u></u>
<b>ASSETS</b>		
Current Assets		
Cash	\$ 1,926,888	\$ 2,924,323
Prepaid expenses	184,250	38,681
<b>Total Current Assets</b>	<u>2,111,138</u>	<u>2,963,004</u>
Non-Current Assets		
Property and equipment, net	25,245	12,825
Intangible asset	309,500	100,000
<b>Total Non-Current Assets</b>	<u>334,745</u>	<u>112,825</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 2,445,883</b></u>	<u><b>\$ 3,075,829</b></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities		
Accounts payable and credit card liability	\$ 347,107	\$ 150,096
Contract liabilities	1,686	3,445
<b>Total Current Liabilities</b>	<u>348,793</u>	<u>153,541</u>
<b>TOTAL LIABILITIES</b>	<u>348,793</u>	<u>153,541</u>
Commitments and contingencies		
Stockholders' Equity		
Preferred Stock; \$0.0001 par value, 50,000,000 authorized		
Series A Convertible Preferred Stock; \$0.0001 par value, \$10,000 stated value, 660 designated, 165 and 0 shares issued and outstanding	-	-
Common Stock; \$0.0001 par value, 200,000,000 authorized		
Class A Common Stock; \$0.0001 par value, 2,000,000 authorized, 1,506,406 and 1,677,056 shares issued and outstanding, respectively	151	168
Class B Common Stock; \$0.0001 par value, 38,000,000 authorized, 1,559,595 and 1,207,827 shares issued, respectively	156	121
Treasury Stock, at cost: Class B Common Stock - 50,000 shares	(176,876)	(176,876)
Additional paid in capital	10,945,415	8,657,190
Accumulated deficit	(8,671,756)	(5,558,315)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<u>2,097,090</u>	<u>2,922,288</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u><b>\$ 2,445,883</b></u>	<u><b>\$ 3,075,829</b></u>

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

**ASSET ENTITIES INC.**  
**Condensed Statements of Operations**  
(Unaudited)

	Three Months Ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Revenues	\$ 92,966	\$ 74,912	\$ 217,807	\$ 136,047
Operating expenses				
Contract labor	121,730	48,083	248,869	84,664
General and administrative	754,963	497,713	1,277,002	843,654
Management compensation	942,810	850,173	1,805,377	1,600,037
Total operating expenses	<u>1,819,503</u>	<u>1,395,969</u>	<u>3,331,248</u>	<u>2,528,355</u>
Loss from operations	<u>(1,726,537)</u>	<u>(1,321,057)</u>	<u>(3,113,441)</u>	<u>(2,392,308)</u>
<b>Net loss</b>	<b><u>\$ (1,726,537)</u></b>	<b><u>\$ (1,321,057)</u></b>	<b><u>\$ (3,113,441)</u></b>	<b><u>\$ (2,392,308)</u></b>
Loss per share of common stock - basic and diluted	<u>\$ (0.58)</u>	<u>\$ (0.48)</u>	<u>\$ (1.07)</u>	<u>\$ (0.91)</u>
Weighted average number of shares of common stock outstanding - basic and diluted	<u>2,960,126</u>	<u>2,742,530</u>	<u>2,897,504</u>	<u>2,618,380</u>

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

**ASSET ENTITIES INC.**  
**Condensed Statement of Stockholders' Equity**  
**For the three and six months ended June 30, 2024 and 2023**  
**(Unaudited)**

	Series A Convertible Preferred Stock		Class A Common Stock		Class B Common Stock		Additional Paid in Capital	Treasury Stock	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount				
<b>Balance - December 31, 2023</b>	-	\$ -	1,677,056	\$ 168	1,207,827	\$ 121	\$ 8,657,190	\$ (176,876)	\$ (5,558,315)	\$ 2,922,288
Conversion from Class A to Class B common stock	-	-	(170,650)	(17)	170,650	17	-	-	-	-
Stock Based Compensation	-	-	-	-	-	-	326,871	-	-	326,871
Net loss	-	-	-	-	-	-	-	-	(1,386,904)	(1,386,904)
<b>Balance - March 31, 2024</b>	-	\$ -	1,506,406	\$ 151	1,378,477	\$ 138	\$ 8,984,061	\$ (176,876)	\$ (6,945,219)	\$ 1,862,255
Series A Convertible Preferred stock issued	165	-	-	-	-	-	1,345,000	-	-	1,345,000
Class B common stock subscription proceeds received, net	-	-	-	-	124,318	12	194,422	-	-	194,434
Class B Common stock issued for restricted stock awards	-	-	-	-	51,800	5	412,433	-	-	412,438
Class B Common stock issued for purchase of intangible asset	-	-	-	-	5,000	1	9,499	-	-	9,500
Net loss	-	-	-	-	-	-	-	-	(1,726,537)	(1,726,537)
<b>Balance - June 30, 2024</b>	<u>165</u>	<u>\$ -</u>	<u>1,506,406</u>	<u>\$ 151</u>	<u>1,559,595</u>	<u>\$ 156</u>	<u>\$ 10,945,415</u>	<u>\$ (176,876)</u>	<u>\$ (8,671,756)</u>	<u>\$ 2,097,090</u>

**ASSET ENTITIES INC.**  
**Condensed Statement of Stockholders' Equity**  
**For the three and six months ended June 30, 2024 and 2023**  
**(Unaudited)**

	Series A Convertible Preferred Stock		Class A Common Stock		Class B Common Stock		Additional Paid in Capital	Treasury Stock	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount				
<b>Balance - December 31, 2022</b>	-	\$ -	1,677,056	\$ 168	472,946	\$ 47	\$ 780,686	\$ -	\$ (627,118)	\$ 153,783
Class B common stock and warrant issued	-	-	-	-	300,000	30	6,540,463	-	-	6,540,493
Class B Common stock issued for restricted stock awards	-	-	-	-	282,200	28	200,182	-	-	200,210
Net loss	-	-	-	-	-	-	-	-	(1,071,251)	(1,071,251)
<b>Balance - March 31, 2023</b>	-	\$ -	1,677,056	\$ 168	1,055,146	\$ 105	\$ 7,521,331	\$ -	\$ (1,698,369)	\$ 5,823,235
Class B Common stock issued for restricted stock awards	-	-	-	-	20,000	2	403,713	-	-	403,715
Net loss	-	-	-	-	-	-	-	-	(1,321,057)	(1,321,057)
<b>Balance - June 30, 2023</b>	-	\$ -	1,677,056	\$ 168	1,075,146	\$ 107	\$ 7,925,044	\$ -	\$ (3,019,426)	\$ 4,905,893

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

**ASSET ENTITIES INC.**  
**Condensed Statements of Cash Flows**  
**(Unaudited)**

	<b>Six months ended</b>	
	<b>June 30,</b>	
	<b>2024</b>	<b>2023</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (3,113,441)	\$ (2,392,308)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock based compensation	739,309	603,925
Depreciation and amortization	2,341	-
Changes in operating assets and liabilities:		
Prepaid expenses	(145,569)	(71,096)
Accounts payable and accrued expenses	197,011	(126,792)
Contract liabilities	(1,759)	20,226
Net cash used in operating activities	(2,322,108)	(1,966,045)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(14,761)	-
Purchase of intangible asset	(200,000)	-
Net cash used in investing activities	(214,761)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Series A Convertible Preferred stock issued	1,345,000	-
Class B common stock subscription proceeds received, net	194,434	6,845,050
Net cash provided by financing activities	1,539,434	6,845,050
Net change in cash	(997,435)	4,879,005
Cash at beginning of period	2,924,323	137,177
Cash at end of period	\$ 1,926,888	\$ 5,016,182
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ -	\$ -
<b>NON CASH INVESTING AND FINANCING ACTIVITIES</b>		
Conversion from Class A to Class B common stock	\$ 17	\$ -
Class B Common stock issued for purchase of intangible asset	\$ 9,500	\$ -

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



**ASSET ENTITIES INC.**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**  
**As of and for the six months ended June 30, 2024**  
**(Unaudited)**

**Note 1. Organization, Description of Business and Liquidity**

***Organization***

Asset Entities Inc. (“Asset Entities”, “we”, “us” or the “Company”), began operations as a general partnership in August 2020 and formed Assets Entities Limited Liability Company in the state of California on October 20, 2020. The interim financial statements reflect the operations of the Company from inception of the general partnership. On March 15, 2022, the Company filed Articles of Merger to register and incorporate with the state of Nevada and changed the company name to Asset Entities Inc.

***Reverse Stock Split***

On June 27, 2024, the Company filed a Certificate of Change pursuant to Section 78.209 of the Nevada Revised Statutes with the Secretary of State of the State of Nevada authorizing a 1-for-5 reverse stock split of the Company’s issued and outstanding shares of Class A Common Stock, \$0.0001 par value per share, and Class B Common Stock, \$0.0001 par value per share. The reverse stock split became effective on July 1, 2024.

Prior to the reverse stock split, the Company was authorized to issue 200,000,000 shares of common stock, consisting of 10,000,000 shares of Class A Common Stock and 190,000,000 shares of Class B Common Stock. As a result of the reverse stock split, the Company will be authorized to issue 40,000,000 shares of common stock, consisting of 2,000,000 shares of Class A Common Stock and 38,000,000 shares of Class B Common Stock.

All share and per share information in these financial statements retroactively reflect this reverse stock split.

***Description of Business***

Asset Entities is an Internet company providing social media marketing, content delivery, and development and design services across Discord, TikTok, and other social media platforms. Based on the rapid growth of our Discord servers and social media following, we have developed three categories of services. First, we provide subscription upgrades to premium content on our investment education and entertainment servers on Discord. Second, we codevelop and execute influencer social media and marketing campaigns for clients. Third, we design, develop and manage Discord servers for clients under our “AE.360.DDM” brand. Our AE.360.DDM service was released in December 2021. All of these services – our Discord investment education and entertainment, social media and marketing, and AE.360.DDM services – are therefore based on our effective use of Discord in combination with ongoing social media outreach on TikTok, Facebook, Twitter, Instagram, and YouTube.

***Liquidity***

The Company had an accumulated deficit of \$8,671,756 as of June 30, 2024, cash of \$1,926,888 as of June 30, 2024, and a net loss of \$3,113,441 for the six months ended June 30, 2024. On May 24, 2024, the Company entered into a securities purchase agreement with an investor for the issuance and sale of up to 330 shares of the Company’s newly designated Series A Convertible Preferred Stock for maximum gross proceeds of \$3,000,000. Based on the Company’s existing cash resources and the cash expected to be received from these financings, management believes that the Company will have sufficient funds to carry out the Company’s planned operations for at least the next 12 months from the issuance date of the accompanying interim financial statements.

**Note 2. Summary of Significant Accounting Policies**

***Basis of Presentation***

The Company prepares its financial statements in accordance with rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) and generally accepted accounting principles in the United States of America (“GAAP”). The accompanying interim financial statements have been prepared in accordance with GAAP for interim financial information in accordance with Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the Company’s opinion, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six months ended June 30, 2024, are not necessarily indicative of the results for the full year. While management of the Company believes that the disclosures presented herein are adequate and not misleading, these interim financial statements should be read in conjunction with the audited financial statements and the footnotes thereto for the year ended December 31, 2023, contained in the Company’s Form 10-K filed on April 2, 2024.

### *Use of Estimates*

The preparation of interim financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim financial statements and the reported amounts of expenses during the reporting period. Some of these judgments can be subjective and complex, and, consequently, actual results may differ from these estimates.

### *Cash and Cash Equivalents*

For purposes of balance sheet presentation and reporting of cash flows, the Company considers all unrestricted demand deposits, money market funds and highly liquid debt instruments with an original maturity of less than 90 days to be cash and cash equivalents. The Company had no cash equivalents at June 30, 2024 and December 31, 2023.

Periodically, the Company may carry cash balances at financial institutions more than the federally insured limit of \$250,000 per institution. The amount in excess of the FDIC insurance as of June 30, 2024, was approximately \$1.64 million. The Company has not experienced losses on account balances and management believes, based upon the quality of the financial institutions, that the credit risk with regard to these deposits is not significant.

### *Property and equipment*

Property and equipment are stated at cost less accumulated depreciation and impairment loss, if any. Property and equipment are depreciated at rates sufficient to write off their costs less impairment and residual value, if any, over their estimated useful lives on a straight-line basis.

<b>Category</b>	<b>Useful life (years)</b>
Building	39
Machinery and Equipment	5-10
Office Equipment and Fixtures	5
Vehicle	8

The Company did not have any Building, Machinery and Equipment, and Vehicle as of June 30, 2024.

Maintenance and repairs are charged to expense as incurred. Improvements of a major nature are capitalized. At the time of retirement or other disposition of property and equipment, the cost and accumulated depreciation are removed from the accounts and any gains or losses are reflected in the income.

The long-lived assets of the Company are reviewed for impairment in accordance with ASC No. 360, "Property, Plant and Equipment" ("ASC No. 360"), whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

### *Intangible Assets*

Intangible assets acquired are recorded at fair value. We test our finite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. We test our indefinite-lived intangible assets for impairment annually or whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. If the carrying value exceeds the fair value, we recognize an impairment in an amount equal to the excess, not to exceed the carrying value. Management uses considerable judgment to determine key assumptions, including projected revenue, royalty rates and appropriate discount rates. During the six months ended June 30, 2024 and 2023, there were no intangible asset impairment charges.

Finite-lived intangible assets are amortized using the straight-line method over their estimated useful lives, which ranges from 5 to 15 years. Our finite-lived intangible assets include acquired franchise agreements, acquired customer relationships, acquired customer lists, and internally developed software. Our indefinite-lived intangible assets include acquired domain names, trade names, and purchased software.

Intangible assets internally developed are measured at cost. We capitalize costs to develop or purchase computer software for internal use which are incurred during the application development stage. These costs include fees paid to third parties for development services and payroll costs for employees' time spent developing the software. We expense costs incurred during the preliminary project stage and the post-implementation stage. Capitalized development costs are amortized on a straight-line basis over the estimated useful life of the software. The capitalization and ongoing assessment of recoverability of development costs requires considerable judgment by management with respect to certain external factors, including, but not limited to, technological and economic feasibility, and estimated economic life.

### ***Impairment of Long-lived Assets Other Than Goodwill***

Long-lived assets with finite lives, primarily property and equipment, intangible assets, and operating lease right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the estimated cash flows from the use of the asset and its eventual disposition are below the asset's carrying value, then the asset is deemed to be impaired and written down to its fair value.

### ***Fair Value Measurements***

The Company uses a three-tier fair value hierarchy to classify and disclose all assets and liabilities measured at fair value on a recurring basis, as well as assets and liabilities measured at fair value on a non-recurring basis, in periods subsequent to their initial measurement. The hierarchy requires the Company to use observable inputs when available, and to minimize the use of unobservable inputs, when determining fair value. The three tiers are defined as follows:

- Level 1—Observable inputs that reflect quoted market prices (unadjusted) for identical assets or liabilities in active markets;
- Level 2—Observable inputs other than quoted prices in active markets that are observable either directly or indirectly in the marketplace for identical or similar assets and liabilities; and
- Level 3—Unobservable inputs that are supported by little or no market data, which require the Company to develop its own assumptions.

The Company's financial instruments, including cash, prepaid expense and contract liabilities, other current liabilities are carried at historical cost. At June 30, 2024 and December 31, 2023, the carrying amounts of these instruments approximated their fair values because of the short-term nature of these instruments.

### ***Advertising Expenses***

The Company expenses advertising costs as they incurred. Total advertising expenses were \$284,886 and 170,371 for the six months ended June 30, 2024 and 2023, respectively, and have been included as part of general and administrative expenses.

### ***Research and Development***

Research and development costs are charged to expense as incurred. Accordingly, internal research and development costs are expensed as incurred. Third-party research and development costs are expensed when the contracted work has been performed or as milestone results have been achieved as defined under the applicable agreement.

The Company incurred research and development expenses of \$238,739 and \$0 for the six months ended June 30, 2024 and 2023, respectively, and have been included as part of contract labor.

### ***Stock based compensation***

#### ***Service-Based Awards***

The Company records stock-based compensation for awards granted to employees, non-employees, and to members of the Board for their services on the Board based on the grant date fair value of awards issued, and the expense is recorded on a straight-line basis over the requisite service period, which is generally one to three years.

For restricted stock awards ("RSAs") issued under the Company's stock-based compensation plans, the fair value of each grant is calculated based on the Company's stock price on the date of grant.

#### ***Share Repurchase***

Share repurchases are open market purchases. Share repurchases are generally recorded on the settlement date, as treasury stock. When shares are cancelled, the value of repurchased shares is deducted from stockholders' equity through common stock with the excess over par value recorded to accumulated deficit.

### **Revenue Recognition**

The Company recognizes revenue utilizing the following steps: (i) Identify the contract, or contracts, with a customer; (ii) Identify the performance obligations in the contract; (iii) Determine the transaction price; (iv) Allocate the transaction price to the performance obligations in the contract; (v) Recognize revenue when the Company satisfies a performance obligation.

#### *Subscriptions*

Subscription revenue is related to a single performance obligation that is recognized over time when earned. Subscriptions are paid in advance and can be purchased on a monthly, quarterly, or annual basis. Any quarterly or annual subscription revenue is recognized as a contract liability recorded over the contracted service period.

#### *Marketing*

Revenue related to marketing campaign contracts with customers are normally of a short duration, typically less than two (2) weeks.

#### *AE.360.DDM Contracts*

Revenue related to AE.360.DDM contracts with customers are normally of a short duration, typically less than one (1) week.

#### **Contract Liabilities**

Contract liabilities consist of quarterly and annual subscription revenue that have not been recognized. Revenue under these agreements is recognized over the related service period. As of June 30, 2024 and December 31, 2023, total contract liabilities were \$1,686 and \$3,445 respectively. Contract liabilities are expected to be recognized as revenue over a period not to exceed twelve (12) months.

Changes in contract liabilities for the six months ended June 30, 2024 are as follows:

	<b>June 30, 2024</b>
Balance, December 31, 2023	\$ 3,445
Deferral of revenue	-
Recognition of revenue	(1,759)
Balance, June 30, 2024	<u>\$ 1,686</u>

### ***Earnings Per Share of Common Stock***

The Company has adopted ASC Topic 260, “*Earnings per Share*” which requires presentation of basic earnings per share on the face of the statements of operations for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the basic earnings per share computation. In the accompanying interim financial statements, basic loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per share is computed by dividing net income by the weighted average number of shares of common stock and potentially dilutive outstanding shares of common stock during the period to reflect the potential dilution that could occur from common stock issuable through contingent share arrangements, stock options and warrants unless the result would be antidilutive. The Company would account for the potential dilution from convertible securities using the as-if converted method. The Company accounts for warrants and options using the treasury stock method.

For the three months ended June 30, 2024, warrants representing 71,002 shares of common stock equivalents were excluded from the computation from diluted net loss per share as the result was anti-dilutive.

### ***Related Parties***

The Company follows ASC 850, “*Related Party Disclosures*”, for the identification of related parties and disclosure of related party transactions and balances. There were no related party transactions except management fees. During the six months ended June 30, 2024 and 2023, the Company paid management fees to their controlling members totaling \$1,805,377 and \$1,600,037, respectively.

### ***Recent Accounting Pronouncements***

The Company has considered all other recently issued accounting pronouncements and does not believe the adoption of such pronouncements will have a material impact on its interim financial statements.

### **Note 3. Property and Equipment**

Property and equipment consisted of the following:

	<b>June 30, 2024</b>	<b>December 31, 2023</b>
Office equipment	\$ 28,320	\$ 13,559
Accumulated depreciation	(3,075)	(734)
	<u>\$ 25,245</u>	<u>\$ 12,825</u>

During the six months ended June 30, 2024 and 2023, the Company recorded depreciation of \$2,341 and \$0, respectively.

### **Note 4. Intangible Assets**

Intangible assets consist of the following:

	<b>June 30, 2024</b>	<b>December 31, 2023</b>
Purchased software	\$ 309,500	\$ 100,000
Less: Impairment	-	-
	<u>\$ 309,500</u>	<u>\$ 100,000</u>

## **Note 5. Stockholders' Equity**

### ***Authorized Capital Stock***

On March 9, 2022, the Company filed Articles of Incorporation with the state of Nevada to authorize the Company to issue 250,000,000 shares, consisting of 10,000,000 shares of Class A Common Stock, \$0.0001 par value per share ("Class A Common"), 190,000,000 shares of Class B Common stock, \$0.0001 par value per share ("Class B Common"), and 50,000,000 shares of Preferred Stock, \$0.0001 par value (the "Preferred Stock").

On June 27, 2024, the Company filed a Certificate of Change pursuant to Section 78.209 of the Nevada Revised Statutes with the Secretary of State of the State of Nevada authorizing a 1-for-5 reverse stock split of the Company's issued and outstanding shares of class A common stock and class B common stock. As a result of the Reverse Stock Split, the Company will be authorized to issue 40,000,000 shares of common stock, consisting of 2,000,000 shares of Class A Common Stock and 38,000,000 shares of Class B Common Stock.

### ***Preferred Stock***

The Company shall have the authority to issue the shares of Preferred Stock in one or more series with such rights, preferences and designations as determined by the Board of Directors of the Company.

### ***Series A Convertible Preferred Stock***

On May 24, 2024, the Company filed a Certificate of Designation of Series A Convertible Preferred Stock (the "Certificate of Designation") with the Secretary of State of the State of Nevada designating 660 shares of the Company's Preferred Stock, \$0.0001 par value per share, as "Series A Convertible Preferred Stock," and setting forth the voting and other powers, preferences and relative, participating, optional or other rights of the Series A Preferred Stock. Each share of Series A Preferred Stock has an initial stated value ("Stated Value") of \$10,000 per share.

The Series A Preferred Stock, with respect to the payment of dividends, distributions and payments upon the liquidation, dissolution and winding up of the Company, ranks senior to all capital stock of the Company unless the holders of the majority of the outstanding shares of Series A Preferred Stock consent to the creation of other capital stock of the Company that is senior or equal in rank to the Series A Preferred Stock.

Holders of Series A Preferred Stock will be entitled to receive cumulative dividends, in shares of Class B Common Stock or cash on the Stated Value at an annual rate of 6% (which will increase to 12% if a Triggering Event (as defined in the Certificate of Designation) occurs. Dividends will be payable upon conversion of the Series A Preferred Stock or upon any redemption.

Holders of Series A Preferred Stock will be entitled to convert shares of Series A Preferred Stock into a number of shares of Class B Common Stock determined by dividing the Stated Value (plus any accrued but unpaid dividends and other amounts due, unless paid by the Company in cash) by the conversion price of the Series A Preferred Stock (the "Conversion Price"). The initial Conversion Price is \$0.75, subject to adjustment including adjustments due to full-ratchet anti-dilution provisions. Holders may elect to convert shares of Series A Preferred Stock to Class B Common Stock at an alternate Conversion Price equal to 85% (or 70% if the Company's Class B Common Stock is suspended from trading on or delisted from a principal trading market or upon occurrence of a Triggering Event) of the average lowest daily volume weighed average price of the Class B Common Stock during the Alternate Conversion Measuring Period (as defined in the Certificate of Designation).

## *Securities Purchase Agreement*

On May 24, 2024, the Company entered into a securities purchase agreement (the “Purchase Agreement”) with an investor (the “Investor”) for the issuance and sale of up to 330 shares of the Company’s newly designated Series A Convertible Preferred Stock, \$0.0001 par value per share (“Series A Preferred Stock”), for maximum gross proceeds of \$3,000,000. Pursuant to the Purchase Agreement, the Company is required to issue and sell 165 shares of Series A Preferred Stock at each of two closings subject to the satisfaction of the terms and conditions for each closing. The first closing (the “First Closing”) occurred on May 24, 2024 for the issuance and sale of 165 shares of Series A Preferred Stock for gross proceeds of \$1,500,000. The second closing (the “Second Closing”), for the issuance and sale of 165 shares of Series A Preferred Stock for gross proceeds of \$1,500,000, will occur on the first business day on which the conditions specified in the Purchase Agreement for the Second Closing are satisfied or waived, including the filing and effectiveness of the Registration Statement and the effectiveness of the Stockholder Consent. In addition, the Company issued a warrant to Boustead for the purchase of 30,800 shares of Class B Common Stock with an exercise price of \$3.75 per share. The warrant is exercisable for a period of five years and contains cashless exercise provisions. The Company received \$1,345,000, net of offering cost of \$155,000.

### ***Class A Common Stock***

Each share of Class A Common Stock entitles the holder to ten (10) votes, in person or proxy, on any matter on which an action of the stockholders of the Company is sought and is convertible by the holder into one (1) share of Class B Common Stock.

As part of a share conversion in March 2022, the Company converted the 97.56% membership interest to 1,951,200 shares of Class A Common Stock of the Company. The Company has reflected this conversion for all periods presented.

The Company had 1,506,406 and 1,677,056 shares of Class A Common Stock issued and outstanding as of June 30, 2024 and December 31, 2023, respectively.

### ***Class B Common Stock***

Each share of Class B Common Stock entitles the holder to one (1) vote, in person or proxy, on any matter on which an action of the stockholders of the Company is sought.

The Company had 1,559,595 and 1,207,827 shares of Class B Common Stock issued and outstanding as of June 30, 2024 and December 31, 2023, respectively.

### ***Six months ended June 30, 2024***

During the six months ended June 30, 2024, the Company issued Class B common stock as follows:

- 170,650 shares of Class A common stock were converted into 170,650 shares of Class B common stock.
- 124,318 shares of Class B common stock for cash of \$194,433, net (Triton Purchase agreement).
- 51,800 shares of Class B common stock for restricted stock awards valued at \$95,342.
- 5,000 shares of Class B common stock for purchase of intangible asset valued at \$9,500

### ***Treasury Stock***

During the year ended December 31, 2023, the Company repurchased 50,000 shares of Class B Common stock at \$176,876 and recorded as treasury stock as of June 30, 2024 and December 31, 2023.

### ***Triton Purchase Agreement***

On June 30, 2023, the Company, entered into a Closing Agreement (the “Closing Agreement”) with Triton. Under the Closing Agreement, the Company agreed to sell to Triton shares of class B common stock, \$0.0001 par value per share, of the Company (the “Class B Common Stock”), having a total value, as determined under the Closing Agreement, of \$1,000,000.

On August 1, 2023, the Company and Triton entered into an Amended and Restated Closing Agreement (the “Amended and Restated Closing Agreement”). Subject to the terms of the Amended and Restated Closing Agreement, the Company may deliver a closing notice (the “Closing Notice”) and issue certain securities to Triton at any time on or before April 30, 2024, pursuant to which Triton will be obligated to purchase such securities of the Company with an aggregate value of \$1,000,000 in the following manner. Upon delivery of the Closing Notice, Triton must purchase newly-issued shares of Class B Common Stock of the Company (the “Triton Shares”) in an amount equal to up to 9.99% of the outstanding shares of Class B Common Stock following such purchase, plus pre-funded warrants (the “Triton Pre-Funded Warrants” and together with the Triton Shares, the “Triton Securities”) that may be exercised to purchase an amount of newly-issued shares of Class B Common Stock (the “Triton Warrant Shares”), such that the aggregate price of the Triton Shares and the Triton Pre-Funded Warrants together with the exercise price to be paid upon full exercise of the Triton Pre-Funded Warrants will equal a total gross purchase price of \$1,000,000. Upon the Company’s election to deliver the Closing Notice, the price of each of the Triton Shares will be set at 85% of the lowest daily volume-weighted average price of the Class B Common Stock during the five (5) business days before and five business days after the date of the Closing Notice.

On March 27, 2024, the Company delivered a Closing Notice to Triton (the “Second Closing Notice”) for the purchase of 124,318 shares of the Company’s Class B Common Stock to Triton Funds LP, a Delaware limited partnership (“Triton”). The price of the shares was required to be 85% of the lowest daily volume-weighted average price of the Class B Common Stock during the five business days prior to the closing of the purchase of the shares (the “Triton Closing”), and the Triton Closing was required to occur within five business days after the date that the Triton Shares were received by Triton, in accordance with the Amended and Restated Closing Agreement, dated as of August 1, 2023, between the Company and Triton, as amended by the Amendment to Amended and Restated Closing Agreement, dated as of September 27, 2023, between the Company and Triton, the Second Amendment to Amended and Restated Closing Agreement, dated as of December 30, 2023, between the Company and Triton, and the Third Amendment to Amended and Restated Closing Agreement, dated as of March 29, 2024, between the Company and Triton (as amended, the “Amended and Restated Closing Agreement”). On April 10, 2024, the date of the Triton Closing, the price of the Triton Shares was determined to be \$1.70 per share based on the lowest daily volume-weighted average price of the Class B Common Stock during the five business days prior to the Triton Closing.

In connection with the Triton Closing, pursuant to the Boustead Engagement Letter and the Underwriting Agreement, the Company paid Boustead, as placement agent compensation, a total of \$16,907, equal to 7% of the aggregate purchase price and a non-accountable expense allowance equal to 1% of the aggregate purchase price for the Triton Shares. In addition, the Company issued a warrant to Boustead for the purchase of 8,702 shares of Class B Common Stock, equal to 7% of the number of the Triton Shares, with an exercise price of \$1.70 per share, equal to the purchase price per share of the Triton Shares (the “Tail Warrant”). The Tail Warrant is exercisable for a period of five years and contains cashless exercise provisions.

### **2022 Equity Incentive Plan**

The maximum number of shares of Class B Common Stock that may be issued pursuant to awards granted under the 2022 Plan is 550,000 shares. Awards that may be granted include: (a) Incentive Stock Options, or ISO, (b) Non-statutory Stock Options, (c) Stock Appreciation Rights, (d) Restricted Stock, the Restricted Stock Units, or RSUs, (f) Stock granted as a bonus or in lieu of another award, and (g) Performance Awards. These awards offer us and our shareholders the possibility of future value, depending on the long-term price appreciation of our Class B Common Stock and the award holder’s continuing service with us.

The RSA shares to directors vest quarterly for one year from the date of grantee’s appointment as a director. The RSA shares to officers vest annually over three years from the grant date. RSA shares are measured at fair market value on the date of grant and stock-based compensation expense is recognized as the shares vest with a corresponding offset credited to additional paid-in-capital. For the six months ended June 30, 2024 and 2023, the Company recorded stock-based compensation expense of \$739,309 and \$603,925, respectively. As of June 30, 2024, 204,316 RSA shares have vested.

As of June 30, 2024, there was \$1,839,331 of unrecognized stock-based compensation expense related to unvested RSUs, which is expected to be recognized over a weighted-average period of 1.64 years.

### **Warrant**

A summary of activity during the six months ended June 30, 2024, follows:

	Number of shares	Weighted Average Exercise Price	Weighted Average Life (years)
Outstanding, December 31, 2023	31,500	\$ 31.25	3.97
Granted	39,502	3.30	5.00
Expired	-	-	-
Exercised	-	-	-
Outstanding, June 30, 2024	<u>71,002</u>	<u>\$ 15.70</u>	<u>4.11</u>

All the outstanding warrants are exercisable as of June 30, 2024. The intrinsic value of the warrants as of June 30, 2024, is \$1,566.

### **Note 6. Subsequent Events**

Management evaluated all events from the date of the balance sheet, which was June 30, 2024 through August 14, 2024 which was the date these financial statements were available to be issue. Based on our evaluation no material events have occurred that require disclosure other than as disclosed below.

The Second Closing, for the issuance and sale of 165 shares of Series A Preferred Stock for gross proceeds of \$1,500,000, occurred on July 29, 2024, which was the first business day on which the conditions specified in the Purchase Agreement for the Second Closing were satisfied or waived.

On the date of the Second Closing, the Company was required to issue a warrant to Boustead Securities, LLC for the purchase of 30,800 shares of Class B Common Stock, equal to 7% of the number of shares of Class B Common Stock that may be issued upon conversion of the shares of Series A Preferred Stock sold at the Second Closing at the initial Conversion Price of \$3.75 per share, subject to the Exchange Limitation before the effectiveness of the Stockholder Approval (the “Fourth Tail Warrant”). The Fourth Tail Warrant has an exercise price of \$3.75 per share.

On July 30, 2024, Boustead’s rights to the Fourth Tail Warrant were assigned to an assignee. The Fourth Tail Warrant was consequently cancelled and a new warrant was issued to the assignee.



## ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

*The following management’s discussion and analysis of financial condition and results of operations provides information that management believes is relevant to an assessment and understanding of our plans and financial condition. The following financial information is derived from our condensed financial statements and should be read in conjunction with such condensed financial statements and notes thereto set forth elsewhere herein.*

### Use of Terms

Except as otherwise indicated by the context and for the purposes of this report only, references in this report to “we,” “us,” “our,” the “Company,” “Asset Entities,” and “our company” are to Asset Entities Inc., a Nevada corporation. “Common stock” refers to the Company’s Common Stock, \$0.0001 par value per share. “Class A Common Stock” refers to the Company’s Class A Common Stock, \$0.0001 par value per share. “Class B Common Stock” refers to the Company’s Class B Common Stock, \$0.0001 par value per share. “Preferred stock” refers to the Company’s Preferred Stock, \$0.0001 par value per share. “Series A Preferred Stock” refers to the Company’s Series A Convertible Preferred Stock, \$0.0001 par value per share.

### Reverse Stock Split

Unless otherwise noted, the share and per share information in this report have been adjusted to give effect to the one-for-five (1-for-5) reverse stock split of each of the Company’s authorized and issued and outstanding Class A Common Stock and the Company’s authorized and issued and outstanding Class B Common Stock, which became effective as of 5:00 p.m. Eastern Time on July 1, 2024 (the “Reverse Stock Split”).

### Note Regarding Trademarks, Trade Names and Service Marks

We use various trademarks, trade names and service marks in our business, including “AE 360 DDM”, “Asset Entities Where Assets Are Created”, “SiN”, “Social Influencer Network”, and associated marks. For convenience, we may not include the <sup>SM</sup>, <sup>®</sup> or <sup>TM</sup> symbols, but such omission is not meant to indicate that we would not protect our intellectual property rights to the fullest extent allowed by law. Any other trademarks, trade names or service marks referred to in this report are the property of their respective owners.

### Special Note Regarding Forward-Looking Statements

This report contains forward-looking statements that are based on our management’s beliefs and assumptions and on information currently available to us. All statements other than statements of historical facts are forward-looking statements. These statements relate to future events or to our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Forward-looking statements include, but are not limited to, statements about:

- our ability to introduce new products and services;
- our ability to obtain additional funding to develop additional services and offerings;
- anticipated compliance with obligations under intellectual property licenses with third parties;
- market acceptance of our new offerings;
- competition from existing online offerings or new offerings that may emerge;
- our ability to establish or maintain collaborations, licensing or other arrangements;
- our ability and third parties’ abilities to protect intellectual property rights;
- our ability to adequately support future growth;
- our goals and strategies;
- our future business development, financial condition and results of operations;
- expected changes in our revenue, costs or expenditures;
- growth of and competition trends in our industry;
- the accuracy and completeness of the data underlying our or third-party sources’ industry and market analyses and projections;

- our expectations regarding demand for, and market acceptance of, our services;
- our expectations regarding our relationships with investors, institutional funding partners and other parties with whom we collaborate;
- fluctuations in general economic and business conditions in the markets in which we operate; and
- relevant government policies and regulations relating to our industry.

In some cases, you can identify forward-looking statements by terms such as “may,” “could,” “will,” “should,” “would,” “expect,” “plan,” “intend,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” “project” or “continue” or the negative of these terms or other comparable terminology. These statements are only predictions. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which are, in some cases, beyond our control and which could materially affect results. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under “Item 1A. *Risk Factors*” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, filed with the Securities and Exchange Commission (the “SEC”) on April 2, 2024 (the “2023 Annual Report”). If one or more of these risks or uncertainties occur, or if our underlying assumptions prove to be incorrect, actual events or results may vary significantly from those implied or projected by the forward-looking statements. No forward-looking statement is a guarantee of future performance.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this report, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

The forward-looking statements made in this report relate only to events or information as of the date on which the statements are made in this report. Except as expressly required by the federal securities laws, there is no undertaking to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason.

## Overview

Asset Entities is a technology company providing social media marketing and content delivery services across Discord, TikTok, and other social media platforms. We also design, develop and manage servers for communities on Discord. Based on the growth of our Discord servers and social media following, we have developed three categories of services: (1) our Discord investment education and entertainment services, (2) social media and marketing services, and (3) our “AE.360.DDM” brand services. We also offer Ternary v2, a cloud-based subscription management and payment processing solution for Discord communities, which includes a suite of customer relations management tools and Stripe-verified payment processing. All of our services are based on our effective use of Discord as well as other social media including TikTok, X, Instagram, and YouTube.

Our Discord investment education and entertainment service is designed primarily by and for enthusiastic Generation Z, or Gen Z, retail investors, creators and influencers. Gen Z is commonly considered to be people born between 1997 and 2012. Our investment education and entertainment service focuses on stock, real estate, cryptocurrency, and NFT community learning programs designed for the next generation. While we believe that Gen Z will continue to be our primary market, our Discord server offering features education and entertainment content covering real estate investments, which is expected to appeal strongly to older generations as well. Our current combined server user membership is approximately 212,000 as of August 2024.

Our social media and marketing services utilize our management’s social influencer backgrounds by offering social media and marketing campaign services to business clients. Our team of social influencer independent contractors, which we call our “SiN” or “Social Influencer Network”, can perform social media and marketing campaign services to expand our clients’ Discord server bases and drive traffic to their businesses, as well as increase membership in our own servers.

Our “AE.360.DDM, Design Develop Manage” service, or “AE.360.DDM”, is a suite of services to individuals and companies seeking to create a server on Discord. We believe we are the first company to provide “Design, Develop and Manage,” or DDM, services for any individual, company, or organization that wishes to join Discord and create their own community. With our AE.360.DDM rollout, we are uniquely positioned to offer DDM services in the growing market for Discord servers.

Through Ternary v2, our subscription management and payment processing solution for Discord communities, subscribers can monetize and manage their Discord users. Ternary v2 simplifies the process for our subscribers to: (i) sell memberships to their Discord servers on their websites and collect payments through Stripe with daily payouts; (ii) add digital products and services and designate purchase options to their Discord servers; (iii) customize their user Discord permissions and roles and other Discord settings; and (iv) utilize our Discord bot to automatically apply their Discord user settings to authenticate new users, apply customizable permission sets to users, and remove users when their subscriptions expire. As a Stripe-verified partner through Ternary v2, we can also assist subscribers with integrating other platforms into their Discord servers with open application programming interfaces, further extending our platform's capabilities.

We believe that we are a leading provider of all of these services, and that demand for all of our services will continue to grow. We expect to experience rapid revenue growth from our services. We believe that we have built a scalable and sustainable business model and that our competitive strengths position us favorably in each aspect of our business.

Our revenue depends on the number of paying subscribers to our Discord servers. During the three months ended June 30, 2024 and 2023, we received revenue from 1,238 and 348 Asset Entities Discord server paying subscribers, respectively.

### **Our Historical Performance**

As of June 30, 2024, the Company had an accumulated deficit of \$8,671,756 and cash balance of \$1,926,888. During the three months ended June 30, 2024 and 2023, we had a net loss of \$1,726,537 and \$1,321,057, respectively. To date, the Company has financed its operations primarily through capital raises and sales of its services. In April 2024, the Company filed a "shelf" registration statement, which the Company intends to use in connection with one or more new financings. In May 2024, the Company completed the first of a two-part private placement of its Series A Preferred Stock for gross proceeds of \$1.5 million, and in July 2024, the Company completed the second part of the private placement for an additional \$1.5 million in gross proceeds. Based on the Company's existing cash resources and the cash expected to be received from new financings, it is expected that the Company will have sufficient funds to carry out the Company's planned operations through June 30, 2025 and for at least 12 months beyond that period. For further discussion, see Item 7. "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources*".

### **Principal Factors Affecting Our Financial Performance**

Our operating results are primarily affected by the following factors:

- our ability to acquire new customers and users or retain existing customers and users;
- our ability to offer competitive pricing;
- our ability to broaden product or service offerings;
- industry demand and competition;
- our ability to leverage technology and use and develop efficient processes;
- our ability to attract and retain talented employees and contractors; and
- market conditions and our market position.

## Emerging Growth Company and Smaller Reporting Company

We qualify as an “emerging growth company” under the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”). As a result, we are permitted to, and intend to, rely on exemptions from certain disclosure requirements. For so long as we are an emerging growth company, we will not be required to:

- have an auditor report on our internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act;
- present three years, instead of two years, of audited financial statements, with correspondingly reduced “Management’s Discussion and Analysis of Financial Condition and Results of Operations” disclosure in this Annual Report;
- comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements (i.e., an auditor discussion and analysis);
- comply with certain greenhouse gas emissions disclosure and related third-party assurance requirements;
- submit certain executive compensation matters to stockholder advisory votes, such as “say-on-pay” and “say-on-frequency;” and
- disclose certain executive compensation related items such as the correlation between executive compensation and performance and comparisons of the chief executive officer’s compensation to median employee compensation.

In addition, Section 107 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 (the “Securities Act”), for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the benefits of this extended transition period. Our financial statements may therefore not be comparable to those of companies that comply with such new or revised accounting standards.

We will remain an emerging growth company until the earliest of (i) the last day of the fiscal year following the fifth anniversary of our initial public offering, (ii) the last day of the first fiscal year in which our total annual gross revenues are \$1,235,000,000 or more, (iii) the date that we become a “large accelerated filer” as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), which would occur if the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter or (iv) the date on which we have issued more than \$1 billion in non-convertible debt during the preceding three year period.

To the extent that we continue to qualify as a “smaller reporting company,” as such term is defined in Rule 12b-2 under the Exchange Act, after we cease to qualify as an emerging growth company, certain of the exemptions available to us as an emerging growth company may continue to be available to us as a smaller reporting company, including as to: (i) the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act; (ii) scaled executive compensation disclosures; (iii) presenting two years of audited financial statements, instead of three years; and (iv) compliance with certain greenhouse gas emissions disclosure and related third-party assurance requirements.

## Recent Developments

### *Second Closing of Private Placement with Ionic Ventures, LLC*

Under a Securities Purchase Agreement, dated as of May 24, 2024, as amended by a First Amendment to Securities Purchase Agreement, dated as of June 13, 2024 (as amended, the “Ionic Purchase Agreement”), between the Company and Ionic Ventures, LLC, a California limited liability company (“Ionic”), the Company agreed to the issuance and sale of up to 330 shares of the Company’s newly designated Series A Convertible Preferred Stock, \$0.0001 par value per share, for maximum gross proceeds of \$3,000,000. The shares of the Series A Preferred Stock are convertible into shares of Class B Common Stock. Pursuant to the Ionic Purchase Agreement, the Company is required to issue and sell 165 shares of Series A Preferred Stock at each of two closings subject to the satisfaction of the terms and conditions for each closing. The second closing (the “Second Closing”), for the issuance and sale of 165 shares of Series A Preferred Stock for gross proceeds of \$1,500,000, occurred on July 29, 2024, which was the first business day on which the conditions specified in the Ionic Purchase Agreement for the Second Closing were satisfied or waived.

In connection with each closing under the Ionic Purchase Agreement, pursuant to the Boustead Engagement Letter (as defined in “—Liquidity and Capital Resources – Initial Public Offering and Underwriting Agreement”) and the Underwriting Agreement (as defined in “—Liquidity and Capital Resources – Initial Public Offering and Underwriting Agreement”), the Company was required to pay Boustead Securities, LLC, a registered broker-dealer (“Boustead”), a fee equal to 7% of the aggregate purchase price and a non-accountable expense allowance equal to 1% of the aggregate purchase price for the Series A Preferred Stock. On the date of the Second Closing, we therefore paid Boustead a total amount of \$120,000. In addition, on the date of the Second Closing, the Company was required to issue a warrant to Boustead for the purchase of 30,800 shares of Class B Common Stock, equal to 7% of the number of shares of Class B Common Stock that may be issued upon conversion of the shares of Series A Preferred Stock sold at the Second Closing at the initial Conversion Price of \$3.75 per share (the “Fourth Tail Warrant”). The Fourth Tail Warrant has an exercise price of \$3.75 per share. Notwithstanding certain provisions in the Boustead Engagement Letter, the Fourth Tail Warrant will not contain piggyback registration rights and will not contain anti-dilution provisions for future stock issuances, etc., at a price or at prices below the exercise price per share, or provide for automatic exercise immediately prior to expiration. The Fourth Tail Warrant may be deemed to be compensation by the Financial Industry Regulatory Authority, Inc. (“FINRA”), and may be subject to limits on exercise under FINRA rules.

On July 30, 2024, Boustead’s rights to the Fourth Tail Warrant were assigned to an assignee. The Fourth Tail Warrant was consequently cancelled and a new warrant (the “Assigned Fourth Tail Warrant”) was issued to the assignee.

The Assigned Fourth Tail Warrant is filed as Exhibit 4.1 to this report, and the description above is qualified in its entirety by reference to the full text of such exhibit.

See “—Liquidity and Capital Resources – First Closing of Private Placement with Ionic Ventures, LLC”.

## Results of Operations

### Comparison of Three Months Ended June 30, 2024 and 2023

Operations Data	Three Months Ended	
	June 30, 2024	June 30, 2023
Revenues	\$ 92,966	\$ 74,912
Operating expenses		
Contract labor	121,730	48,083
General and administrative	754,963	497,713
Management compensation	942,810	850,173
Total operating expenses	1,819,503	1,395,969
Loss from operations	(1,726,537)	(1,321,057)
<b>Net loss</b>	<b>(1,726,537)</b>	<b>(1,321,057)</b>

Revenues. Our revenues increased 24.1% to approximately \$0.09 million for the three months ended June 30, 2024 from approximately \$0.07 million for the three months ended June 30, 2023. This increase was primarily due to an increase in revenues from the increased number of our Discord server paying subscribers during the three months ended June 30, 2024, including subscribers to our OptionsSwing server in November 2023, compared to such revenues for the three months ended June 30, 2023, which preceded the acquisition of our OptionsSwing server. There was no material difference in the Company’s subscription pricing structure between these periods.

Operating Expenses. Our total operating expenses increased 30.3% to approximately \$1.8 million for the three months ended June 30, 2024 from approximately \$1.4 million for the three months ended June 30, 2023. This increase was primarily due to an increase in advertising, marketing, payroll and other administrative expenses and administrative cost of public filings of approximately \$0.3 million and an increase in management compensation costs of approximately \$0.1 million for the three months ended June 30, 2024, compared to such costs for the three months ended June 30, 2023.

Loss From Operations. Our loss from operations increased 30.7% to approximately \$1.7 million for the three months ended June 30, 2024 from approximately \$1.3 million for the three months ended June 30, 2023. This increase was primarily due to an increase in advertising, marketing, payroll and other administrative expenses and administrative cost of public filings of approximately \$0.3 million and an increase in management compensation costs of approximately \$0.1 for the three months ended June 30, 2024, compared to such costs for the three months ended June 30, 2023.

Comparison of Six Months Ended June 30, 2024 and 2023

Operations Data	Six Months Ended	
	June 30, 2024	June 30, 2023
Revenues	\$ 217,807	\$ 136,047
Operating expenses		
Contract labor	248,869	84,664
General and administrative	1,277,002	843,654
Management compensation	1,805,377	1,600,037
Total operating expenses	3,331,248	2,528,355
Loss from operations	(3,113,441)	(2,392,308)
<b>Net loss</b>	<b>(3,113,441)</b>	<b>(2,392,308)</b>

**Revenues.** Our revenues increased 60.1% to approximately \$0.2 million for the six months ended June 30, 2024 from approximately \$0.1 million for the six months ended June 30, 2023. This increase was primarily due to an increase in revenues from the increased number of our Discord server paying subscribers during the six months ended June 30, 2024, including subscribers to our OptionsSwing server in November 2023, compared to such revenues for the six months ended June 30, 2023, which preceded the acquisition of our OptionsSwing server. There was no material difference in the Company's subscription pricing structure between these periods.

**Operating Expenses.** Our total operating expenses increased 31.8% to approximately \$3.3 million for the six months ended June 30, 2024 from approximately \$2.5 million for the six months ended June 30, 2023. This increase was primarily due to an increase in advertising, marketing, payroll and other administrative expenses and administrative cost of public filings of approximately \$0.5 million and an increase in management compensation costs of approximately \$0.2 million for the six months ended June 30, 2024, compared to such costs for the six months ended June 30, 2023.

**Loss From Operations.** Our loss from operations increased 30.1% to approximately \$3.1 million for the six months ended June 30, 2024 from approximately \$2.4 million for the six months ended June 30, 2023. This increase was primarily due to an increase in advertising, marketing, payroll and other administrative expenses and administrative cost of public filings of approximately \$0.5 million and an increase in management compensation costs of approximately \$0.2 for the six months ended June 30, 2024, compared to such costs for the six months ended June 30, 2023.

#### Liquidity and Capital Resources

As of June 30, 2024, we had an accumulated deficit of \$8,671,756. During the six months ended June 30, 2024 and 2023, we had a net loss of \$3,113,441 and \$2,392,308, respectively. To date, we have financed our operations primarily through capital raises and sales of our services. In April 2024, we filed a "shelf" registration statement, which the Company intends to use in connection with one or more new financings. In May 2024, the Company completed the first of a two-part private placement of its Series A Preferred Stock for gross proceeds of \$1.5 million, and in July 2024, the Company completed the second part of the private placement for an additional \$1.5 million in gross proceeds. Based on our existing cash resources and the cash expected to be received from new financings, it is expected that we will have sufficient funds to carry out our planned operations through June 30, 2025 and for at least 12 months beyond that period, including our costs associated with being a public reporting company. We may, however, in the future require additional cash resources due to changing business conditions, implementation of our strategy to expand our business, or other investments or acquisitions we may decide to pursue. If our own financial resources are insufficient to satisfy our capital requirements, we may seek to sell additional equity or debt securities or obtain additional credit facilities. The sale of additional equity securities could result in dilution to our stockholders. The incurrence of indebtedness would result in increased debt service obligations and could require us to agree to operating and financial covenants that would restrict our operations. Financing may not be available in amounts or on terms acceptable to us, if at all. Any failure by us to raise additional funds on terms favorable to us, or at all, could limit our ability to expand our business operations and could harm our overall business prospects.

## Summary of Cash Flow

The following table provides detailed information about our net cash flow for the six months ended June 30, 2024 and 2023.

	Six Months Ended June 30,	
	2024	2023
Net cash provided by (used in) operating activities	\$ (2,322,108)	\$ (1,966,045)
Net cash provided by (used in) investing activities	(214,761)	-
Net cash provided by (used in) financing activities	1,539,434	6,845,050
Net change in cash	(997,435)	4,879,005
Cash at beginning of period	2,924,323	137,177
Cash at end of period	\$ 1,926,888	\$ 5,016,182

Net cash used in operating activities was approximately \$2.3 million for the six months ended June 30, 2024, as compared to net cash used in operating activities of approximately \$2.0 million for the six months ended June 30, 2023. This increase was primarily due to an increase in net loss of approximately \$0.7 million, offset by an increase in stock grants to certain recipients under the Asset Entities Inc. 2022 Equity Incentive Plan valued at approximately \$0.7 million and an increase in accounts payable and accrued expenses for outstanding legal services fees and credit card payments to contractors of approximately \$0.3 million compared to such costs for the six months ended June 30, 2023.

Net cash provided used in investing activities was approximately \$0.2 million for the six months ended June 30, 2024, as compared to none for the six months ended June 30, 2023. This change was primarily due to the purchases of an intangible asset and property and equipment totaling approximately \$0.2 million during the six months ended June 30, 2024 compared to no such purchases for the six months ended June 30, 2023.

Net cash provided by financing activities was approximately \$1.5 million for the six months ended June 30, 2024, as compared to approximately \$6.8 million net cash provided by financing activities for the six months ended June 30, 2023. This change was primarily due to the reduced amount of proceeds from the Company's private placements during the six months ended June 30, 2024 compared to the proceeds received from its February 2023 initial public offering.

### Initial Public Offering and Underwriting Agreement

On February 2, 2023, the Company entered into the Underwriting Agreement between the Company and Boustead Securities, LLC, as representative of the underwriters named on Schedule 1 thereto (the "Underwriting Agreement"), relating to the Company's initial public offering of 1,500,000 shares of Class B Common Stock (the "IPO Shares"). Pursuant to the Underwriting Agreement, in exchange for Boustead's firm commitment to purchase the IPO Shares, the Company agreed to sell the IPO Shares to Boustead at a purchase price (the "IPO Price") of \$23.25 (93% of the public offering price per share of \$25.00, after deducting underwriting discounts and commissions and before deducting a 0.75% non-accountable expense allowance), and one or more warrants to purchase 7% of the aggregate number of shares of Class B Common Stock sold in the initial public offering, at an exercise price equal to 125% of the public offering price, subject to adjustment (the "Representative's Warrant").

On February 3, 2023, the IPO Shares and 300,000 outstanding shares of Class B Common Stock that were registered for resale as described below were listed and commenced trading on The Nasdaq Capital Market tier of Nasdaq.

The closing of the initial public offering took place on February 7, 2023. At the closing, the Company sold the IPO Shares for total gross proceeds of \$7,500,000. After deducting the underwriting discounts, commissions, non-accountable expense allowance, and other expenses from the initial public offering, the Company received net proceeds of approximately \$6.6 million. The Company also issued Boustead the Representative's Warrant exercisable for the purchase of 21,000 shares of Class B Common Stock at an exercise price of \$31.25 per share, subject to adjustment. The Representative's Warrant may be exercised by payment of cash or by a cashless exercise provision, and may be exercised at any time for five years following the date of issuance.

The IPO Shares were offered and sold, and the Representative's Warrant was issued, pursuant to the Company's Registration Statement on Form S-1 (File No. 333-267258), as amended, initially filed with the SEC on September 2, 2022, and declared effective by the SEC on February 2, 2023 (the "IPO Registration Statement"), and the final prospectus, dated February 2, 2023 (the "Final IPO Prospectus"), filed with the SEC on February 6, 2023 pursuant to Rule 424(b)(4) of the Securities Act. In addition, a total of 300,000 shares of Class B Common Stock were registered for resale by the selling stockholders named in the IPO Registration Statement, and a final prospectus relating to these shares, dated February 2, 2023 (the "Final Resale Prospectus"), was filed with the SEC on February 6, 2023 pursuant to Rule 424(b)(3) of the Securities Act. Any resales of these shares occurred at a fixed price of \$25.00 per share until the Class B Common Stock was listed on Nasdaq. Thereafter, these sales will occur at fixed prices, at market prices prevailing at the time of sale, at prices related to prevailing market prices, or at negotiated prices. The Company will not receive any proceeds from the resale of Class B Common Stock by the selling stockholders.

The IPO Registration Statement also registered for sale shares of Class B Common Stock with a maximum aggregate offering price of \$1,125,000 for an additional 45,000 shares of Class B Common Stock at the assumed public offering price of \$25.00 per share upon full exercise of the underwriters' over-allotment option; and up to an additional 3,150 shares of Class B Common Stock underlying the Representative's Warrant with a maximum aggregate offering price of \$98,437.50 at the assumed exercise price of \$31.25 per share assuming full exercise of the over-allotment option. The underwriters' over-allotment option expired unexercised. The Company has not received any proceeds from the exercise of the Representative's Warrant because it has not been exercised.

On April 4, 2023, Post-Effective Amendment No. 1 to the IPO Registration Statement (the "Post-Effective Amendment") was filed with the SEC and became effective on April 14, 2023. The Post-Effective Amendment was required to be filed to update the IPO Registration Statement to include, among other things, the information contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, which was filed with the SEC on March 31, 2023. The Post-Effective Amendment maintained the effectiveness of the IPO Registration Statement with respect to the sale of shares of common stock issuable upon exercise of the Representative's Warrant and the resale of the shares of common stock held by the selling stockholders. Updated prospectuses were included with the Post-Effective Amendment. The Post-Effective Amendment also incorporates by reference all documents subsequently filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act, prior to the termination of the offering described in the prospectuses included with the Post-Effective Amendment.

As stated in the IPO Registration Statement and the Final IPO Prospectus, the Company intended to use the net proceeds from the initial public offering for investment in corporate infrastructure, marketing and promotion of Discord communities, social campaigns, and the Company's "AE.360.DDM" service, expansion of the Company's "SiN" service, increasing staff and company personnel, and general working capital, operating, and other corporate expenses. As stated in the Post-Effective Amendment, the Company intended to use any proceeds from the exercise of the Representative's Warrant for working capital and general corporate purposes.

The following is the Company's reasonable estimate of the uses of the proceeds from the initial public offering from the date of the closing of the offering on February 7, 2023 through June 30, 2024:

- None was used for construction of plant, building and facilities;
- None was used for the purchase and installation of machinery and equipment;
- None was used for purchases of real estate;
- None was used for the acquisition of other businesses;
- None was used for the repayment of indebtedness;
- Approximately \$5.1 million was used for working capital; and
- None was used for temporary investments.

As of the date of this report, none of the proceeds from the initial public offering were used to make direct or indirect payments to any of the Company's directors or officers, any of their associates, any persons owning 10% or more of any class of the Company's equity securities, or any of our affiliates, or direct or indirect payments to any others other than for the direct costs of the offering.

There has not been, and the Company does not expect, any material change in the planned use of proceeds from the initial public offering as described in the IPO Registration Statement and the Final IPO Prospectus or any exercise of the Representative's Warrant, as described in the Post-Effective Amendment.



Pursuant to the Underwriting Agreement, as of February 3, 2023, we were subject to a lock-up agreement that provided that we may not, without the prior written consent of Boustead, for 12 months, subject to certain exceptions, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, change the terms of, or grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of capital stock of the Company or any securities convertible into or exercisable or exchangeable for shares of capital stock of the Company; (ii) file or cause to be filed any registration statement with the SEC relating to the offering of any shares of capital stock of the Company or any securities convertible into or exercisable or exchangeable for shares of capital stock of the Company (other than pursuant to a registration statement on Form S-8 for employee benefit plans); or (iii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of capital stock of the Company, whether any such transaction described in clause (i), (ii) or (iii) above is to be settled by delivery of shares of capital stock of the Company or such other securities, in cash or otherwise.

The Underwriting Agreement contains other customary representations, warranties and covenants by the Company, customary conditions to closing, indemnification obligations of the Company and Boustead, including for liabilities under the Securities Act, other obligations of the parties, and termination provisions. The representations, warranties and covenants contained in the Underwriting Agreement were made only for purposes of such agreement and as of specific dates, were solely for the benefit of the parties to such agreement, and may be subject to limitations agreed upon by the contracting parties. The Underwriting Agreement also provided that the engagement letter agreement between the Company and Boustead, dated November 29, 2021 (the “Boustead Engagement Letter”), will remain in full force and effect.

#### ***Engagement Letter with Boustead Securities, LLC***

The Boustead Engagement Letter expired on February 7, 2024. Following the expiration of the Boustead Engagement Letter, we must compensate Boustead with a cash fee equal to 7% and non-accountable expense allowance equal to 1% of the gross proceeds received by the Company from the sale of securities in an investment transaction, or up to 10% of the gross proceeds from certain other merger, acquisition, or joint venture, strategic alliance, license, research and development, or other similar transactions, with a party, including any investor in a private placement in which Boustead served as placement agent or in the initial public offering, or who became aware of the Company or who became known to the Company prior to the termination or expiration of the Boustead Engagement Letter, including any Company officers, directors, employees, consultants, advisors, stockholders, members, or partners, for such transactions that occur during the 12-month period following the expiration of the Boustead Engagement Letter, as described further below (the “Tail Rights”).

The Boustead Engagement Letter also provided Boustead a right of first refusal (the “Right of First Refusal”) for two years following the expiration of the Boustead Engagement Letter to act as financial advisor, lead managing underwriter, book runner, placement agent, or to act as joint advisor, managing underwriter, book runner, or placement agent on at least equal economic terms, on any public or private financing (debt or equity), merger, business combination, recapitalization or sale of some or all of the equity or assets of the Company. In the event that we engage Boustead to provide such services, Boustead will be compensated consistent with the Boustead Engagement Letter, as described below, unless we mutually agree otherwise.

Under the Boustead Engagement Letter, in connection with a transaction as to which Boustead duly exercises the Right of First Refusal or is entitled to the Tail Rights, Boustead shall receive compensation as follows:

- other than normal course of business activities, as to any sale, merger, acquisition, joint venture, strategic alliance, license, research and development, or other similar agreements, Boustead will accrue compensation under a percentage fee of the Aggregate Consideration (as defined in the Boustead Engagement Letter) calculated as follows:
  - 10.0% for Aggregate Consideration of less than \$10,000,000; plus
  - 8.0% for Aggregate Consideration between \$10,000,000 - \$25,000,000; plus
  - 6.0% for Aggregate Consideration between \$25,000,001 - \$50,000,000; plus
  - 4.0% for Aggregate Consideration between \$50,000,001 - \$75,000,000; plus
  - 2.0% for Aggregate Consideration between \$75,000,001 - \$100,000,000; plus
  - 1.0% for Aggregate Consideration above \$100,000,000;
- for any investment transaction including any common stock, preferred stock, ordinary shares, convertible stock, limited liability company or limited partnership memberships, debt, convertible debentures, convertible debt, debt with warrants, stock warrants, stock options (excluding issuances to Company employees), stock purchase rights, or any other securities convertible into common stock, any form of debt instrument involving any form of equity participation, and including the conversion or exercise of any securities sold in any transaction, Boustead shall receive upon each investment transaction closing a success fee, payable in (i) cash, equal to 7% of the gross amount to be disbursed to the Company from each such investment transaction closing, plus (ii) a non-accountable expense allowance equal to 1% of the gross amount to be disbursed to the Company from each such investment transaction closing, plus (iii) warrants equal to 7% of the gross amount to be disbursed to the Company from each such investment transaction closing, including shares issuable upon conversion or exercise of the securities sold in any transaction, and in the event that warrants or other rights are issued in the investment transaction, 7% of the shares issuable upon exercise of the warrants or other rights, and in the event of a debt or convertible debt financing, warrants to purchase an amount of Company stock equal to the 7% of the gross amount or facility received by the Company in a debt financing divided by the warrant exercise share. The warrant exercise price will be the lower of: (i) the fair market value price per share of the Company’s common stock as of each such financing closing date; (ii) the price per share paid by investors in each respective financing; (iii) in the event that convertible securities are sold in the financing, the conversion price of such securities; or (iv) in the event that warrants or other rights are issued in the financing, the exercise price of such warrants or other rights;

- any such warrants will be transferable in accordance with FINRA rules and SEC regulations, exercisable from the date of issuance and for a term of five years, contain cashless exercise provisions, be non-callable and non-cancelable with immediate piggy-back registration rights, have customary anti-dilution provisions and any future stock issuances, etc., at a price(s) below the exercise price per share, at terms no less favorable than the terms of any warrants issued to participants in the related transaction, and provide for automatic exercise immediately prior to expiration; and
- reasonable out-of-pocket expenses in connection with the performance of its services, regardless of whether a transaction occurs.

The Boustead Engagement Letter contains other customary representations, warranties and covenants by the Company, customary conditions to closing, indemnification obligations of the Company and Boustead, including for liabilities under the Securities Act, other obligations of the parties, and termination provisions. The representations, warranties and covenants contained in the Boustead Engagement Letter were made only for purposes of such agreement and as of specific dates, were solely for the benefit of the parties to such agreement, and may be subject to limitations agreed upon by the contracting parties.

#### ***Private Placements with Triton Funds LP***

Under a Closing Agreement, dated as of June 30, 2023 (the “Triton Closing Agreement”), between the Company and Triton Funds LP, a Delaware limited partnership (“Triton”), the Company agreed to sell to Triton, at its option, shares of Class B Common Stock having an aggregate value of \$1,000,000 (“Triton Shares”), pursuant to a registration statement to be filed and made effective for the resale of the Triton Shares. Subject to the terms of the Triton Closing Agreement, the Company was provided a right to deliver a closing notice (the “Triton Closing Notice”) and issue the Triton Shares to Triton at any time before September 30, 2023, pursuant to which Triton had agreed to purchase the Triton Shares for \$1,000,000 before deducting a \$25,000 administrative fee. The price of each of the Triton Shares was agreed to be 85% of the lowest daily volume-weighted average price of the Class B Common Stock during the five business days prior to the closing of the purchase of the Triton Shares (the “Triton Closing”). The Triton Closing was required to occur within five business days after the Triton Shares were received by Triton. Triton’s obligation to purchase the Triton Shares was conditioned on the effectiveness of a registration statement covering the resale of the Triton Shares and Triton’s ownership not exceeding 9.99% of the Class B Common Stock outstanding as of June 30, 2023.

The Triton Closing Agreement contained additional requirements, including that the Company maintain the listing of the Class B Common Stock on the primary market on which the Class B Common Stock is listed and provide notice to Triton of certain events affecting registration or that may suspend its right to submit the Triton Closing Notice. The Company also agreed to provide indemnification against liabilities relating to misrepresentations, breaches of obligations, and third-party claims relating to the Triton Closing Agreement, with certain exceptions. The Triton Closing Agreement provided that it would expire either upon the Triton Closing or September 30, 2023.

Under an Amended and Restated Closing Agreement, dated as of August 1, 2023, between the Company and Triton (the “Triton Amended and Restated Closing Agreement”), the Closing Agreement was amended and restated to provide that, subject to its terms and conditions, the Company may deliver a Triton Closing Notice and issue certain securities to Triton at any time on or before September 30, 2023, pursuant to which Triton would be required to purchase such securities of the Company with an aggregate gross purchase price of \$1,000,000 in the following manner. Upon delivery of a Triton Closing Notice and the issuance and delivery of securities as described below, Triton would purchase Triton Shares in an amount equal to up to 9.99% of the outstanding shares of Class B Common Stock following such purchase, pre-funded warrants (“Triton Pre-Funded Warrants” and together with Triton Shares, “Triton Securities”) that may be exercised to purchase an amount of newly-issued shares of Class B Common Stock (“Triton Warrant Shares”), or both Triton Shares and Triton Pre-Funded Warrants, such that the aggregate price of the Triton Shares and the Triton Pre-Funded Warrants together with the exercise price to be paid upon full exercise of the Triton Pre-Funded Warrants was required to equal a total gross purchase price of \$1,000,000. Any proceeds under the Triton Amended and Restated Closing Agreement must be reduced by a \$25,000 administrative fee. The Triton Amended and Restated Closing Agreement also provided that it would expire either upon the date that Triton paid the required purchase price after receiving a Triton Closing Notice, or September 30, 2023. The terms of the price of the Triton Securities and the required date of the Triton Closing were not amended, except that if Triton elected to purchase Triton Pre-Funded Warrants in lieu of Triton Shares, then the purchase price per Triton Pre-Funded Warrant acquired would be reduced by \$0.01 with such \$0.01 being the exercise price of the Triton Pre-Funded Warrant.

The Triton Amended and Restated Closing Agreement provided that Triton's obligation to purchase the Triton Securities was subject to certain conditions. These conditions included the filing and effectiveness of the required registration statement for the resale of the Triton Securities. In addition, the Class B Common Stock was required to remain listed on The Nasdaq Capital Market tier of Nasdaq, and the issuance of the Triton Securities was required to not violate any requirements of Nasdaq. Triton's purchase requirement was also subject to provisions that prevented Triton from acquiring shares of Class B Common Stock at the time of any sale of the Triton Securities or exercise of the Triton Pre-Funded Warrants that would result in the number of shares beneficially owned by Triton and its affiliates exceeding 9.99% of the total number of shares of Class B Common Stock outstanding immediately after giving effect to the issuance of the shares under the Triton Amended and Restated Closing Agreement or the Triton Pre-Funded Warrants (the "Triton Beneficial Ownership Limitation"). The Triton Amended and Restated Closing Agreement provided for the issuance of the Triton Pre-Funded Warrants in lieu of issuance of some or all the Triton Shares, with an exercise price of \$0.01 per share and with no expiration date, if, in Triton's sole discretion, it would otherwise exceed the Triton Beneficial Ownership Limitation, or otherwise upon Triton's election. For each of the Triton Shares that Triton instead elected to be issuable as Triton Warrant Shares, the number of Triton Shares that we were required to issue to Triton at the time of any sale of the Triton Securities was required to be decreased on a one-for-one basis. We were also required to provide indemnification against liabilities relating to misrepresentations, breaches of obligations, and third-party claims relating to the Triton Amended and Restated Closing Agreement, with certain exceptions.

In connection with the Triton Amended and Restated Closing Agreement, pursuant to the Boustead Engagement Letter, upon a closing under the Triton Amended and Restated Closing Agreement, the Company must pay Boustead a cash fee equal to 7% of the gross proceeds to be received from such closing and pay Boustead a non-accountable expense allowance equal to 1% of the gross proceeds to be received from such closing. The Company must also issue Boustead a warrant with respect to any Triton Shares exercisable for a number of shares of Class B Common Stock equal to 7% of the number of the Triton Shares at an exercise price equal to the price per share for the Triton Shares, and a warrant with respect to the issuance of any Triton Pre-Funded Warrants exercisable for a number of shares of Class B Common Stock equal to 7% of the Triton Warrant Shares at an exercise price equal to \$0.01 per share (any such warrant, a "Tail Warrant"). Each Tail Warrant must be exercisable for a period of five years and contain cashless exercise provisions. The Company also must reimburse Boustead for all reasonable invoiced out-of-pocket expenses in connection with its performance of any services relating to the Triton Amended and Restated Closing Agreement, regardless of whether a sale under the Triton Amended and Restated Closing Agreement occurred. For further discussion of the Boustead Engagement Letter, see "*—Engagement Letter with Boustead Securities, LLC*".

On August 18, 2023, the Company filed a Registration Statement on Form S-1 (File No. 333-274079) to register the offer and sale of the Triton Securities in an amount of up to 177,000 shares of Class B Common Stock consisting of Triton Shares and Triton Warrant Shares. The registration statement also registered the offer and sale of up to 12,390 shares of Class B Common Stock under Tail Warrants. The registration statement was declared effective by the SEC on September 6, 2023.

Under an Amendment to Triton Amended and Restated Closing Agreement (the "First Triton Amendment"), dated as of September 27, 2023, the Company and Triton agreed to amend the Triton Amended and Restated Closing Agreement (as amended, the "Amended A&R Closing Agreement") to provide that the Amended A&R Closing Agreement would expire on December 30, 2023 instead of September 30, 2023; to provide that up to an aggregate value of \$1,000,000 of the Class B Common Stock, based on the purchase price formula described above, may be sold and purchased pursuant to a Triton Closing Notice; and to amend the form of Triton Closing Notice to provide for a specific number of shares that may be sold to Triton under the Amended A&R Closing Agreement. The First Triton Amendment did not amend any of the other provisions of the Triton Amended and Restated Closing Agreement.

As an incentive to Triton to enter into the First Triton Amendment and agree to the extension of the term under the Amended A&R Closing Agreement to December 30, 2023, the Company indicated to Triton that it would deliver a Triton Closing Notice under the Amended A&R Closing Agreement to sell a number of shares of Class B Common Stock equal to approximately 4.9% of the outstanding shares of Class B Common Stock prior to the sale. Therefore, on September 29, 2023, under the Amended A&R Closing Agreement, the Company delivered a Triton Closing Notice to Triton (the “First Triton Closing Notice”) for the purchase of 52,682 Triton Shares (the “First Triton Shares”), which was the amount of shares of Class B Common Stock equal to approximately 4.9% of the shares of Class B Common Stock outstanding on that date. Pursuant to the Amended A&R Closing Agreement, the closing date for this purchase was required to take place within five business days after the Triton Shares were delivered to Triton. On the date of this Triton Closing (the “First Triton Closing”), Triton was required to pay the Company a purchase price per share equal to 85% of the lowest daily volume-weighted average price of the Class B Common Stock during the five business days prior to the date of the First Triton Closing, the proceeds of which would be reduced by the \$25,000 administrative fee, in accordance with the terms of the Amended A&R Closing Agreement.

On October 4, 2023, the First Triton Shares were received by Triton. Pursuant to the Amended A&R Closing Agreement, on the fifth business day following the day that the First Triton Shares were received, Triton was required to pay the Company approximately \$45,841, based on a price per share of \$1.3447, equal to 85% of \$1.582, the lowest daily volume-weighted average price of the Class B Common Stock during the five-business-day period ending October 11, 2023, less the \$25,000 administrative fee. The Company received payment of this amount on October 13, 2023.

In connection with the First Triton Closing, pursuant to the Boustead Engagement Letter and the Underwriting Agreement, the Company was required to pay Boustead a fee equal to 7% of the aggregate purchase price, and non-accountable expense allowance equal to 1% of the aggregate purchase price for the First Triton Shares. In addition, the Company issued a Tail Warrant (the “First Tail Warrant”) to Boustead for the purchase of 3,688 shares of Class B Common Stock, equal to 7% of the number of the First Triton Shares, with an exercise price of \$1.3447 per share, equal to the purchase price per share of the First Triton Shares. The First Tail Warrant is exercisable for a period of five years and contains cashless exercise provisions.

Under a Second Amendment to Triton Amended and Restated Closing Agreement (the “Second Triton Amendment”), dated as of December 30, 2023, the Company and Triton agreed to amend the Amended A&R Closing Agreement to provide that the Amended A&R Closing Agreement would expire on March 31, 2024, instead of December 30, 2023. The Second Triton Amendment did not amend any of the other provisions of the Amended A&R Closing Agreement.

Under a Third Amendment to Amended and Restated Closing Agreement (the “Third Triton Amendment”), dated as of March 29, 2024, the Company and Triton agreed to amend the Amended A&R Closing Agreement to provide that the Amended A&R Closing Agreement would expire on April 30, 2024, instead of March 31, 2024. The Third Triton Amendment did not amend any of the other provisions of the Amended A&R Closing Agreement.

Pursuant to the Amended A&R Closing Agreement, as amended by each of the Second Triton Amendment and the Third Triton Amendment, on March 27, 2024, the Company delivered a Triton Closing Notice to Triton informing Triton that the Company had elected to exercise its right to sell Triton 124,318 Triton Shares (the “Second Triton Shares”). The price of each of the Second Triton Shares was required to be 85% of the lowest daily volume-weighted average price of the Class B Common Stock during the five business days prior to the Triton Closing for the sale of the Second Triton Shares (the “Second Triton Closing”), and the Second Triton Closing was required to occur within five business days after the date that the Second Triton Shares were received by Triton.

On April 10, 2024, the date of the Second Triton Closing, the price of the Second Triton Shares was determined to be \$1.70 per share based on the lowest daily volume-weighted average price of the Class B Common Stock during the five business days prior to the Second Triton Closing. On April 17, 2024, the Company received gross proceeds of \$211,341.

In connection with the Second Triton Closing, pursuant to the Boustead Engagement Letter and the Underwriting Agreement, the Company paid Boustead, as placement agent compensation, a fee equal to 7% of the aggregate purchase price and a non-accountable expense allowance equal to 1% of the aggregate purchase price for the Second Triton Shares. In addition, the Company issued a Tail Warrant (the “Second Tail Warrant”) to Boustead for the purchase of 8,702 shares of Class B Common Stock, equal to 7% of the number of the Second Triton Shares, with an exercise price of \$1.70 per share, equal to the purchase price per share of the Second Triton Shares. The Second Tail Warrant is exercisable for a period of five years and contains cashless exercise provisions.

The Triton Closing Agreement, the Triton Amended and Restated Closing Agreement, the First Triton Amendment, the Second Triton Amendment, the Third Triton Amendment, the form of the Triton Pre-Funded Warrant, and the form of the First Tail Warrant and Second Tail Warrant are filed as Exhibit 10.25, Exhibit 10.26, Exhibit 10.27, Exhibit 10.30, Exhibit 10.32, Exhibit 4.6, and Exhibit 4.7 to the 2023 Annual Report, respectively, and the description above is qualified in its entirety by reference to the full text of such exhibits.

### ***TommyBoyTV Asset Purchase Agreement***

Under an Asset Purchase Agreement (the “Asset Purchase Agreement”), dated as of June 21, 2024, among the Company, TommyBoyTV, LLC (the “Seller”), and Tomas Cvercko, the owner of all of the membership interests of Seller (the “Member”), the Company agreed to purchase all of the Seller’s right, title, and interest in and to substantially all of the assets and properties owned by the Seller and used in connection with its business of Discord development, social media, online community management, marketing, and analytics for the payment of \$200,000 in cash (the “Cash Consideration”), the issuance of 5,000 shares of Class B Common Stock (the “Stock Consideration”), and other good and valuable consideration as described herein.

Pursuant to the Asset Purchase Agreement, on June 21, 2024, the Company paid the Seller \$200,000 and issued the Stock Consideration to the Member, and the Seller and the Member delivered title to all of the assets of the Seller. The Stock Consideration vested immediately upon issuance.

Pursuant to the Asset Purchase Agreement, the Company agreed to assume certain liabilities including the obligations, duties and liabilities with respect to the contracts used in conducting or relating to the business of the Seller and other specified assets, in each case only to the extent arising from and after June 21, 2024. These assumed liabilities also exclude any obligations arising from the Seller’s breach or default before June 21, 2024.

The Asset Purchase Agreement also contains mutual indemnification provisions with respect to breaches of representations and warranties as well as to certain third-party claims, and indemnification by the Company of the Seller and the Member with respect to certain damages with respect to the assumed liabilities and certain other liabilities asserted by a third party arising after June 21, 2024. In the case of indemnification provided with respect to breaches of certain non-fundamental representations and warranties, the indemnifying party will only become liable for indemnified losses to the extent that the amount exceeds an aggregate threshold of \$25,000. However, this threshold limitation does not apply to claims by the Company for breaches by the Seller or the Member of certain fundamental representations and warranties. In addition, the Company’s aggregate remedy with respect to any and all indemnifiable losses may in no event exceed the purchase price, consisting of the Cash Consideration.

### ***First Closing of Private Placement with Ionic Ventures, LLC***

Under the Ionic Purchase Agreement, the Company agreed to the issuance and sale of up to 330 shares of the Company’s newly designated Series A Convertible Preferred Stock, \$0.0001 par value per share (the “Series A Preferred Stock”), for maximum gross proceeds of \$3,000,000. The shares of the Series A Preferred Stock are convertible into shares of Class B Common Stock. Pursuant to the Ionic Purchase Agreement, the Company is required to issue and sell 165 shares of Series A Preferred Stock at each of two closings subject to the satisfaction of the terms and conditions for each closing. The first closing (the “First Closing”) occurred on May 24, 2024 for the issuance and sale of 165 shares of Series A Preferred Stock for gross proceeds of \$1,500,000. The second closing (the “Second Closing”), for the issuance and sale of 165 shares of Series A Preferred Stock for gross proceeds of \$1,500,000, was required to occur on the first business day on which the conditions specified in the Ionic Purchase Agreement for the Second Closing were satisfied or waived, including the filing and effectiveness of the First Registration Statement (as defined below) and the effectiveness of the Stockholder Approval (as defined below).

### ***Registration Rights Agreement***

In connection with the Ionic Purchase Agreement, the Company agreed to provide certain registration rights to Ionic, pursuant to the Registration Rights Agreement, dated as of May 24, 2024, between the Company and Ionic (the “Ionic Registration Rights Agreement”). The Ionic Registration Rights Agreement provides for the registration for resale of any and all shares of Class B Common Stock issuable to Ionic with respect to the shares of Series A Preferred Stock under the Ionic Purchase Agreement (the “Registrable Conversion Shares”). Within the later of 15 calendar days of the First Closing or May 24, 2024, the Company was required to file a registration statement (the “First Registration Statement”) for the offer and resale of the maximum number of Registrable Conversion Shares permitted to be covered in accordance with applicable SEC rules, regulations and interpretations. The First Registration Statement was required to be declared effective within 45 days of the First Closing, or 90 days if the First Registration Statement received a review. Pursuant to these requirements, a Registration Statement on Form S-1 (File No. 333-280020) was originally filed by the Company with the SEC on June 7, 2024 to register the offer and resale of the maximum number of Registrable Conversion Shares permitted to be covered in accordance with applicable SEC rules, regulations and interpretations, and was declared effective by the SEC on July 24, 2024.

If an additional registration statement must be filed to cover the resale of Registrable Conversion Shares that were not permitted to be included in the First Registration Statement in accordance with applicable SEC rules, regulations and interpretations, the Company must file an additional registration statement (the “Second Registration Statement”) within 15 days of the Second Closing for the maximum number of Registrable Conversion Shares permitted to be covered in accordance with applicable SEC rules, regulations and interpretations. The Second Registration Statement must be declared effective within 45 days of the Second Closing, or 90 days if the Second Registration Statement receives a review.

In the event the number of shares of Class B Common Stock available under the First Registration Statement and the Second Registration Statement is insufficient to cover all of the Registrable Conversion Shares, the Company will be required to file at least one additional registration statement (each of such additional registration statement, the First Registration Statement, and the Second Registration Statement, and collectively, the “Registration Statement”) within 14 days of the date that the necessity arises and that such additional Registration Statement may be filed under SEC rules to cover such Registrable Conversion Shares up to the maximum permitted to be covered under SEC rules, which must be made effective within 45 days of such date, or 90 days if such additional Registration Statement receives a review. Any failure to meet the filing deadline for either the First Registration Statement or the Second Registration Statement (“Filing Failure”) would have resulted in liquidated damages of 20,000 shares of Class B Common Stock. Any failure to meet the effectiveness deadline for any Registration Statement (“Effectiveness Failure”) will result in liquidated damages of 20,000 shares of Class B Common Stock. Each of the shares issuable upon a Filing Failure or an Effectiveness Failure must also be covered by a Registration Statement to the same extent as the Registrable Conversion Shares. The Company will be required to use its best efforts to keep each Registration Statement effective until all such shares of Class B Common Stock are sold or may be sold without restriction pursuant to Rule 144 under the Securities Act (“Rule 144”), and without the requirement for us to be in compliance with the current public information requirement under Rule 144.

The form of the Registration Rights Agreement is filed as Exhibit 10.4 to this report, and the description above is qualified in its entirety by reference to the full text of such exhibit.

*Terms of Series A Convertible Preferred Stock under Certificate of Designation and Securities Purchase Agreement*

Pursuant to the Ionic Purchase Agreement, on May 24, 2024, the Company filed a Certificate of Designation of Series A Convertible Preferred Stock of the Company with the Secretary of State of the State of Nevada (the “Initial Certificate of Designation”), as amended by the Certificate of Amendment to Designation (the “Designation Amendment”) filed with the Secretary of State of the State of Nevada on June 14, 2024 (as amended, the “Certificate of Designation”), designating 660 shares of the Company’s preferred stock as “Series A Convertible Preferred Stock,” and setting forth the voting and other powers, preferences and relative, participating, optional or other rights of the Series A Preferred Stock. Each share of Series A Preferred Stock has an initial stated value (“Stated Value”) of \$10,000 per share.

The Series A Preferred Stock ranks senior to all other capital stock of the Company with respect to the payment of dividends, distributions and payments upon the liquidation, dissolution and winding up of the Company, unless the holders of the majority of the outstanding shares of Series A Preferred Stock consent to the creation of other capital stock of the Company that is senior or equal in rank to the Series A Preferred Stock.

Holders of Series A Preferred Stock will be entitled to receive cumulative dividends, in shares of Class B Common Stock (or cash at the Company’s option) on the Stated Value at an annual rate of 6% (which will increase to 12% if a Triggering Event (as defined in the Certificate of Designation) occurs until such Triggering Event, if curable, is cured). Dividends will be payable upon conversion or redemption of the Series A Preferred Stock.

Holders of Series A Preferred Stock will be entitled to convert shares of Series A Preferred Stock into a number of shares of Class B Common Stock determined by dividing the Stated Value of such shares (plus any accrued but unpaid dividends and other amounts due, unless paid by the Company in cash) by the conversion price of the Series A Preferred Stock (the “Conversion Price”). The initial Conversion Price is \$3.75, subject to adjustment including adjustments due to full-ratchet anti-dilution provisions. Holders may elect to convert shares of Series A Preferred Stock to Class B Common Stock at an alternate Conversion Price equal to 85% (or 70% if the Company’s Class B Common Stock is suspended from trading on or delisted from a principal trading market or upon occurrence of a Triggering Event) of the average lowest daily volume weighted average price of the Class B Common Stock during the Alternate Conversion Measuring Period (as defined in the Certificate of Designation).

A holder of Series A Preferred Stock may not convert the Series A Preferred Stock into Class B Common Stock to the extent that such conversion would cause such holder's beneficial ownership of Class B Common Stock to exceed 4.99% of the outstanding Class B Common Stock immediately after conversion, which may be increased by the holder to up to 9.99% upon no fewer than 61 days' prior notice (the "Series A Beneficial Ownership Limitation"). In addition, if a conversion would result in the issuance of an amount of shares of Class B Common Stock exceeding 19.99% of the Company's outstanding common stock, which number of shares would be reduced, on a share-for-share basis, by the number of shares of common stock issued or issuable pursuant to any transaction or series of transactions that may be aggregated with the transactions contemplated by the Certificate of Designation under applicable rules of Nasdaq, including Nasdaq Listing Rule 5635(d) (such amount, the "Exchange Limitation"), the Conversion Price would be required to be at least equal to the price (the "Minimum Price") that would be the lower of the last closing price of the stock immediately preceding the signing of the related binding agreement and the average closing price for the five Trading Days (as defined below) immediately preceding the signing of the related binding agreement, before the effectiveness of the approval of such number of the holders of the outstanding shares of the Company's voting securities as required by the Bylaws of the Company (the "Bylaws") and the Nevada Revised Statutes ("NRS"), to ratify and approve all of the transactions contemplated by the Transaction Documents (as defined in the Ionic Purchase Agreement), including the issuance of all of the shares of Series A Preferred Stock and shares of Class B Common Stock upon conversion of the shares of Series A Preferred Stock, all as may be required by the applicable rules and regulations of The Nasdaq Capital Market tier of Nasdaq (or any successor entity) (the "Stockholder Approval"). The Ionic Purchase Agreement requires that the Company obtain the Stockholder Approval by the prior written consent of the requisite stockholders to obtain the approval of such number of the holders of the outstanding shares of the Company's voting securities as required by the Bylaws and the NRS, to ratify and approve all of the transactions contemplated by the Transaction Documents, including the issuance of all of the shares of Series A Preferred Stock and shares of Class B Common Stock issuable upon conversion of such shares pursuant to the Ionic Purchase Agreement, all as may be required by the applicable rules and regulations of The Nasdaq Capital Market tier of Nasdaq (or any successor entity). The Conversion Price also may not be lower than a separate floor price (the "Floor Price") of \$0.4275 per share. The Series A Preferred Stock also may not be converted except to the extent that the shares of Class B Common Stock issuable upon such conversion may be resold pursuant to Rule 144 or an effective and available registration statement.

The Ionic Purchase Agreement and the Certificate of Designation require that the Company file a Preliminary Information Statement on Schedule 14C with the SEC within 10 days of the date of the First Closing followed by the filing of a Definitive Information Statement on Schedule 14C with the SEC within 20 days of the date of the First Closing, or within 45 days of the date of the First Closing if delayed due to a court or regulatory agency, including but not limited to the SEC, which shall disclose the Stockholder Approval. In accordance with the rules of the SEC, the Stockholder Approval will become effective 20 days after the Definitive Information Statement is sent or given in accordance with SEC rules. Prior to such date of effectiveness, if the number of shares of Class B Common Stock subject to a conversion would exceed the Exchange Limitation prior to the date of the effectiveness of the Stockholder Approval, and the Conversion Price for such conversion would otherwise be lower than the Minimum Price or the Floor Price, then, upon any conversion of shares of Series A Preferred Stock, the Stated Value will automatically be increased by an amount equal to the product obtained by multiplying (A) the higher of (I) the highest price that the Class B Common Stock trades at on the Trading Day immediately preceding the conversion date and (II) the applicable Conversion Price and (B) the difference obtained by subtracting (I) the number of shares of Class B Common Stock delivered (or to be delivered) to the holder on the applicable conversion date with respect to such conversion of Series A Preferred Stock from (II) the quotient obtained by dividing (x) the applicable value of the Series A Preferred Stock being converted that the holder has elected to be the subject of the applicable conversion of Series A Preferred Stock, by (y) the applicable Conversion Price.

In accordance with the requirements and provisions described above, on May 24, 2024, the Company obtained the Stockholder Approval by execution of a written consent in lieu of a special meeting of a majority of the voting power of the stockholders of the Company approving a resolution approving the issuance of Class B Common Stock in aggregate in excess of the limitations provided by Nasdaq Listing Rule 5635(d), including that an amount of shares of Class B Common Stock equal to or greater than 20% of the total common stock or voting power outstanding on the date of the Certificate of Designation may be issued pursuant to the Certificate of Designation at a price that may be less than the Minimum Price. On May 31, 2024, the Company filed a Preliminary Information Statement on Schedule 14C with the SEC. On June 13, 2024, the Company filed a Definitive Information Statement on Schedule 14C with the SEC disclosing the Stockholder Approval. As of the 20<sup>th</sup> day following actions meeting these and other applicable requirements, the Company will be permitted to issue more than the limited number of shares as defined by the Exchange Limitation, at a Conversion Price that may be below the Minimum Price.

Under the Ionic Purchase Agreement, if the closing price of the Class B Common Stock falls below \$3.75 per share, the holder's total sales of Class B Common Stock will be restricted. The holder may only sell either the greater of \$25,000 per Trading Day or 15% of the daily trading volume of the Class B Common Stock reported by Bloomberg, LP, until the closing price exceeds \$3.75. "Trading Day" is defined as a day on which the principal trading market for the Class B Common Stock is open for trading for at least six hours.

In addition, while any of the shares of Series A Preferred Stock are outstanding, if the closing price of the Class B Common Stock is equal to or less than \$0.4275 per share for a period of ten consecutive Trading Days, then the Company will promptly take all corporate action necessary to authorize a reverse stock split of the Class B Common Stock by a ratio equal to or greater than 300% of the quotient obtained by dividing \$0.4275 by the lowest closing price of the Class B Common Stock during such ten-Trading Day period, including calling a special meeting of stockholders to authorize such reverse stock split or obtaining written consent for such reverse stock split, and voting the management shares of the Company in favor of such reverse stock split.

The Series A Preferred Stock will automatically convert to Class B Common Stock upon the 24-month anniversary of the initial issuance date of the Series A Preferred Stock.

The Company will have the right at any time to redeem all or any portion of the Series A Preferred Stock then outstanding at a price equal to 110% of the Stated Value plus any accrued but unpaid dividends and other amounts due.

Holders of the Series A Preferred Stock will generally have the right to vote on an as-converted basis with the Class B Common Stock, subject to the Series A Beneficial Ownership Limitation.

The Company may not sell securities in a financing transaction while Ionic beneficially owns any of the Series A Preferred Stock or the common stock until the end of the 30-day period following the initial date of the effectiveness of the First Registration Statement or during any Alternate Conversion Measuring Period. In addition, the Company may not file any other registration statement or any offering statement under the Securities Act, other than a registration statement on Form S-8 or supplements or amendments to registration statements that were filed and effective as of the date of the Ionic Purchase Agreement, unless each Registration Statement is effective and the respective prospectus is available for use, or the shares of Series A Preferred Stock and underlying shares of Class B Common Stock that must be included in each Registration Statement under the Ionic Registration Rights Agreement may be resold without limitation under Rule 144.

The Initial Certificate of Designation, the Designation Amendment, and the form of the Ionic Purchase Agreement are filed as Exhibit 3.3, Exhibit 3.4, and Exhibit 10.3 to this report, respectively, and the description above is qualified in its entirety by reference to the full text of such exhibits.

See "*Recent Developments – Second Closing of Private Placement with Ionic Ventures, LLC*" for related recent developments.

#### *Compensation to Boustead Securities, LLC*

In connection with each closing under the Ionic Purchase Agreement, pursuant to the Boustead Engagement Letter (as defined in "*Liquidity and Capital Resources – Initial Public Offering and Underwriting Agreement*") and the Underwriting Agreement (as defined in "*Liquidity and Capital Resources – Initial Public Offering and Underwriting Agreement*"), the Company was required to pay Boustead Securities, LLC, a registered broker-dealer ("Boustead"), a fee equal to 7% of the aggregate purchase price and a non-accountable expense allowance equal to 1% of the aggregate purchase price for the Series A Preferred Stock. On the date of each of the First Closing, we therefore paid Boustead a total amount of \$120,000. In addition, the Company was required to issue a warrant to Boustead for the purchase of 30,800 shares of Class B Common Stock, equal to 7% of the number of shares of Class B Common Stock that may be issued upon conversion of the shares of Series A Preferred Stock sold at the First Closing at the initial Conversion Price of \$3.75 per share (the "Third Tail Warrant"). The Third Tail Warrant has an exercise price of \$3.75 per share. In addition, we are required to issue 1,400 shares of Class B Common Stock to Boustead upon the occurrence of each Effectiveness Failure. Notwithstanding certain provisions in the Boustead Engagement Letter, the Third Tail Warrant will not contain piggyback registration rights and will not contain anti-dilution provisions for future stock issuances, etc., at a price or at prices below the exercise price per share, or provide for automatic exercise immediately prior to expiration. The Third Tail Warrant may be deemed to be compensation by FINRA, and may be subject to limits on exercise under FINRA rules.

The Third Tail Warrant is filed as Exhibit 4.2 to this report, and the description above is qualified in its entirety by reference to the full text of such exhibit.



## **Contractual Obligations**

During the six months ended June 30, 2024 and 2023, we had no significant cash requirements for capital expenditures or other cash needs under any contractual or other obligations, except as follows.

### ***Lease Agreements***

Under an Office Agreement, dated as of January 25, 2022, between the Company and Regus Management Group, LLC (“Regus Management”), the Company leased an office located at 100 Crescent Court, 7<sup>th</sup> Floor, Dallas, Texas 75201, for a daily payment of \$32.82. The term of the lease was from February 1, 2022 to January 31, 2023.

Under an Office Agreement, dated as of May 4, 2022, between the Company and Regus Management, the Company leased an office located at 100 Crescent Court, 7<sup>th</sup> Floor, Dallas, Texas 75201, for a daily payment of \$44.63. The term of the lease was from June 1, 2022 to May 31, 2023.

Under a Renewal Agreement, dated as of October 10, 2022, between the Company and Regus Management, the Company leased an office located at 100 Crescent Court, 7<sup>th</sup> Floor, Dallas, Texas 75201, for a monthly payment of \$1,085. The term of the lease was from February 1, 2023 to January 31, 2024.

Under an Office Move Agreement, dated as of March 3, 2023, between the Company and Regus Management, the Company transferred an office lease to a different office located at 100 Crescent Court, 7<sup>th</sup> Floor, Dallas, Texas 75201, for a monthly payment of \$4,989. The term of the agreement was from March 7, 2023 to May 31, 2023.

Under a Renewal Agreement, dated as of March 6, 2023, between the Company and Regus Management, the Company leased an office located at 100 Crescent Court, 7<sup>th</sup> Floor, Dallas, Texas 75201, for a monthly payment of \$5,104. The term of the lease was from June 1, 2023 to February 29, 2024.

Under a Renewal Service Agreement, dated as of October 10, 2023, between the Company and Regus Management, the Company leased an office located at 100 Crescent Court, 7<sup>th</sup> Floor, Dallas, Texas 75201, for a total monthly payment of \$1,228. The term of the lease is from February 1, 2024 to January 31, 2025.

Under a Renewal Service Agreement, dated as of November 9, 2023, between the Company and Regus Management, the Company leased an office located at 100 Crescent Court, 7<sup>th</sup> Floor, Dallas, Texas 75201, for a total monthly payment of \$5,329. The term of the lease is from March 1, 2024 to November 30, 2024.

### **Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

## **Critical Accounting Policies and Estimates**

This discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”). The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. 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 financial statements included with this report, we believe that the following accounting policies are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management’s judgments and estimates. We believe our most critical accounting policies and estimates relate to the following:

### ***Intangible Assets***

Intangible assets acquired are recorded at fair value. We test our finite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. We test our indefinite-lived intangible assets for impairment annually or whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. If the carrying value exceeds the fair value, we recognize an impairment in an amount equal to the excess, not to exceed the carrying value. Management uses considerable judgment to determine key assumptions, including projected revenue, royalty rates and appropriate discount rates. During the six months ended June 30, 2024 and 2023, there were no intangible asset impairment charges.

Finite-lived intangible assets are amortized using the straight-line method over their estimated useful lives, which ranges from 5 to 15 years. Our finite-lived intangible assets include acquired franchise agreements, acquired customer relationships, acquired customer lists, and internally developed software. Our indefinite-lived intangible assets include acquired domain names, trade names, and purchased software.

Intangible assets internally developed are measured at cost. We capitalize costs to develop or purchase computer software for internal use which are incurred during the application development stage. These costs include fees paid to third parties for development services and payroll costs for employees’ time spent developing the software. We expense costs incurred during the preliminary project stage and the post-implementation stage. Capitalized development costs are amortized on a straight-line basis over the estimated useful life of the software. The capitalization and ongoing assessment of recoverability of development costs requires considerable judgment by management with respect to certain external factors, including, but not limited to, technological and economic feasibility, and estimated economic life.

### ***Impairment of Long-lived Assets Other Than Goodwill***

Long-lived assets with finite lives, primarily property and equipment, intangible assets, and operating lease right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the estimated cash flows from the use of the asset and its eventual disposition are below the asset’s carrying value, then the asset is deemed to be impaired and written down to its fair value.

### ***Advertising Expenses***

The Company expenses advertising costs as they incurred. Total advertising expenses were \$284,886 and 170,371 for the six months ended June 30, 2024 and 2023, respectively, and have been included as part of general and administrative expenses.

### ***Research and Development***

Research and development costs are charged to expense as incurred. Accordingly, internal research and development costs are expensed as incurred. Third-party research and development costs are expensed when the contracted work has been performed or as milestone results have been achieved as defined under the applicable agreement.

The Company incurred research and development expenses of \$238,739 and \$0 for the six months ended June 30, 2024 and 2023, respectively, and have been included as part of contract labor.

## ***Stock based compensation***

### *Service-Based Awards*

The Company records stock-based compensation for awards granted to employees, non-employees, and to members of the Board for their services on the Board based on the grant date fair value of awards issued, and the expense is recorded on a straight-line basis over the requisite service period, which is generally one to three years.

For restricted stock awards (“RSAs”) issued under the Company’s stock-based compensation plans, the fair value of each grant is calculated based on the Company’s stock price on the date of grant.

### *Share Repurchase*

Share repurchases are open market purchases. Share repurchases are generally recorded on the settlement date, as treasury stock. When shares are cancelled, the value of repurchased shares is deducted from stockholders’ equity through common stock with the excess over par value recorded to accumulated deficit.

## ***Revenue Recognition***

The Company recognizes revenue utilizing the following steps: (i) Identify the contract, or contracts, with a customer; (ii) Identify the performance obligations in the contract; (iii) Determine the transaction price; (iv) Allocate the transaction price to the performance obligations in the contract; (v) Recognize revenue when the Company satisfies a performance obligation.

### *Subscriptions*

Subscription revenue is related to a single performance obligation that is recognized over time when earned. Subscriptions are paid in advance and can be purchased on a monthly, quarterly, or annual basis. Any quarterly or annual subscription revenue is recognized as a contract liability recorded over the contracted service period.

### *Marketing*

Revenue related to marketing campaign contracts with customers are normally of a short duration, typically less than two (2) weeks.

### *AE.360.DDM Contracts*

Revenue related to AE.360.DDM contracts with customers are normally of a short duration, typically less than one (1) week.

## ***Contract Liabilities***

Contract liabilities consist of quarterly and annual subscription revenue that have not been recognized. Revenue under these agreements is recognized over the related service period. As of June 30, 2024 and December 31, 2023, total contract liabilities were \$1,686 and \$3,445 respectively. Contract liabilities are expected to be recognized as revenue over a period not to exceed twelve (12) months.

## ***Earnings per Share of Common Stock***

The Company has adopted ASC Topic 260, “*Earnings per Share*” which requires presentation of basic earnings per share on the face of the statements of operations for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the basic earnings per share computation. In the accompanying interim financial statements, basic loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per share is computed by dividing net income by the weighted average number of shares of common stock and potentially dilutive outstanding shares of common stock during the period to reflect the potential dilution that could occur from common stock issuable through contingent share arrangements, stock options and warrants unless the result would be antidilutive. The Company would account for the potential dilution from convertible securities using the as-if converted method. The Company accounts for warrants and options using the treasury stock method. As of June 30, 2024, dilutive potential common shares include outstanding warrants.

**Related Parties**

The Company follows ASC 850, “*Related Party Disclosures*”, for the identification of related parties and disclosure of related party transactions and balances. There were no related party transactions except management fees. During the six months ended June 30, 2024 and 2023, the Company paid management fees to their controlling members totaling \$1,805,377 and \$1,600,037, respectively.

**Recent Accounting Pronouncements**

The Company has considered all other recently issued accounting pronouncements and does not believe the adoption of such pronouncements will have a material impact on its interim financial statements.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

Not applicable.

**ITEM 4. CONTROLS AND PROCEDURES.****Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) prior to the filing of this Quarterly Report on Form 10-Q. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures were, in design and operation, effective at a reasonable assurance level.

**Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting during the three months ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II**  
**OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS.**

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these, or other matters, may arise from time to time that may harm our business. We are not currently aware of any such legal proceedings or claims that we believe will have a material adverse effect on our business, financial condition or operating results.

**ITEM 1A. RISK FACTORS.**

Not applicable.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

*Use of Proceeds from Registered Securities*

On February 2, 2023, the Company entered into the Underwriting Agreement with Boustead, as representative of the underwriters named on Schedule 1 thereto, relating to the Company's initial public offering of the IPO Shares. Pursuant to the Underwriting Agreement, in exchange for Boustead's firm commitment to purchase the IPO Shares, the Company agreed to sell the IPO Shares to Boustead at the IPO Price as reduced by a 0.75% non-accountable expense allowance, and the Representative's Warrant.

On February 3, 2023, the IPO Shares and 300,000 outstanding shares of Class B Common Stock that were registered for resale as described below were listed and commenced trading on the Nasdaq Capital Market tier of Nasdaq.

The closing of the initial public offering took place on February 7, 2023. At the closing, the Company sold the IPO Shares for total gross proceeds of \$7,500,000. After deducting the underwriting discounts, commissions, non-accountable expense allowance, and other expenses from the initial public offering, the Company received net proceeds of approximately \$6.6 million. The Company also issued Boustead the Representative's Warrant exercisable for the purchase of 21,000 shares of Class B Common Stock at an exercise price of \$31.25 per share, subject to adjustment. The Representative's Warrant may be exercised by payment of cash or by a cashless exercise provision, and may be exercised at any time for five years following the date of issuance.

The IPO Shares were offered and sold, and the Representative's Warrant was issued, pursuant to the IPO Registration Statement (File No. 333-267258), initially filed with the SEC on September 2, 2022, and declared effective by the SEC on February 2, 2023, and the Final IPO Prospectus filed with the SEC on February 6, 2023 pursuant to Rule 424(b)(4) of the Securities Act. In addition, a total of 300,000 shares of Class B Common Stock were registered for resale by the selling stockholders named in the IPO Registration Statement and the related Final Resale Prospectus. Any resales of these shares occurred at a fixed price of \$25.00 per share until the Class B Common Stock was listed on Nasdaq. Thereafter, these sales will occur at fixed prices, at market prices prevailing at the time of sale, at prices related to prevailing market prices, or at negotiated prices. The Company will not receive any proceeds from the resale of Class B Common Stock by the selling stockholders.

The IPO Registration Statement also registered for sale shares of Class B Common Stock with a maximum aggregate offering price of \$1,125,000 for an additional 45,000 shares of Class B Common Stock at the assumed public offering price of \$25.00 per share upon full exercise of the underwriters' over-allotment option; and up to an additional 3,150 shares of Class B Common Stock underlying the Representative's Warrant with a maximum aggregate offering price of \$98,437.50 at the assumed exercise price of \$31.25 per share assuming full exercise of the over-allotment option. The underwriters' over-allotment option expired unexercised. The Company has not received any proceeds from the exercise of the Representative's Warrant because it has not been exercised.

On April 4, 2023, the Post-Effective Amendment was filed with the SEC and became effective on April 14, 2023. The Post-Effective Amendment was required to be filed to update the IPO Registration Statement to include, among other things, the information contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, which was filed with the SEC on March 31, 2023. The Post-Effective Amendment maintained the effectiveness of the IPO Registration Statement with respect to the sale of shares of common stock issuable upon exercise of the Representative's Warrant and the resale of the shares of common stock held by the selling stockholders. Updated prospectuses were included with the Post-Effective Amendment. The Post-Effective Amendment also incorporates by reference all documents subsequently filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act, prior to the termination of the offering described in the prospectuses included with the Post-Effective Amendment.

As stated in the IPO Registration Statement and the Final IPO Prospectus, the Company intended to use the net proceeds from the initial public offering for investment in corporate infrastructure, marketing and promotion of Discord communities, social campaigns, and the Company's "AE.360.DDM" service, expansion of the Company's "SiN" service, increasing staff and company personnel, and general working capital, operating, and other corporate expenses. As stated in the Post-Effective Amendment, the Company intended to use any proceeds from the exercise of the Representative's Warrant for working capital and general corporate purposes.

The following is the Company's reasonable estimate of the uses of the proceeds from the initial public offering from the date of the closing of the offering on February 7, 2023 through June 30, 2024:

- None was used for construction of plant, building and facilities;
- None was used for the purchase and installation of machinery and equipment;
- None was used for purchases of real estate;
- None was used for the acquisition of other businesses;
- None was used for the repayment of indebtedness;
- Approximately \$5.1 million was used for working capital; and
- None was used for temporary investments.

As of the date of this report, none of the proceeds from the initial public offering were used to make direct or indirect payments to any of the Company's directors or officers, any of their associates, any persons owning 10% or more of any class of the Company's equity securities, or any of our affiliates, or direct or indirect payments to any others other than for the direct costs of the offering.

There has not been, and the Company does not expect, any material change in the planned use of proceeds from the initial public offering as described in the IPO Registration Statement and the Final IPO Prospectus or any exercise of the Representative's Warrant, as described in the Post-Effective Amendment.

### ***Unregistered Sales of Equity Securities***

During the three months ended June 30, 2024, we did not sell any equity securities that were not registered under the Securities Act and that were not previously disclosed in a Current Report on Form 8-K.

### ***Purchases of Equity Securities***

No repurchases of our common stock were made during the three months ended June 30, 2024.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

None.

### **ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.

### **ITEM 5. OTHER INFORMATION.**

We have no information to disclose that was required to be disclosed in a Current Report on Form 8-K during the three months ended June 30, 2024 but was not reported, except as disclosed below. There have been no material changes to the procedures by which security holders may recommend nominees to our board of directors where those changes were implemented after the Company last provided disclosure of such procedures.

#### ***Lease Renewal Agreement***

On June 9, 2024, the Company entered into a Renewal Service Agreement (the "June 2024 Renewal Service Agreement"), dated as of June 9, 2024, between the Company and Regus Management. Pursuant to the June 2024 Renewal Service Agreement, the Company leased an office located at 100 Crescent Court, 7<sup>th</sup> Floor, Dallas, Texas 75201, for a total monthly payment of \$1,981. The term of the lease is from October 1, 2024 to September 30, 2025.

The June 2024 Renewal Service Agreement is filed as Exhibit 10.6 to this report, and the description above is qualified in its entirety by reference to the full text of such exhibit.

**ITEM 6. EXHIBITS.**

<b>Exhibit No.</b>	<b>Description</b>
3.1	<a href="#">Articles of Incorporation of Asset Entities Inc. (incorporated by reference to Exhibit 3.1 to Registration Statement on Form S-1 filed on September 2, 2022)</a>
3.2	<a href="#">Bylaws of Asset Entities Inc. (incorporated by reference to Exhibit 3.2 to Registration Statement on Form S-1 filed on September 2, 2022)</a>
3.3	<a href="#">Certificate of Designation of Series A Convertible Preferred Stock of Asset Entities Inc. filed with the Secretary of State of the State of Nevada on May 24, 2024 (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed on May 24, 2024)</a>
3.4	<a href="#">Certificate of Amendment to Designation of Series A Convertible Preferred Stock of Asset Entities Inc. filed with the Secretary of State of the State of Nevada on June 14, 2024 (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed on June 13, 2024)</a>
3.5	<a href="#">Certificate of Change of Asset Entities Inc. filed with the Secretary of State of the State of Nevada on June 27, 2024 (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed on June 27, 2024)</a>
4.1	<a href="#">Common Stock Purchase Warrant issued to Michael R. Jacks, dated as of July 29, 2024 (incorporated by reference to Exhibit 4.8 to Registration Statement on Form S-1 filed on August 9, 2024)</a>
4.2	<a href="#">Warrant To Purchase Class B Common Stock issued to Boustead Securities, LLC, dated as of May 24, 2024 (incorporated by reference to Exhibit 4.1 to Current Report on Form 8-K filed on May 28, 2024)</a>
10.1	<a href="#">Independent Director Agreement between Asset Entities Inc. and David Reynolds, dated as of May 16, 2024 (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on May 13, 2024)</a>
10.2	<a href="#">Form of Indemnification Agreement between Asset Entities Inc. and each officer or director (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K filed on May 13, 2024)</a>
10.3	<a href="#">Form of Securities Purchase Agreement, dated as of May 24, 2024 (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on May 24, 2024)</a>
10.4	<a href="#">Form of Registration Rights Agreement, dated as of May 24, 2024 (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K filed on May 24, 2024)</a>
10.5	<a href="#">Form of First Amendment to Securities Purchase Agreement, dated as of June 13, 2024 (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on June 13, 2024)</a>
10.6	<a href="#">Renewal Service Agreement, dated as of June 9, 2024, between Asset Entities, LLC and Regus Management Group, LLC (incorporated by reference to Exhibit 10.17 to Registration Statement on Form S-1 filed on August 9, 2024)</a>
10.7	<a href="#">Renewal Service Agreement, dated as of November 9, 2023, between Asset Entities, LLC and Regus Management Group, LLC (incorporated by reference to Exhibit 10.18 to Registration Statement on Form S-1 filed on August 9, 2024)</a>
10.8	<a href="#">Renewal Service Agreement, dated as of October 10, 2023, between Asset Entities, LLC and Regus Management Group, LLC (incorporated by reference to Exhibit 10.19 to Registration Statement on Form S-1 filed on August 9, 2024)</a>
31.1*	<a href="#">Certifications of Principal Executive Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2*	<a href="#">Certifications of Principal Financial and Accounting Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1**	<a href="#">Certifications of Principal Executive Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
32.2**	<a href="#">Certifications of Principal Financial and Accounting Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

\* Filed herewith

\*\* Furnished herewith



**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 14, 2024

**ASSET ENTITIES INC.**

/s/ Arshia Sarkhani

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Name: Arshia Sarkhani

Title: Chief Executive Officer and President

*(Principal Executive Officer)*

/s/ Matthew Krueger

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Name: Matthew Krueger

Title: Chief Financial Officer

*(Principal Accounting and Financial Officer)*

## CERTIFICATIONS

I, Arshia Sarkhani, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Asset Entities 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2024

/s/ Arshia Sarkhani

Arshia Sarkhani

Chief Executive Officer and President

(Principal Executive Officer)

## CERTIFICATIONS

I, Matthew Krueger, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Asset Entities 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2024

/s/ Matthew Krueger

Matthew Krueger

Chief Financial Officer

*(Principal Financial and Accounting Officer)*

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned Chief Executive Officer of Asset Entities Inc. (the “Company”), DOES HEREBY CERTIFY that to my knowledge:

1. The Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, the undersigned has executed this statement on August 14, 2024.

/s/ Arshia Sarkhani

Arshia Sarkhani

Chief Executive Officer and President

*(Principal Executive Officer)*

A signed original of this written statement required by Section 906 has been provided to Asset Entities Inc. and will be retained by Asset Entities Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The forgoing certification is being furnished to the Securities and Exchange Commission pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned Chief Financial Officer of Asset Entities Inc. (the "Company"), DOES HEREBY CERTIFY that to my knowledge:

1. The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, the undersigned has executed this statement on August 14, 2024.

/s/ Matthew Krueger

\_\_\_\_\_  
Matthew Krueger

Chief Financial Officer

*(Principal Financial and Accounting Officer)*

A signed original of this written statement required by Section 906 has been provided to Asset Entities Inc. and will be retained by Asset Entities Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The forgoing certification is being furnished to the Securities and Exchange Commission pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.