Table of Contents

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

FORM 10-KT

(Mark One)

☐ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended _____

OR

☒ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from January 1, 2024 to June 30, 2024
Commission file number: 001-41956

AtlasClear Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**92-2303797**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
2203 Lois Avenue, Suite 814 Tampa, FL	**33607**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (727) 446-6660
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common Stock, par value $0.0001 per share	**ATCH**	**NYSE American LLC**

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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

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

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

As of December 29, 2023 (the last business day of the registrant's most recently completed second fiscal quarter), the registrant's common stock was not listed on any exchange or overthe-counter market since the registrant's business combination did not occur and the registrant's common stock did not begin trading on the NYSE American until February 9, 2024.

As of October 7, 2024, there were 23,275,171 shares of our Common Stock issued and outstanding, par value $0.0001 per share.

DOCUMENTS INCORPORATED BY REFERENCE

None.

TABLE OF CONTENTS

Unless the context otherwise requires, throughout this Transition Report on Form 10-KT ("Transition Report"), the words "ATCH," "we," "us," "AtlasClear Holdings," or the "Company" refer to AtlasClear Holdings, Inc. and its subsidiaries (as applicable).

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Transition Report and some of the information incorporated herein by reference includes forward-looking statements regarding, among other things, our plans, strategies and prospects, both business and financial. These statements are based on the beliefs and assumptions of our management. Although we believe that our plans, intentions and expectations reflected in or suggested by these forward-looking statements are reasonable, we cannot assure you that we will achieve or realize these plans, intentions or expectations. Forward-looking statements are inherently subject to risks, uncertainties and assumptions. Generally, statements that are not historical facts, including statements concerning possible or assumed future actions, business strategies, events or results of operations, and any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. These statements may be preceded by, followed by or include the words "believes," "continues," "estimates," "expects," "projects," "forecasts," "may," "might," "will," "should," "could," "seeks," "plans," "scheduled," "possible," "potential," "predict," "project," "anticipates," "intends," "aims," "works," "focuses," "aspires," "strives" or "sets out" or similar expressions.

Forward-looking statements are not guarantees of performance, and the absence of these words does not mean that a statement is not forward looking. You should understand that the following important factors could affect our future results, and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements herein:

- our ability to realize the benefits expected from the Business Combination (as defined herein);
- our ability to complete the acquisition of Commercial Bancorp of Wyoming ("Commercial Bancorp");
- our ability to successfully integrate our recent and proposed acquisitions, including the acquisition of Commercial Bancorp, and to realize the synergies and benefits of such acquisitions;
- our ability to successfully implement the AtlasClear Platform (as defined herein);
- our significant indebtedness and our ability to service such indebtedness;
- the volatility of the price of our common stock, par value $0.0001 per share (the "Common Stock") and the possibility that stockholders could incur substantial losses;
- potential dilution of our stockholder interests resulting from our issuance of equity securities;
- the ability to maintain the listing of our Common Stock on the NYSE American LLC ("NYSE"), and the potential liquidity and trading of such securities;
- our ability to grow and manage growth profitably;
- our ability to raise financing in the future, if and when needed;
- our success in retaining or recruiting, or adapting to changes in, our officers, key employees, or directors following the Business Combination;
- our ability to attract and retain our senior management and other highly qualified personnel;
- our ability to achieve or maintain profitability;
- the period over which we anticipate our existing cash and cash equivalents will be sufficient to fund our operating expenses and capital expenditure requirements;
- our ability to successfully protect against cybersecurity attacks or breaches, ransomware attacks, and other disruptions to our information technology structure;
- our ability to successfully compete against other companies;
- our estimates regarding expenses, future revenue, and needs for additional financing;
- the effect of economic downturns and political and market conditions beyond our control; and
- other factors detailed under the section entitled "Risk Factors."

The foregoing list of factors is not exhaustive. You should carefully consider the foregoing factors and the other risks and uncertainties described in the "*Risk Factors*" section of the other documents we file from time to time with the SEC. There can be no assurance that future developments affecting us will be those that we have anticipated. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

PART I

Item 1. Business

CHANGE IN FISCAL YEAR END

On August 9, 2024, our board of directors approved a change in our fiscal year end from December 31 to June 30. As a result of this change, we are filing this Transition Report on Form 10-KT for the six-month transition period ended June 30, 2024. References to any of our previous fiscal years mean the fiscal years ending on December 31.

BUSINESS OF ATLASCLEAR HOLDINGS

Our goal is to build a cutting-edge technology enabled financial services firm that would create a more efficient platform for trading, clearing, settlement and banking, with evolving and innovative financial products that focus on financial services firms. We are a fintech driven business-to-business platform that expects to power innovation in fintech, investing, underwriting and trading. We believe we are positioned to provide a modern, mission-critical suite of solutions to our clients, enabling them to reduce their transactions costs and compete more effectively in their businesses.

Our target client base for our prime banking and prime brokerage services includes financial services firms, generally with annual revenues up to $1 billion, including brokerage firms, hedge funds, pension plans, and family offices that are not adequately served by today's larger correspondent clearing firms and banks. The larger clearing firms have raised their minimums to a point where it is difficult for this segment of the market to meet the requirements for access to their clearing offerings. Smaller financial services firms are thus forced to find alternative solutions to continue to service their client bases. The practice of obtaining these services through intermediaries (often referred to as piggy-backing) results in additional fees and a loss of transparency and control for such financial services firms. As a result, such financial services firms are ideal clients for the "one stop shop" solutions our integrated business model intends to provide.

Through the acquisition of Wilson-Davis, a correspondent clearing company, our acquisition of Quantum FinTech Acquisition Corporation ("Quantum"), and our anticipated acquisition of Commercial Bancorp, a federal reserve member, we expect to acquire the capabilities to provide specialized clearing and banking services to financial services firms, with an emphasis on global markets currently underserviced by larger vendors. Once properly integrated, anticipated synergies between Commercial Bancorp, Quantum, and Wilson-Davis are expected to allow for lower cost of capital, higher net interest margins, expanded product development and greater credit extension.

In addition, we believe the AtlasClear Platform that we are currently developing and integrating following the acquisition of the Pacsquare Assets and the Fintech Assets (as described below) are cutting-edge, flexible and scalable. Unlike other companies that are beholden to legacy technology stacks, that may struggle to keep pace with rapidly evolving client and customer expectations in an ever-increasing digital world, we believe our platform is modern, nimble and unencumbered.

Our team is comprised of experienced fintech innovators - a characteristic that we expect will drive our corporate culture.

Prior to the closing of the business combination pursuant to that certain Business Combination Agreement, dated November 16, 2022 (as amended, the "Business Combination Agreement"), by and among the Company, Quantum, , Calculator Merger Sub 1, Inc., a Delaware corporation and a wholly-owned subsidiary of the Company, Calculator Merger Sub 2, Inc., a Delaware corporation and a wholly-owned subsidiary of the Company, AtlasClear, Inc., a Wyoming corporation ("AtlasClear"), Atlas FinTech Holdings Corp., a Delaware corporation ("Atlas FinTech") and Robert McBey (the "Business Combination"), none of AtlasClear, Wilson-Davis or Quantum were managed on a combined basis with each other and have each historically operated independently. The future success of the Business Combination, including its anticipated benefits, depends, in part, on our ability to optimize our combined operations, which may be a complex, costly and time-consuming process. We cannot assure you that the Commercial Bancorp acquisition will be consummated or that the anticipated synergies and benefits of any of the foregoing acquisitions will be realized by the Company.

Business Opportunity

Technology has opened up financial services to new users and changed expectations for customers of legacy financial services firms. Both expect a modern and frictionless financial services experience that we believe AtlasClear Holdings is well positioned to deliver.

Once fully integrated, we believe our technology platform and specialized clearing and banking services will be mission-critical to our clients, given the complexities of investing infrastructure, the complications around collateral and capital requirements, and the complicated regulatory landscape. We expect to benefit as new fintech firms launch and existing firms scale, potentially outpacing legacy financial firms in their own categories.

We believe consumer expectations for a one-stop shop for their investing, banking, spending, insurance and borrowing needs is driving the convergence of financial services. As a result, financial companies that traditionally operated as single-product specialists (e.g., savings-focused platform, lending-focused platform) are now seeking to integrate trading and investing capabilities into their broader offering. Further, we anticipate increased interest from non-financial services firms (e.g., consumer retail firms) in leveraging their brand and customer reach to offer financial services as a means to drive incremental revenue and customer engagement. We believe AtlasClear Holdings is well positioned to provide the "investing-as-a-service" platform these firms may require to develop such offerings.

In addition, we believe incumbents in the wealth ecosystem, such as traditional wealth advisors, are trying to modernize their investment management offerings and better meet the digital demands of their existing end customer and potential customers. Following our acquisitions, we believe we have the technology stack to provide such solutions and help automate their legacy infrastructure and eliminate their existing paper-based processes.

Our Growth Strategy

Our growth strategy includes:

Growing our base of clients organically and through channel partners

We believe that attracting and acquiring new clients will be a key growth driver for our combined business. Looking ahead, our technology platforms, combined with the rapidly accelerating demand for cost efficiencies - are expected to drive growth in our prospective client base. For new market entrants, we believe the efficiencies of our prospective turnkey solutions, and speed at which we expect to be able to bring a client's offering to market will position us to win new clients. With respect to the traditional wealth advisor landscape, we expect to be a beneficiary of clients seeking to transition to a new provider that can offer the digital-focused solutions required to compete in the rapidly changing environment.

Growing our clients' revenue

We believe we will succeed when our clients succeed. The more assets, services or transactions that customers direct through our prospective platform, the more revenue we and our clients would be able to generate. Through innovation, we also expect to enhance our product offerings and add more products, capabilities, and functionality for our clients, which in turn should allow such clients to drive growth in their business. We expect to provide the tools to streamline the complex aspects of custody clearing and banking to empower our clients to focus on attracting new end customers as well as growing their share of revenue from existing ones.

Pursuing potential international expansion opportunities

While we expect our operations will initially be U.S.-focused, we see opportunity to grow our business and total addressable market by expanding into international markets. As we assess international opportunities, we believe our core competencies and operational excellence position us well to win in new markets, many of which are experiencing secular tailwinds similar to what we are seeing in the U.S. (e.g., growth of mobile and digital solutions). Initially, we plan to focus on serving international clients seeking to access U.S. markets.

Identifying and executing strategic acquisitions

We expect to selectively pursue acquisitions that we believe will create value for our shareholders. We plan to evaluate acquisition opportunities based on a number of strategic parameters, including their ability to (i) enhance our product capabilities, (ii) broaden our client reach, (iii) drive further scale, (iv) increase our presence in new geographies, and (v) generate attractive financial returns. We also plan to weigh the potential benefits from an acquisition against other alternatives, such as building similar capabilities in-house or partnering with third parties.

Our Product Offerings

We offer clients the flexibility to choose from a variety of pre-built suites that serve a wide range of business models. For example, clients who do not wish to build a complete user interface will be able to opt for our white label solutions. Once fully integrated, we expect to be a turnkey brokerage solution, offering highly configurable front office functions for launching and running investing applications. This offering "extends" beyond our "back" and "middle" office roots into direct customer facing experience. We expect that customers that choose our white label solutions will also be able to take advantage of our "middle" and "back" office offerings to ensure smooth processes around risk management, profit and loss, and account maintenance.

Back and Middle Office Solutions

Our full technology stack is expected to automate "back office" and "middle office" processes that were typically manual paper-based process, creating a seamless and unified experience for our clients. Typically, new financial services firms or advisors would need to individually source multiple middle and back office solutions from multiple vendors. By partnering with us, we believe our clients will get a seamless and unified middle and back-office experience that is based on the technology we expect to acquire.

We offer a range of technical services that we believe will support the mission-critical functions needed to run a modern financial services company. We believe this self-service platform will provide clients with the operational online tools they need, including:

- **Trading:** Flexible suite of APIs enabling clients to execute across several major asset classes
- **Lending**: Integrated and automated margin lending and fully paid stock lending program. Previously only available to the largest firms, professional investors, and wealthiest shareholders, we believe AtlasClear Holdings will expand the availability of fully paid stock lending (and its income generating interest).
- **Portfolios:** APIs allowing clients to build portfolio models, assign them to accounts and automate rebalancing trade proposal generation, including straight through processing of order execution and trade allocation to maximize operational efficiency. We believe these are essential tools for financial advisors, as well as robo-advisor platforms for do-it-yourself investors.
- **Accounts:** Everything clients need to open, authenticate, qualify, approve, onboard and maintain accounts including in-line investor verification, applicant verification, risk and compliance management, suitability requirements, paperless enrollments, and account preference configurations.
- **Cash:** APIs to streamline cash movements in every direction, including ACH and wire transactions, recurring scheduled transfers, authorizing and managing bank linkages and more. We believe efficiency and scale are achieved by aggregation and net settlement workflows for real time transfers of cash with banking partners.
- **Transfers:** APIs to streamline, initiate, manage and report on Automated Customer Account Transfer Service account transfers. Provides transparency and controls to enable specific user business requirements. We believe this will be a critical onboarding capability for AtlasClear Holdings clients to bring on high quality customers who hold assets elsewhere.
- **Regulations:** We expect to provide consolidated oversight and services for relevant regulations applicable to brokerage and investment services. These laws, rules, regulations and requirements are ever-changing and include back-end compliance processes and regulatory requirements like Consolidated Audit Trail and Order Audit Trail System reporting, compliance with Reg 606 (Best Execution), trade surveillance and anti-money laundering rules. This is an often-underestimated burden for fintech disruptors.
- **Communications:** Everything that allows clients to manage and distribute end investor communications including electronic delivery of trade confirmations, statements, tax reporting and more.

FinTech Assets

Pursuant to the Contribution Agreement, Atlas FinTech and Atlas Financial Technologies Corp. contributed to AtlasClear all their rights, title and interest to the following software products and intellectual property assets upon the closing of the Business Combination (the "FinTech Assets"). At present, none of the FinTech assets are in production. Further, due to limited capital contributions from the Quantum's trust account, management views timelines for revenue recognition from the FinTech Assets to be unknowable and therefore has decided to write down the assets described below.

AtlasFX and Rubicon

AtlasFX is an order management system and trading application (front-end) for the automated management of currency exchange. AtlasFX can been deployed to act as a front-office for the execution of trading. The application requires interface with the Rubicon FX

system, to send and receive market quotes and executed transactions, and another interface with the back-office system, for the registration of transactions, positions, debits and credits. No customers currently utilize the Atlas FX and Rubicon FX systems.

Direct Trading Application

AtlasFX can be used in conjunction with other technology, to offer a trading application directly to its customers to execute and process foreign exchange transactions while processing the clearing and settlement of those transactions. An institution can use the Rubicon FX system to send market quotes to clients, and receive them in the AtlasFX application, where clients can execute their currency exchange and settlement operations in the main world currencies. The technology is expected to provide the client with the possibility of executing most types of transactions, deliverable and non-deliverable, in the main global currencies and liquidating them in the market.

Clearing and Settlement

AtlasFX can also be used in conjunction with other technology, to offer clearing and settlement technology to its clients' clients. In other words, an institution would offer a white labeled trading platform to its clients so that they can benefit from a high-level, highly scalable and transparent currency exchange and clearing business execution platform. We believe a white labelled product would allow the institution to expand its business, volume and profitability in the clearing and settlement operations, since the liquidity and flow of orders can be routed through the Rubicon FX proprietary system and ultimately to the institution's back- office system.

Risk Management

AtlasFX is also a risk management, margin, and back-office control system where an institution has the ability to control client exposure to different markets and its own credit limitations.

Rubicon FX Middle Office Services

An institution can deploy Rubicon FX to act as the middle-office for its foreign exchange clearing and settlement business. The system manages, and controls quotes offered to customers in real time. In addition, Rubicon FX administers the rest orders created by clients and processes the pairing of them. Liquidity groups and trade groups can also be managed with the Rubicon FX system. Finally, AtlasClear's risk, credit and margin managers may use Rubicon FX, in conjunction with other systems and technology, to manage and monitor the exposure, risk, credit and margin used by each client.

SURFACExchange

Atlas FinTech acquired the SURFACExchange technology assets ("SE") in December 2013, including the rights to operate its exchange. Currently, SE is not operational. SE is designed with the intent to be a fully electronic, completely anonymous central limit order book for foreign exchange ("FX") options for institutional clients. SE was created with the goal of empowering a marketplace and making trading of FX options more efficient and accessible to its customers. Prior to Atlas FinTech's acquisition of SE, more than $15 million had been invested in the development of SE technology's. We believe SE can provide a fully electronic, anonymous, multi-lateral trading platform for over the counter (OTC) FX trading (spot and options), from order creation through settlement. Specially designed for institutional traders, all stages of the option life cycle are expected to be handled electronically including expiration. We anticipate that a market participant may access the liquidity on SE and trade with any other market participant on the platform. The platform's use of a central clearing model is expected to help facilitate anonymity.

While an investment has already been made in developing SE, the technology requires further development and investment before it can be deployed profitably in the market. We cannot assure you that we would have sufficient funds following the Closing, or even if we had sufficient funds, that we would be able to successfully develop the SE technology to a point that it can be profitably deployed in the market.

BondQuantum

Atlas FinTech also owns BondQuantum which was fully developed by Atlas FinTech. BondQuantum is a real time advance analytical program for the analysis of bonds. The system was designed to improve the accuracy of underwriting fixed income instruments by applying an up to the minute credit rating for fixed income securities. It utilizes multiple sources of data underlying a bond to calculate a risk rating.

Pacsquare Assets

Pacsquare is a fintech-focused company which provides a suite of technologies aimed at enhancing the fintech ecosystem and making it easier for businesses to accelerate their business growth.

Pacsquare offers proprietary trading applications including real time trading applications which includes options up to Level 6, digital account opening, AML risk assessment verification and the ability to customize customer and broker dealer experience including risk management and compliance. Pacsquare's architecture is Microservices and infrastructure is cloud based. Microservices provides high modularity, fault isolation, threat isolation and maximum flexibility for future changes. Cloud provides scalability, geographic redundancy, security and cutting edge technologies. Pursuant to the transactions contemplated by a letter of intent, on February 16, 2024, AtlasClear purchased a proprietary trading platform with clearing and settlement capabilities that will be developed by Pacsquare, including certain software and source code (the "AtlasClear Platform").

Pursuant to the Pacsquare Purchase Agreement, Pacsquare agreed to develop and provide, for the exclusive use of AtlasClear and its affiliates, the AtlasClear Platform and any future versions or modifications of the AtlasClear Platform and source code and any other materials necessary in connection with the services to be provided by Pacsquare for a period of six years, commencing on the date of execution of the Pacsquare Acquisition Agreement. After the six-year term, Pacsquare is expected to continue to provide services on terms to be mutually agreed to by Pacsquare and AtlasClear.

Following the Closing, in addition to the AtlasClear Platform, AtlasClear acquired, or will acquire in time, the following technology from Pacsquare: customer accounting; anti-money laundering automation; margin accounting; regulatory compliance; risk management; streetside settlement — fail processing; purchase and sales — contract compare; reorg; dividends; new accounts; margin; mutual funds; tax reporting; cash management — wire, ACH, check; regulatory reporting; stock receipts and transfer; a smart loan module; and reports for all modules. In addition, Pacsquare performs services for AtlasClear, including system modification; product testing; internet specification and installation; training AtlasClear personnel; implementation support; system testing; project control (monitoring) and reporting, as requested by AtlasClear. Pacsquare's business services to the Company will not include offering to a customer the ability to invest or trade in cryptocurrencies or to participate in any type of staking.

Pacsquare technology uses innovative cloud based multiple thread processing technology which AtlasClear believes will create beneficial efficiencies. Currently, competitive systems utilize main frame technology with single thread processing that runs in a batch environment, requires more time to make changes and are prone to downtime. Pacsquare technology operates in a real time, multiple thread processing environment which limits the down time of the system. Wilson-Davis currently uses Fidelity National Information Services Inc. ("FIS") for its clearing services, pursuant to an FIS contract which is due to expire in July 2025 but will be extended as needed until the implementation of Pacsquare. It is anticipated that the Pacsquare software applications will be fully tested before implementation and that the Company will provide demonstrations to FINRA before the software applications are put into production.

Upon the delivery, testing and implementation of these modules, we believe the Company will have a real time cloud-based trading, clearing and custody solution.

Trading Level 1 Application

This application is expected to offer stock trading and options level 1 trading including real time balances calculations, risk management, trade history view, dashboard and market watch list. It will include a separate broker administrative portal to monitor customers and place trades on their behalf. It is also expected to provide the ability to view all customers trades in real time including real time trade blotter. We expect customers will be able to place trades in real time and get real time market data and news including fundamental data. This includes routing trades for both equities and options through an order management system ("OMS") engine developed for AtlasClear.

The Pacsquare software application is expected to provide the ability to trade equities, options and fixed income products, as does the current FIS software. Although the Pacsquare software will have the ability to trade fractional equity shares, the Company does not currently anticipate using the fractional trading application in the near future. With respect to the organizational and transactional structure to implement the new trading platform, the Company will utilize the existing organizational and transactional procedures currently in place. The Pacsquare software application has been built and is in the process of being fully tested before implementation. The Company will provide demonstrations to FINRA before the software applications are put into production.

OLA Digital Online Account Opening

Online Account ("OLA") is now implemented and in use, allowing customers to open accounts online. This process allows Wilson-Davis to automate their entire customer on-boarding process while tracking compliance-related activities such as customer identity verification, document retention, and regulatory reporting. Customers typically fill out an online account application, provide an Electronic Signature, undergo identity verification and AML and Office of Foreign Assets Control ("OFAC") screenings, and finally fund the account.

Options Level 6 — Broker back-office portal

- Broker back-office portals are expected to help facilitate the following for AtlasClear:
- Development and integration of complex options trading.
- Options up to Level 6 including condors, butterflies, spreads and straddle.
- Naked calls and Puts.
- Real time margin calculation and risk management module.
- Development of Web, iOS and Android applications.
- Integration with Clearing Firm and FIS back office. This includes both client and broker portals. Includes routing trades to marker makers and exchanges through OMS.

Revenue Sources

We expect to generate revenue through transactional and recurring sources. Transactional revenue is reliant upon customer-driven activity that ultimately results in fees being paid to us. Examples of these are clearing, execution, banking, confirms, and more. Further, we expect to generate recurring revenue streams simply by acting as the custodian of customer assets and customer cash through our anticipated acquisition of Commercial Bancorp. Examples of these are platform minimums, asset-based fees, credit and debit balances, securities lending, statements, and account maintenance. Since all revenue generating activities can be tied back to the account, we believe the best proxy for future revenue is the number of customer accounts on our platform.

AtlasClear Holdings Competition

We believe that through our technology and source code acquisitions discussed herein, we have the capabilities to deliver a complete and modern platform that would give our clients the flexibility, speed, risk-management expertise and scale they need to grow. While several participants offer a subset of our solutions, we do not believe any single competitor has a comparable modern platform or ability to offer a truly frictionless investing, clearing, custody and banking experience, such as we will strive to offer.

Custody and clearing businesses such as Wilson-Davis, which we acquired, and banking businesses such as Commercial Bancorp, which we are in the process of acquiring, are scale-driven businesses with high barriers to entry, including expansive overhead and technology costs, complicated capital and collateral management requirements, and a complex regulatory and legal environment. We believe that legacy providers will not be able to offer our combination of flexibility, speed, execution, and broad asset-class capabilities.

AtlasClear Holdings is led by a seasoned team of industry executives supported by a purpose-built board of directors. Collectively, our leadership team will have over 30 years of combined experience spanning the technology, investing, custody, banking and clearing lifecycles. The team has held leadership and operational roles at firms such ICE, Penson Clearing, Southwest Securities, NexTrade, Anderen Bank, Stonex and The Chicago Board of Trade, among others. Clearing, custody and banking are highly regulated and complex businesses, and we believe that our team's combined experience, coupled with the technological capabilities we acquired from the Pacsquare Assets and the Fintech Assets as well as Quantum provide us an advantage over our competitors.

Large trust banks as well as large financial firms have historically been the providers of clearing and custody services. We believe their solutions are more limited, more expensive and less responsive for clients because of their legacy technology, analog processes, outdated compliance processes, and less flexible architecture. For clients, this translates to slower account opening and funding, higher embedded costs and limited flexibility.

In contrast to these legacy custodians, we believe that our systems make use of highly virtualized systems operating in a hybrid cloud model using cloud infrastructure as well as private data centers for redundancy.

HISTORICAL BUSINESS OF WILSON-DAVIS

Wilson-Davis is a self-clearing correspondent securities broker-dealer registered with the SEC, licensed in 52 states and territories, and a member in good standing of FINRA. Wilson-Davis has operated continuously since it was incorporated as a Utah corporation and obtained its license in December 1968.

Wilson-Davis is engaged principally in the over-the-counter, or "OTC," markets in microcap securities. Microcap securities generally are issued by companies with low or "micro" capitalizations, meaning the total market capitalization value of the company's stock is less than $250 million, which includes low-priced securities, or penny stocks, that trade for less than $5.00 per share and have a market capitalization of less than $50 million. Wilson-Davis also executes transactions in exchange-traded securities. It derives its revenue from the liquidation of restricted and control microcap securities; clearing transactions on behalf of an introducing broker-dealer on a fully disclosed basis; and trading in equity securities for its own account. It receives limited revenues from fully paid stock lending and margin accounts. During its history, Wilson-Davis has underwritten at-the-market offerings for publicly traded companies, placed private offerings, sold mutual funds, introduced margin accounts cleared by other firms on a fully disclosed basis, and provided ancillary financial services.

During the year ended June 30, 2023, revenues from commissions and related vetting fees accounted for approximately 84% of total revenues, respectively. For the period from acquisition through June 30, 2024, revenues from commissions and related vetting fees accounted for approximately 64% of total revenues, respectively. During the year ended June 30, 2023, and for the period from acquisition through June 30, 2024, 10% and 25% of commissions respectively, were attributable to Wilson-Davis' securities liquidations of private placement and open market purchased securities for U.S. customers in Canadian traded securities in companies engaged in the legal cannabis industry in Canada and other businesses referred by Canaccord Genuity, a global full-service investment banking firm with principal activities in Canada.

Canaccord Genuity serves as an investment banker for the placement of securities eligible for resale after the passage of an applicable holding period or other compliance requirements. Canaccord Genuity executes trades for Wilson-Davis that are not permitted in the United States. Wilson-Davis' arrangement with Canaccord is to facilitate transactions with Canadian exchanges. The customers that are referred by Canaccord Genuity under a commission sharing arrangement with Wilson-Davis open customer cash accounts with Wilson-Davis and deposit with the firm their securities that are required to be sold in the Canadian securities markets via an omnibus account that Wilson-Davis maintains at a Canadian brokerage firm. Wilson-Davis completes vetting of proposed sales, deposits securities in the omnibus account, and executes the customer orders through the omnibus Canadian account. The transaction thereafter is non-cancelable.

During the years ended June 30, 2023 and 2024, Wilson-Davis had approximately 91 and 300 customers referred by Canaccord Genuity with approximately $62.3 million and $79.6 million in securities on deposit in its Wilson-Davis customer accounts, respectively. There is no agreement with Canaccord Genuity to continue such referrals. The termination or material reduction in the securities liquidation for customers of Canaccord Genuity would have a material adverse effect on the revenues and results of operation of Wilson-Davis.

Wilson-Davis had approximately 5,000 active customer accounts as of June 30, 2023 and over 4,325 active customer as of ended June 30, 2024.

Wilson-Davis maintains its headquarters in Salt Lake City, Utah, a branch office in Denver, Colorado, and a branch office in Dallas, Texas. It also has registered representatives who work remotely from California, New York, Arizona, Nevada, Oklahoma, and Florida.

Securities Liquidations

Wilson-Davis sells into the trading markets securities that have been acquired by customers through registration or in reliance on exemptions from registration under the Securities Act or corresponding provisions of Canadian provincial securities laws. The liquidation process requires depositing the securities in the customer's account, obtaining detailed information and supporting documentation regarding the details of the customer's acquisition of the securities, reviewing the customer's information and supporting documents by Wilson-Davis personnel and outside legal counsel, and if believed appropriate, selling the securities.

Wilson-Davis derives revenues, which it calls vetting fees, from fees charged to customers to deposit the securities, review the material submitted, and determine the propriety of the sale as well as commissions on the securities sales.

Transactions in U.S. traded securities are executed in the OTC or other principal market on which the securities are traded. Transactions in Canadian traded securities are executed through a Canadian dealer and settled through Wilson-Davis' omnibus account with a Canadian broker-dealer.

Wilson-Davis' customers predominantly consist of small individual investors or their private family or other closely held entities that frequently and repeatedly purchase securities in private placements.

Clearing Services

As a member of the Depository Trust & Clearing Corporation, or "DTCC," and the National Securities Clearing Corporation, or "NSCC," Wilson-Davis clears securities transactions through these clearing firms. This includes Wilson-Davis' own transactions and transactions cleared on a fully disclosed basis on behalf of Glendale, as introducing broker. Glendale is an indirect 20% stockholder of Wilson-Davis.

Wilson-Davis generates revenue from the service charges to Glendale for the clearing services provided by Wilson-Davis. Under Wilson-Davis' clearing agreement with Glendale Securities, Wilson-Davis provides fully disclosed clearing services to Glendale Securities, as introducing broker. Under this agreement, Wilson-Davis (i) executes orders for Glendale customers, (ii) settles contracts and transactions in securities, (iii) prepares and distributes transaction confirmations and monthly account statements to Glendale's customers, (iv) provides back-office services, (v) creates and maintain books and records of all transactions, and (vi) monitors all customer accounts for AML, Federal Reserve Regulation T violations.

The clearing houses through which Wilson-Davis clears securities transactions, DTCC and NSCC, require margin deposits in amounts determined by them to mitigate the risk to them of potential losses resulting from transactions that fail to clear for one reason or another. To meet these anticipated contingencies, Wilson-Davis maintains a margin deposit at NSCC larger than required. As of June 30, 2024, Wilson-Davis' margin deposit at NSCC was $2.9 million, which was well over the requirement of $535,045. DTCC and NSCC have the authority to, and frequently do, require additional margin deposits that must be deposited on the same business day, otherwise, Wilson-Davis could face liquidation of the clearing position and damages. Wilson-Davis attempts to manage margin call risk exposure by limiting the size of transactions and restricting transactions of securities deemed to be too volatile. However, Wilson-Davis cannot control or predict the nature, amount, or timing of additional NSCC margin calls. Margin deposits are generally released within two business days of the transaction trade date.

From time to time during its history, Wilson-Davis has cleared transactions on behalf of several introducing brokers.

Fully Paid Stock Lending

Eligible customers of Wilson-Davis can lend their fully paid securities to Wilson-Davis, which in turn can lend them to other broker-dealers in the industry. Wilson-Davis derives revenue from the interest spread between the two legs of the transaction. Stock lending was introduced in 2021 and continues only on a limited basis as operating and compliance systems are refined.

Margin Accounts

Wilson-Davis acts as a fully disclosed introducing broker to customer margin accounts that are maintained at another firm under its requirements. As a companion to the fully paid stock lending, Wilson-Davis began offering its own margin accounts on a limited basis as operating and compliance systems are refined. Under applicable Federal Reserve Regulation T requirements, Wilson-Davis is authorized to extend credit for up to 50% of the cost of new securities purchases. Credit is extended on equities over $5 with average 30-day trading volume of 100,000 shares per day. Margin securities are collateral for the margin loan to the customer. Maintenance of the margin accounts is based on individual securities collateralizing the loan based on the risk tolerance of the firm on each position as determined by senior management. Maintenance requirements generally range from 25% to 60%. Exceptions to the policy may be authorized by senior management. The customer may be required to deposit additional cash or securities collateral if the value of the margin securities fail to meet required amounts. If additional collateral is not deposited as required, Wilson-Davis may liquidate the margin position and hold the customer liable for any deficiency.

Market Making

Wilson-Davis regularly publishes quotations to purchase or sell securities in inter-dealer quotation services and buys and sells securities for its own account, commonly referred to as market making. Wilson-Davis believes that its market making activities principally facilitate obtaining favorable execution terms for the securities liquidation transactions for its customers.

Other

On a limited basis, Wilson-Davis sells mutual funds and real estate investment trusts or "REIT" securities, Wilson-Davis has underwritten at-the-market public offerings of issuers whose securities are publicly traded.

Marketing

Wilson-Davis relies on its industry contacts and customer referrals to market its services.

Strategy

Wilson-Davis' strategy is to:

- expand its principal securities liquidation activities through retail customer marketing;
- identify and pursue opportunities to provide and securities clearing services to additional broker-dealers, particularly those that deal in micro-cap securities to address needs that Wilson-Davis believes are under-served;
- fully market its recently introduced fully paid stock lending and margin capabilities with existing and potential new customers;
- participate as agent, and not as principal, in selected at-the-market equity offerings and private placements, including expanded REITs and mutual funds; and
- broaden its range of services and products to reactivate historical offerings.

Wilson-Davis Competition

Wilson-Davis encounters intense competition in all aspects of its business and competes for clients directly with many national and regional full service financial services firms, other independent brokerage firms, and other companies offering financial services in the United States, globally, and through the Internet.

Wilson-Davis believes its principal direct competitors consist of other firms that liquidate investment and control securities in microcap stocks. This includes firms that clear their own securities transactions and firms that clear transactions through another firm on a fully disclosed basis. Wilson-Davis believes that the number of broker-dealers that clear transactions in microcap stocks is declining. The level of customer demand for micro-cap securities liquidations reflects the level of private investment in such securities. Wilson-Davis believes that it benefits from its ability to provide clearing services for all kinds of securities.

Competition among firms that clear microcap stocks may be affected by recently adopted NSCC rules that will require firms clearing for other introducing brokers to maintain at least $10.0 million in excess net capital, beginning October 26, 2023. The failure of any firm, including Wilson-Davis, to maintain excess net capital as required by the new rule may limit access of firms liquidating microcap stocks to clearing services.

Wilson-Davis does not offer a full array of financial services that may be offered by large, diversified financial services firms. Accordingly, Wilson-Davis' customers typically withdraw proceeds from the liquidation of their securities for other uses, including perhaps deposit with full-service firms. Many of Wilson-Davis' competitors have significantly greater financial, technical, marketing, and other resources than Wilson-Davis has. Also, many firms offer discount brokerage services and generally effect transactions at substantially lower commission rates on an "execution only" basis, without offering other services such as financial planning, investment recommendations, and research. Moreover, there is substantial commission discounting by full-service brokerage firms competing for institutional and retail brokerage business.

Wilson-Davis believes that a limited number of securities firms liquidate restricted or control microcap stocks. Other firms with greater financial, technical, managerial, and other resources may offer such services, either alone or as adjuncts to other full financial services.

There is significant competition for qualified personnel in the financial services industry. Wilson-Davis' ability to compete effectively depends on attracting, retaining, and motivating qualified operating and supervisory personnel and other revenue-producing or specialized personnel.

Government Regulation

The securities industry, including Wilson-Davis' business, is subject to extensive regulation by the SEC, self-regulatory organizations, or "SROs," such as FINRA, DTCC, and NSCC, state securities regulators, and other governmental regulatory authorities. The primary purpose of these regulations is the protection of customers and the securities markets. The SEC is the federal agency administering and enforcing the federal securities laws. Much of the regulation of broker-dealers, however, has been delegated to the SROs, principally FINRA. FINRA and other SROs adopt rules, subject to approval by the SEC, that govern their members. SROs, particularly FINRA, conduct periodic detailed examinations of member firms' operations.

Securities firms are also subject to regulation by state securities commissions in the states in which they are registered. Wilson-Davis is registered in 50 states and two territories.

The regulations to which broker-dealers are subject cover numerous aspects of the securities industry, including:

- conduct and supervision of operations;
- capital requirements;
- qualifications and licensing of supervisory and other personnel;
- use and protection of customer funds and securities;
- recordkeeping;
- communications with current and prospective customers;
- business practices among broker-dealers; and
- the structure and operation of securities markets.

Changes in rules promulgated by the SEC and by SROs and changes in the interpretation or enforcement of existing laws and rules often directly affect the method of operation and profitability of broker-dealers.

Regulation Best Interest, among other things, requires broker-dealers to act in the best interest of retail customers when making a recommendation concerning a securities transaction or investment strategy involving securities, and to identify, disclose, and mitigate or eliminate material conflicts of interest arising from financial incentives associated with such recommendations. Although Wilson-Davis, as a matter of policy, does not currently make recommendations concerning a securities transaction or investment strategy involving securities, this rule has imposed new compliance responsibilities and costs, including enhanced disclosures. Wilson-Davis cannot assess the full potential costs or risk of Regulation Best Interest.

Several states have adopted or are considering adopting and implementing laws and regulations that would impose a fiduciary duty on broker-dealers under state law. Laws and regulations resulting from this trend may negatively impact Wilson-Davis' results of operations and capital requirements and may result in increased legal, compliance, information technology, and other costs, as well as increased legal risks.

The USA PATRIOT Act of 2001 contains AML and financial transparency laws and mandates the implementation of various regulations applicable to broker-dealers and other financial services companies. Accordingly, Wilson-Davis generally must have AML procedures in place, implement specialized employee training programs, designate an AML compliance officer, and be subject to periodic audits by an independent party to test the effectiveness of such compliance. Wilson-Davis has established policies, procedures, and systems designed to comply with these regulations.

Under the Bank Secrecy Act ("BSA"), Wilson-Davis is required to: develop and maintain internal AML policies, procedures, and controls; maintain and update customer information and conduct ongoing monitoring of customers to identify and report suspicious transactions; undergo independent testing of its compliance with AML laws; and conduct ongoing AML training of appropriate persons. Wilson-Davis is further required to maintain procedures for the verification of a customer's identity. Wilson-Davis is also obligated to file confidential suspicious activity reports, or "SARS," with the Financial Crimes Enforcement Network, or FinCEN, if it detects evidence of any suspicious transaction relevant to a possible violation of AML laws, in addition to transactions in currency of more than $10,000. SARs may need to be required by individual events or a series of apparently related events. SARs require important information in summary form that is sometimes difficult to assemble reliably or quickly. Wilson-Davis may be subject to adverse regulatory action if it fails to develop or adhere to appropriate policies and procedures, has deficiencies highlighted by the firm's independent testing, fails to identify and report suspicious transactions, fails to properly verify customer identities, or fails to file SARs in the manner or timeframe required or preferred by regulators.

Further, the regulations relating to AML compliance policies and procedures are subject to revision, supplementation, or evolving interpretations and application, and it can be difficult to predict how regulators will apply regulations to a given risk or situation. The National Defense Authorization Act ("NDAA") passed by Congress in 2021 included various changes to the AML regulatory regime. For example, the NDAA mandated FinCEN to establish an information exchange platform for financial institutions, law enforcement, and national security agencies to share AML information. FinCEN will also revise customer due diligence standards. In addition, the NDAA expanded the scope of BSA violations and increased penalties for BSA violations. When FinCEN passes the customer due diligence and information sharing rules, Wilson-Davis could incur substantial additional costs in complying with those rules.

Regulation regarding privacy and data protection continues to increase worldwide and is generally driven by the growth of technology and related concerns about the rapid and widespread dissemination and use of information. Wilson-Davis must comply with applicable global, federal, and state information-related laws and regulations, including, for example, those in the United States, such as the 1999 Gramm-Leach-Bliley Act, SEC Regulation S-P, and the Fair Credit Reporting Act of 1970, as amended.

The SEC and the SROs may conduct administrative proceedings that can result in censure, fine, suspension, or expulsion of a broker-dealer and its supervisors, officers, or employees. Wilson-Davis and its personnel have been and are subject to various such disciplinary proceedings. See "*Item 3 – Legal Proceedings*".

Net Capital Requirements

Wilson-Davis is required under applicable rules of the SEC and FINRA to maintain net capital of at least $250,000. As of June 30, 2024, Wilson-Davis had net capital, computed in accordance with the applicable detailed calculation requirements, of $10.4 million or excess net capital of $10.1 million.

As of June 30, 2024, Wilson-Davis' net capital included $1,950,000 in subordinated loans. Wilson-Davis has not applied to repay these subordinated loans.

Failure to maintain the required net capital may subject Wilson-Davis to fines, suspension, or expulsion by FINRA, the SEC, and other regulatory bodies and may require its liquidation. There is currently no regulatory requirement to maintain excess net capital. However, as noted above, under recently adopted NSCC rules, effective October 26, 2023, Wilson-Davis must maintain excess net capital of at least $10.0 million to continue to clear securities transactions for any broker-dealer on a fully disclosed basis.

Human Capital Resources

On June 28, 2024, Wilson-Davis had 38 full-time and four part-time employees and consultants, consisting of 26 full-time registered representatives, or consultants, twelve full-time and four part-time operating personnel, and six executives and supervisors. No employees or consultants are represented by a collective bargaining agreement. Wilson-Davis emphasizes compliance and risk management principles to manage the day-to-day business. In recruiting, training and retaining personnel, Wilson-Davis relies on industry training and competitive compensation. Wilson-Davis considers its relationship with its employees and consultants to be good.

Facilities

Our principal executive offices are located at 2203 Lois Avenue, Suite 814, Tampa, FL 33607 and our phone number is (727) 446 6660. Wilson-Davis' office is located in Salt Lake City, Utah, with a branch office in Denver, Colorado, and a branch office in Dallas, Texas. Wilson-Davis also has registered representatives who work remotely from California, New York, Arizona, Nevada, Oklahoma, and Florida. Following our contemplated acquisition of Commercial Bancorp, we expect to add its facility in Pine Bluffs, Wyoming.

Item 1A. Risk Factors

Investing in our Common Stock involves risk. You should carefully consider the risks described below as well as all the other information in this Transition Report, including the consolidated financial statements and the related notes included in this report. The risks and uncertainties described below are not the only risks and uncertainties we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations. If any of the following risks actually occur, our business, results of operations and financial condition could suffer. In that event, the trading price of our Common Stock could decline, and you may lose all or part of your investment. The risks discussed below also include forward-looking statements, and our actual results may differ substantially from those discussed in these forward-looking statements.

Risk Factor Summary

Our business is subject to numerous risks and uncertainties, including those highlighted in this Item 1A, that represent challenges that we face in connection with the successful implementation of our strategy and the growth of our business. In particular, the following risks, among others, may offset our competitive strengths or have a negative effect on our business strategy, which could cause a decline in the price of our Common Stock or warrants and result in a loss of all or a portion of your investment:

- We are a new company with no prior operating history, which makes it difficult to evaluate our business and prospects.
- We may require substantial funding to finance our operations, but adequate financing may not be available when we need it, on acceptable terms or at all.
- Uncertain global macro-economic and political conditions could materially and adversely affect our results of operations and financial condition.
- The loss of Robert McBey, Our Chief Executive Officer, or other key personnel, or failure to attract and retain other highly qualified personnel, could harm our business.
- The requirement that we repay the Funicular Note, the short-term and long-term promissory notes issued to the sellers of Wilson-Davis (the "Seller Notes"), pursuant to amendments to the Stock Purchase Agreement, dated as of April, 15, 2022, by and among Wilson-Davis, and the promissory note in the aggregate principal amount of $4,150,000 (the "Chardan Note"), issued to Chardan Capital Markets LLC ("Chardan") could adversely affect our business plan, liquidity, financial condition, and results of operations.
- Restrictive covenants under the Convertible Notes could limit our growth and our ability to finance our operations, fund our capital needs, respond to changing conditions and engage in other business activities that may be in our best interests.
- If the proposed CB Merger (as defined below) is completed, we may experience difficulties in integrating the operations of Wilson-Davis and Commercial Bancorp and in realizing the expected benefits of these transactions.
- Wilson-Davis and Commercial Bancorp, if acquired, may have liabilities that are not known to AtlasClear and the indemnities negotiated in the Broker-Dealer Acquisition Agreement and the Bank Acquisition Agreement may not offer adequate protection.
- We may in the future make acquisitions, and such acquisitions could disrupt our operations, and may have an adverse effect on our operating results.
- Any acquisitions, partnerships or joint ventures that we enter into could disrupt our operations and have a material adverse effect on our business, financial condition and results of operations.
- We may be unable to successfully grow our business if we fail to compete effectively with others to attract and retain our executive officers and other key management and technical personnel.
- Wilson-Davis' liquidation of microcap securities and related activities in the over-the-counter market segment expose it to significant risk.
- The over-the-counter markets for the microcap securities Wilson-Davis liquidates frequently have limited trading volume and volatile trading prices.
- The penny stock rules limit Wilson-Davis' trading practices.
- Wilson-Davis needs to continue to maintain its excess net capital above the NSCC requirement of $10 million to continue to provide correspondent clearing services for introducing brokers.
- Wilson-Davis is substantially dependent on one principal customer.
- Wilson-Davis customers liquidate securities of smaller reporting companies that have relaxed disclosure obligations.
- Wilson-Davis customers also liquidate securities in companies that do not file SEC reports, so there is very little, if any, reliable data publicly available about them.
- Wilson-Davis is, and may in the future be, subject to significant regulatory enforcement proceedings.
- Wilson-Davis and certain of its personnel are subject to various regulatory disciplinary orders that could be the basis of future regulatory action.
- Wilson-Davis' procedures, policies, and practices to comply with the comprehensive anti-money laundering regulatory regime may not be sufficient to assure compliance.
- General, long-term financial and economic conditions and unforeseen events may adversely affect Wilson-Davis' financial condition and results of operations.
- Wilson-Davis may be unable to attract and retain registered representatives and other professional employees.
- FINRA has adopted rules that impose significant compliance requirements on making investment recommendations to retail customers.
- Wilson-Davis is exposed to credit risk and other risks from customers, market makers, and other counterparties. Wilson-Davis faces significant risks in conducting its market making business. Systems and security failures could significantly disrupt Wilson-Davis' business and subject the firm to losses, litigation, and regulatory actions.

- Wilson-Davis relies on numerous external service providers whose failure to provide those services properly may result in significant adverse events.
- Wilson-Davis relies on representations of third parties to ensure compliance with applicable laws and rules. Damage to Wilson-Davis' reputation could adversely impact its business.
- We are or may be subject to numerous risks relating to the need to comply with data and information privacy laws.
- We are subject to cybersecurity risks and interruptions or failures in our information technology systems and as we grow, we will need to expend additional resources to enhance our protection from such risks. Any cyber incident could result in information theft, data corruption, operational disruption, and/or a financial loss that has a material adverse impact on our business and that could subject us to legal claims.
- Issues in the use of artificial intelligence, including machine learning and computer vision (together, "AI"), in our analytics platforms may result in reputational harm or liability.
- Wilson-Davis is subject to extensive regulation from the SEC and FINRA, and the failure to comply with this regulation can result in significant penalties, fines, liability, and reputational harm.
- The misconduct of Wilson-Davis' employees could expose the firm to significant legal liability and reputational harm.
- If the Pacsquare Assets are not successfully implemented or integrated into the Company's business, or do not perform adequately, this could adversely affect the Company's business, financial condition and results of operations, and could damage its reputation.
- The proposed acquisition of Commercial Bancorp (the "CB Merger") may not be completed on the terms or timeline currently contemplated, or at all, as the parties may be unable to satisfy the conditions or obtain the approvals required to complete the CB Merger.
- Failure to complete the CB Merger may hinder the Company from achieving its anticipated business goals, and negatively impact the Company's share price and its business, prospects, financial condition and results of operations.
- The requirements of being a public company may strain our resources, divert our management's attention and affect our ability to attract and retain qualified independent board members.
- Stock trading volatility could impact our ability to recruit and retain employees.
- Our existing indebtedness, and any indebtedness we incur in the future, could adversely affect our financial condition, our ability to raise additional capital to fund our operations, our ability to operate our business, our ability to react to changes in the economy or our industry and our ability to pay our debts and could divert our cash flow from operations for debt payments.
- Future sales of our Common Stock could cause the market price for our Common Stock to decline.
- An active market for our securities may not develop, which would adversely affect the liquidity and price of our securities.
- Issuances of shares of Common Stock pursuant to the Pacsquare Purchase Agreement, or to settle accrued expenses and obligations, and conversion of any amounts under the Seller Notes, Funicular Note and the Chardan Note, each as defined herein, and to Winston & Strawn LLP ("Winston & Strawn"), pursuant to a subscription agreement, dated as of February 9, 2024, between Winston & Strawn and the Company (the "Winston & Strawn Agreement"), or to Tau Investment Partners LLC ("Tau"), pursuant to an at-the-market agreement entered into between the Company and Tau, dated as of July 31, 2024 (the "ELOC Agreement"), would result in substantial dilution of our stockholders and may have a negative impact on the market price of our Common Stock.
- If we are not able to raise sufficient capital to satisfy our payment obligations under the Convertible Notes, or otherwise restructure the Convertible Notes, and payment of principal and accrued and unpaid interest thereon is demanded by the holders thereof, we will be in default, and may not be able to continue as a going concern.
- We cannot assure you that we will continue to be able to comply with the continued listing standards of the NYSE American.
- Terms of our promissory notes may result in likely non-compliance and default.

Risks Related to AtlasClear Holdings' Business

Unless the context otherwise requires, all references in this section to "we," "us" or "AtlasClear Holdings" refer to the business of AtlasClear Holdings following the consummation of the Business Combination.

We are a new company with no prior operating history, which makes it difficult to evaluate our business and prospects.

We are a new company with no prior operating history, which makes it difficult to evaluate our business and prospects or forecast our future results. In addition, our subsidiary, AtlasClear is a new company that was formed in March 2022. Prior to such time, AtlasClear had no operations or assets. Upon Closing, AtlasClear received certain intellectual property from Atlas FinTech and Atlas Financial Technologies Corp., acquired the Pacsquare Assets and completed the acquisitions of Wilson-Davis. AtlasClear expects to complete CB Merger or a similar acquisition, however, we cannot assure you that the CB Merger will be completed as anticipated. As

a result of these transactions, AtlasClear expects to acquire the capabilities to provide specialized banking and clearing services to other financial services firms. Even if AtlasClear is able to consummate CB Merger, we cannot assure you that we will achieve the anticipated synergies and benefits of such transactions, that our service offerings will appeal to our target market of financial services firms, generally with annual revenues up to $1 billion, or that we will achieve our anticipated financial results. If we are not able to complete the CB Merger, or if the combined company does not achieve the anticipated operational and financial results, the value of your investment would be materially and adversely affected.

In addition, we are subject to the same risks and uncertainties frequently encountered by new companies in rapidly evolving markets. Our financial results in any given quarter can be influenced by numerous factors, many of which we are unable to predict or are outside of our control, including:

- the development and introduction of new services by us or our competitors;
- increases in marketing, sales, and other operating expenses that we may incur to grow and expand our operations and to remain competitive, and increased expenses we have incurred and will continue to incur as a public company;
- legislation and regulation;
- our ability to achieve operating margins;
- system failures or breaches of security or privacy;
- competition in the markets in which we operate, and our ability to successfully compete; and
- negative publicity we may encounter as we seek to grow our business.

We may require substantial funding to finance our operations, but adequate financing may not be available when we need it, on acceptable terms or at all.

We have in the past and expect to continue to raise capital through public or private financing or other arrangements. Such financing may not be available on acceptable terms, or at all, and our failure to raise capital when needed could harm our business. In addition, inflation rates in the U.S. have been higher than in previous years, which may result in higher costs of capital and constrained credit and liquidity. The Federal Reserve has raised, and may again raise, interest rates in response to concerns over inflation risk. Increases in interest rates could impact our ability to access the capital markets. We may sell equity securities or debt securities in one or more transactions at prices and in a manner as we may determine from time to time. If we sell any such securities in subsequent transactions, our current investors may be materially diluted. Any debt financing, if available, may involve restrictive covenants and could reduce our operational flexibility or achieve profitability. If we cannot raise funds on acceptable terms, we may not be able to grow our business or respond to competitive pressures and consumer member demand.

We may need to raise additional funds, and we may not be able to obtain additional debt or equity financing on favorable terms, if at all. If we raise additional equity financing, our shareholders may experience significant dilution of their ownership interests and the per share value of our Common Stock could decline. Furthermore, if we engage in debt financing, the holders of debt would have priority over the holders of our equity holders, and we may be required to accept terms that restrict our ability to incur additional indebtedness. We may also be required to take other actions that would otherwise be in the interests of the debt holders and force us to maintain specified liquidity or other ratios, any of which could harm our business, results of operations, and financial condition. If we need additional capital and cannot raise it on acceptable terms, we may not be able to, among other things:

- to expand our sales and marketing;
- acquire complementary technologies or businesses;
- expand operations in the United States or internationally;
- hire, train, and retain employees; or
- respond to competitive pressures or unanticipated working capital requirements.

Our failure to have sufficient capital to do any of these things could harm our business, financial condition, and results of operations.

Uncertain global macro-economic and political conditions could materially and adversely affect our results of operations and financial condition.

Our results of operations could be materially affected by economic and political conditions in the United States and internationally, including inflation, deflation, interest rates, availability of capital, war, terrorism, aging infrastructure, pandemics, energy and commodity prices, trade laws, election cycles and the effects of governmental initiatives to manage economic conditions.

The loss of Robert McBey, Our Chief Executive Officer, or other key personnel, or failure to attract and retain other highly qualified personnel, could harm our business.

Our future success depends in large part on the continued services of senior management and other key personnel. In particular, we are dependent on the services of Robert McBey, our Chief Executive Officer, who is critical to the future vision and strategic direction of our business. Our senior management and other key personnel are all employed on an at-will basis, which means that their employment could be terminated by us at any time, for any reason, and without notice. Conversely, employees may voluntarily terminate their employment at any time, for any reason, and without notice, and the risk of forfeiting equity incentives and/or losing other employee benefits might not be sufficient incentive for them to remain employed with us. If we lose the services of our senior management or other key personnel, or if we are unable to attract, train, assimilate, and retain the highly skilled personnel that we need, our business, operating results, and financial condition could be adversely affected.

Our future success depends on our continuing ability to attract, train, assimilate, and retain highly skilled personnel. We face intense competition for qualified individuals from numerous software and other technology companies. We may not be able to retain our current key employees or attract, train, assimilate, or retain other highly skilled personnel in the future. We may incur significant costs to attract and retain highly skilled personnel, and we may lose new employees to our competitors before we realize the benefit of our investment in recruiting and training them. If we are unable to attract and retain suitably qualified individuals who are capable of meeting our growing technical, operational, and managerial requirements, on a timely basis or at all, our business, operating results, and financial condition may be adversely affected.

Changes in tax rates or the adoption of new tax legislation may adversely impact our financial results.

Due to shifting economic and political conditions in both the United States or elsewhere, tax policies, laws, or rates may be subject to significant changes in ways that impair our financial results. Various jurisdictions have enacted or are considering digital services taxes, which could lead to inconsistent and potentially overlapping tax regimes. In the United States, the rules dealing with federal, state and local income taxation are constantly under review by persons involved in the legislative process and by the Internal Revenue Service and the United States Treasury Department. Changes to tax laws (which changes may have retroactive application) could adversely affect us. In recent years, many such changes have been made and changes are likely to continue to occur in the future. It cannot be predicted whether, when, in what form, or with what effective dates, new tax laws may be enacted, or regulations and rulings may be promulgated or issued under existing or new tax laws, which could result in an increase in our tax liability or require changes in the manner in which we operates in order to minimize or mitigate any adverse effects of changes in tax law or in the interpretation thereof.

Natural disasters, including and not limited to unusual weather conditions, epidemic outbreaks, terrorist acts and political events could disrupt our business schedule.

The occurrence of one or more natural disasters, including and not limited to tornadoes, hurricanes, fires, floods and earthquakes, unusual weather conditions, pandemics and endemic outbreaks, terrorist attacks or disruptive political events in certain regions where our facilities are located, or where our third-party contractors' and suppliers' facilities are located, could adversely affect our business. Natural disasters including tornados, hurricanes, floods and earthquakes may damage our facilities and terrorist attacks, actual or threatened acts of war or the escalation of current hostilities, or any other military or trade disruptions could have a material adverse effect on our business, financial condition and results of operations. These events also could cause or act to prolong an economic recession in the United States or abroad.

Changes in financial accounting standards or practices may cause adverse, unexpected financial reporting fluctuations and affect our reported operating results.

The U.S. generally accepted accounting principles (the "GAAP") is subject to interpretation by the Financial Accounting Standard Board (the "FASB"), the SEC, and various bodies formed to promulgate and interpret appropriate accounting principles. A change in accounting standards or practices can have a significant effect on our reported results and may even affect our reporting of transactions completed before the change is effective. New accounting pronouncements and varying interpretations of accounting pronouncements have occurred and may occur in the future. Changes to existing rules or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business. Any difficulties in implementing these pronouncements could cause us to fail to meet our financial reporting obligations, which could result in regulatory discipline and harm investors' confidence in us.

The requirement that we repay all outstanding notes, including the Funicular Note, the Seller Notes and the Chardan Note could adversely affect our business plan, liquidity, financial condition, and results of operations.

As discussed below, the Company sold and issued promissory notes including the Funicular Note, the Seller Notes and the Chardan Note (collectively, the Convertible Notes"). If not converted, we are required to repay principal amounts outstanding under the Convertible Notes, as well as interest thereon. These obligations could have important consequences on our business. In particular, they could:

- limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate;
- increase our vulnerability to general adverse economic and industry conditions; and
- place us at a competitive disadvantage compared to our competitors.

We cannot assure you that we will be successful in making the required payments under the Convertible Notes. If we are unable to make the required cash payments, there could be a default under the Convertible Notes. In such event, or if a default otherwise occurs under the Convertible Notes, including as a result of our failure to comply with the financial or other covenants contained therein:

- the interest rate payable under the Convertible Notes could be increased, and holders of the Convertible Notes could declare all outstanding principal and interest to be due and payable;
- the holders of the Funicular Note could foreclose against our assets; and/or
- we could be forced into bankruptcy or liquidation.

Restrictive covenants under the Convertible Notes could limit our growth and our ability to finance our operations, fund our capital needs, respond to changing conditions and engage in other business activities that may be in our best interests.

The Convertible Notes contain a number of affirmative and negative covenants regarding matters such as the payment of dividends, maintenance of our properties and assets, transactions with affiliates, and our ability to issue other indebtedness.

Our ability to comply with these covenants may be adversely affected by events beyond our control, and we cannot assure you that we can maintain compliance with these covenants. The financial covenants could limit our ability to make needed expenditures or otherwise conduct necessary or desirable business activities.

Risks Related to Our Business Strategy and Industry

If the proposed CB Merger is completed, we may experience difficulties in integrating the operations of Wilson-Davis and Commercial Bancorp and in realizing the expected benefits of these transactions.

Our success will depend, in part, on the ability of AtlasClear to successfully complete the proposed CB Merger, or a similar acquisition, and to realize the anticipated benefits of combining the operations of Wilson-Davis and Commercial Bancorp in an efficient and effective manner. The integration process could take longer than anticipated and could result in the loss of key employees from either company, the disruption of each company's ongoing businesses, tax costs or inefficiencies, or inconsistencies in standards, controls, information technology systems, procedures and policies, any of which could adversely affect our ability to continue relationships with Wilson-Davis' and Commercial Bancorp's customers, employees or other third parties, or our ability to achieve the anticipated benefits of the transactions or the Business Combination, and could harm the Company's financial performance. If we are unable to successfully integrate the operations of Wilson-Davis and Commercial Bancorp with our business, we may incur unanticipated liabilities and be unable to realize the revenue growth, operating efficiencies, synergies and other anticipated benefits resulting from such transactions and the Business Combination, and the Company's business, results of operations and financial condition could be materially and adversely affected.

Wilson-Davis and Commercial Bancorp may have liabilities that are not known to AtlasClear and the indemnities negotiated in the Broker-Dealer Acquisition Agreement and the Bank Acquisition Agreement may not offer adequate protection.

As part of the Broker-Dealer Acquisition Agreement, AtlasClear assumed certain liabilities of Wilson-Davis and as part of the Bank Acquisition Agreement, AtlasClear expects to assume certain liabilities of Commercial Bancorp if the transaction is consummated. There may be liabilities that AtlasClear failed or was unable to discover in the course of performing due diligence investigations into these companies. AtlasClear may also have not correctly assessed the significance of certain liabilities identified in the course of its due diligence. Any such liabilities, individually or in the aggregate, could have a material adverse effect on the combined company's business, financial condition and results of operations. As we integrate Wilson-Davis and, if acquired, Commercial Bancorp, into our operations,

we may learn additional information about Wilson-Davis and Commercial Bancorp, such as unknown or contingent liabilities and issues relating to compliance with applicable laws, that could potentially have a materially adverse effect on our business, financial condition and results of operations.

We may in the future make acquisitions, and such acquisitions could disrupt our operations, and may have an adverse effect on our operating results.

In order to expand our business, we have made and expect to continue to make acquisitions as part of our growth strategy. The success of our future growth strategy will depend on our ability to identify, negotiate, complete and integrate acquisitions and, if necessary, to obtain satisfactory debt or equity financing to fund those acquisitions. Acquisitions are inherently risky, and any acquisitions we complete may not be successful. Any acquisitions that we may undertake in the future involve numerous risks, including, but not limited to, the following:

- difficulties in integrating and managing the operations, personnel, systems, technologies, and products of the companies we acquire;
- diversion of our management's attention from normal daily operations of our business;
- our inability to maintain the key business relationships and the reputations of the businesses we acquire;
- uncertainty of entry into markets in which we have limited or no prior experience and in which competitors have stronger market positions;
- our inability to increase revenue from an acquisition;
- increased costs related to acquired operations and continuing support and development of acquired products;
- our responsibility for the liabilities of the businesses we acquire;
- potential goodwill and intangible asset impairment charges and amortization associated with acquired businesses;
- adverse tax consequences associated with acquisitions;
- changes in how we are required to account for our acquisitions under the GAAP, including arrangements that we assume from an acquisition;
- potential negative perceptions of our acquisitions by consumer and business members, financial markets or investors;
- failure to obtain required approvals from governmental authorities under competition and antitrust laws on a timely basis, if at all, which could, among other things, delay or prevent us from completing a transaction, or otherwise restrict our ability to realize the expected financial or strategic goals of an acquisition;
- our inability to apply and maintain our internal standards, controls, procedures and policies to acquired businesses;
- potential loss of key employees of the companies we acquire;
- potential security vulnerabilities in acquired products that expose us to additional security risks or delay our ability to integrate the product into our service offerings;
- difficulties in increasing or maintaining security standards for acquired technology consistent with our other services, and related costs;
- ineffective or inadequate controls, procedures and policies at the acquired company;
- inadequate protection of acquired IP rights; and
- potential failure to achieve the expected benefits on a timely basis or at all.

Acquisitions involve many complexities, including, but not limited to, risks associated with the acquired business' past activities, difficulties in integrating personnel and human resource programs, integrating technology systems and other infrastructures under our control, unanticipated expenses and liabilities, and the impact on our internal controls and compliance with the regulatory requirements under the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"). There is no guarantee that our acquisitions will increase our profitability or cash flow, and our efforts could cause unforeseen complexities and additional cash outflows, including financial losses. As a result, the realization of anticipated synergies or benefits from acquisitions may be delayed or substantially reduced.

Additionally, acquisitions or asset purchases made entirely or partially for cash may reduce our cash reserves or require us to incur debt under credit agreements or otherwise. We may seek to obtain additional cash to fund any acquisition by selling equity or debt securities. We may be unable to secure the equity or debt funding necessary to finance future acquisitions on terms that are acceptable to us. If we finance acquisitions by issuing equity, convertible debt or other equity-linked securities, our existing stockholders will experience ownership dilution. The incurrence of debt may subject us to financial or other covenants, or other constraints on our business. The occurrence of any of the foregoing risks associated with acquisitions could have a material adverse effect on our business, results of operations, financial condition or cash flows, particularly in the case of a larger acquisition or substantially concurrent acquisitions.

Any acquisitions, partnerships or joint ventures that we enter into could disrupt our operations and have a material adverse effect on our business, financial condition and results of operations.

From time to time, we may evaluate potential strategic acquisitions of businesses, including partnerships or joint ventures with third parties. We may not be successful in identifying acquisition, partnership and joint venture candidates. In addition, we may not be able to continue the operational success of such businesses or successfully finance or integrate any businesses that we acquire or with which we form a partnership or joint venture. We may have potential write-offs of acquired assets and/or an impairment of any goodwill recorded as a result of acquisitions. Furthermore, the integration of any acquisition may divert management's time and resources from our core business and disrupt our operations or may result in conflicts with our business. Any acquisition, partnership or joint venture may not be successful, may reduce our cash reserves, may negatively affect our earnings and financial performance and, to the extent financed with the proceeds of debt, may increase our indebtedness. We cannot ensure that any acquisition, partnership or joint venture we make will not have a material adverse effect on our business, financial condition and results of operations.

We may be unable to successfully grow our business if we fail to compete effectively with others to attract and retain our executive officers and other key management and technical personnel.

We believe our future success depends upon our ability to attract and retain highly competent personnel. Our employees are at-will and not subject to employment contracts. We could potentially lose the services of any of our senior management personnel at any time due to a variety of factors that could include, without limitation, death, incapacity, military service, personal issues, retirement, resignation or competing employers. Our ability to execute current plans could be adversely affected by such a loss. We may fail to attract and retain qualified technical, sales, marketing and managerial personnel required to continue to operate our business successfully. Personnel with the expertise necessary for our business are scarce and competition for personnel with proper skills is intense.

In addition, new hires frequently require extensive training before they achieve desired levels of productivity. Additionally, attrition in personnel can result from, among other things, changes related to acquisitions, retirement and disability. We may not be able to retain existing key technical, sales, marketing and managerial employees or be successful in attracting, developing or retaining other highly-qualified technical, sales, marketing and managerial personnel, particularly at such times in the future as we may need to fill a key position. If we are unable to continue to develop and retain existing executive officers or other key employees or are unsuccessful in attracting new highly-qualified employees, our financial condition, cash flows, and results of operations could be materially and adversely affected.

Risk Related to Wilson-Davis' Business and Industry

Wilson-Davis' liquidation of microcap securities and related activities in the over-the-counter market segment expose it to significant risk.

Wilson-Davis conducts activities, including customer liquidations of restricted and control securities, in microcap securities, which are subject to higher risks than securities traded on national securities exchanges. Microcap securities generally are issued by companies with low or "micro" capitalizations, meaning the total market capitalization value of the company's stock is less than $250 million, which includes low-priced securities, or penny stocks, that trade at below $5.00 per share and have a market capitalization of less than $50 million. Microcap securities frequently are issued by smaller reporting companies, which relaxes many of the disclosure obligations applicable to larger companies (see below). Further, trading in such microcap securities requires Wilson-Davis to meet heightened customer disclosure obligations for any retail transactions. Because of perceived risks associated with the above factors, Wilson-Davis believes it faces heightened regulatory scrutiny from the SEC and the Financial Industry Regulatory Authority (the "FINRA") and other self-regulatory organizations that require particular attention to compliance measures and supervision.

The over-the-counter markets for the microcap securities Wilson-Davis liquidates frequently have limited trading volume and volatile trading prices.

The trading markets for the microcap securities Wilson-Davis liquidates frequently have limited trading volume and volatile price fluctuations, which sometimes makes it difficult to fulfill customers' orders at requested amounts or prices. In addition, because of market conditions, Wilson-Davis may restrict the number of shares that a customer or a group of customers may liquidate in a single security to mitigate possible undue market selling pressure or to reduce potential market impact. Wilson-Davis may not be successful in detecting market conditions that warrant the above or other trading precautions to meet its compliance obligations. Any such trading limitations may impair Wilson-Davis' competitive position and contribute to customer dissatisfaction.

The penny stock rules limit Wilson-Davis' trading practices.

Wilson-Davis must comply with special penny stock rules if it sells such stock to retail customers, as distinguished from other broker-dealers. Although Wilson-Davis has a policy of limiting penny stock sales only to other broker-dealers, if Wilson-Davis sells penny stocks to retail customers, it must provide purchasers of these stocks with a standardized risk disclosure document prepared by the Commission. This document provides information about penny stocks and the nature and level of risks involved in investing in the penny stock market. A broker must also give a purchaser, orally or in writing, bid and offer quotations and information regarding broker and salesperson compensation, make a written determination that the penny stock is a suitable investment for the purchaser, and obtain the purchaser's written agreement to the purchase. The penny stock rules may make it difficult for investors to sell their shares of penny stock. Because of these rules, many brokers choose not to participate in penny stock transactions and there is less trading in penny stocks. Accordingly, investors may not always be able to resell shares of penny stock publicly at times and prices that they feel are appropriate. Wilson-Davis cannot assure that any penny stock rules compliance measures that it adopts and implements will be effective.

Wilson-Davis needs to continue to maintain its excess net capital above the NSCC requirement of $10 million to continue to provide correspondent clearing services for introducing brokers.

Wilson-Davis is subject to amendments of rules adopted by NSCC that require Wilson-Davis to have excess net capital of at least $10.0 million as of October 26, 2023 if Wilson-Davis clears for an introducing broker. As of June 30, 2024, Wilson-Davis had net capital of approximately $10.4 million. Investors, including the owners of Wilson-Davis and Mr. Schaible, provided an aggregate of $1,300,000 in subordinated demand notes which were funded on October 13, 2023, and FINRA approved the demand notes. The notes are expected to mature on October 13, 2024 and to have an interest rate of 5% per annum, payable quarterly. During the six months ended June 30, 2024, Glendale, the sole introducing broker at Wilson-Davis, provided $164,000 or approximately 3% of Wilson-Davis' revenues. However, the growth of clearing services for introducing broker customers is expected to be a key driver to meet the Company's future revenue goals. As a result, if we fail to meet the increased capital requirements of NSCC on an ongoing basis, we would be unable to provide clearing services for introducing brokers which could have a material adverse effect on the Company's revenues in the future.

Wilson-Davis is substantially dependent on one principal customer.

During the six months ended June 30, 2024 and 2023, Wilson-Davis received 10% and 5% of its revenue, respectively, from securities liquidations of Canadian traded securities for customers of Canaccord Genuity. The termination or material reduction in the securities liquidation for customers of Canaccord Genuity would have a material adverse effect on the revenues and results of operation of Wilson-Davis.

Wilson-Davis customers liquidate securities of smaller reporting companies that have relaxed disclosure obligations.

The microcap securities Wilson-Davis customers principally liquidate are issued by smaller reporting companies. The disclosures smaller reporting companies are required to provide in SEC periodic reports are less than those of larger reporting companies. Specifically, smaller reporting companies are able to provide simplified executive compensation disclosures in their filings, are exempt from the provisions of Section 404(b) of the Sarbanes-Oxley Act of 2002 requiring that independent registered public accounting firms provide an attestation on the effectiveness of internal control over financial reporting, and have certain other reduced disclosure obligations in their SEC filings, including being permitted to provide two, rather than three, years of audited financial statements in annual reports. Reduced disclosures in smaller reporting company periodic reports may make it harder for investors to analyze results of operations and financial prospects. Wilson-Davis believes that the foregoing contributes to increased volatility and lower trading volume for the securities markets for smaller reporting companies, many of which are microcap securities.

Wilson-Davis customers also liquidate securities in companies that do not file SEC reports, so there is very little, if any, reliable data publicly available about them.

In addition to smaller reporting companies, Wilson-Davis customers also liquidate securities of companies that are not subject to SEC reporting requirements and thus do not file any periodic reports. Frequently, there is little reliable available public information about the business activities, financial condition or results of operations, management, operating risks, or other material matters about such companies. Many of such companies have only recently been organized, have inadequate financial resources or liquidity and rely on the ongoing sale of stock or borrowings to sustain operations, do not have independent directors, and have engaged in material transactions with related parties. These companies may not have financial statements that have been reviewed by independent auditors. Transactions in the securities of these companies may expose Wilson-Davis to liability.

Wilson-Davis is, and may in the future be, subject to significant regulatory enforcement proceedings.

In the ordinary course of business, securities broker-dealers such as Wilson-Davis are highly regulated and are routinely and frequently examined by the SEC, FINRA, and the securities regulatory authorities of states in which they are licensed or conduct business. Such examinations review a broad ranges of business activities for compliance with the many statutes, rules, regulations, and interpretations governing Wilson-Davis' activities. Examinations by any of the above authorities may lead to enforcement actions that expose Wilson-Davis and its personnel to defense costs and potential fines or other sanctions. For example, Wilson-Davis has appealed to the SEC an adverse ruling by FINRA's National Adjudicatory Council, or "NAC," finding that Wilson-Davis had violated FINRA rules respecting short sales, failing to supervise and implement adequate anti money-laundering procedures. NAC had ordered Wilson-Davis to pay a $1,100,000 fine and disgorge $51,624. Wilson-Davis cannot predict the outcome of its appeal or when a decision will be rendered. Wilson-Davis established a $100,000 contingency reserve in the year ended June 30, 2021, for this litigation contingence, but cannot assure that this amount is adequate to cover any penalty determined on appeal. The amount of the fine and disgorgement by which a final judgment exceeds the contingency reserve amount would reduce Wilson-Davis' excess capital. In addition to the payment of defense costs and potential fines or other sanctions associated with enforcement actions, customers may assert claims against Wilson-Davis or its personnel in legal suits or arbitration proceedings.

Wilson-Davis and certain of its personnel are subject to various regulatory disciplinary orders that could be the basis of future regulatory action.

Wilson-Davis and certain of its personnel are subject to previous disciplinary orders by FINRA and the SEC which, by their terms, do not expire. FINRA and the SEC can impose special supervision and compliance measures and may increase future regulatory scrutiny. In July 2019, FINRA initiated an enforcement proceeding against Wilson-Davis, certain principals of Wilson-Davis, and a registered representative/trader alleging that the firm and the registered representative manipulated the market of a designated security, responsible supervisory personnel failed to establish and maintain appropriate supervisory procedures, the firm and a principal failed to implement and maintain appropriate anti-money laundering procedures, and provided inaccurate documents to FINRA staff (the "2019 FINRA Action"). Wilson-Davis and its principals agreed to settle the matter, without admitting or denying the allegations respecting supervision, anti-money laundering, and documentation in July 2021 by consenting to an order under which the firm was censured and paid a $500,000 monetary penalty, one principal was suspended in all capacities for 90 days, that principal and two others were suspended as principals for two years, and the firm was required to undertake certain compliance and remediation efforts. The firm promptly paid the fine and timely completed the required compliance and remediation efforts. In connection with the resolution of some matters, Wilson-Davis engaged qualified consultants to recommend specific compliance procedures and has implemented such required compliance enhancements. Wilson-Davis believes it has fully complied with all sanctions related to the July 2019 complaint. However, specific employees remained subject to sanctions and restrictions on activities, particularly Wilson-Davis stockholders Lyle Davis, Byron Barkley, and James Snow, who agreed to a suspension from being associated with the firm in a principal capacity for two years, which expired in August 2023. Previously, in December 2016, FINRA filed a complaint against Wilson-Davis asserting potential violations of several securities laws and regulations, regarding supervision, anti-money-laundering, and Regulation SHO speculation prohibitions (the "2016 FINRA Action"). Wilson-Davis denied the allegations and FINRA-imposed sanctions have been stayed pending appeal.

Wilson-Davis' procedures, policies, and practices to comply with the comprehensive anti-money laundering regulatory regime may not be sufficient to assure compliance.

Wilson-Davis is subject to comprehensive anti-money laundering ("AML") laws, regulations, and interpretations that apply to its activities under the Bank Secrecy Act. The AML regulatory regime covers a wide range of activities, including trading activities, securities liquidations and other transactions, funds and securities transfers, the opening of customer accounts, customer interactions, and other activities.

In July 2019, FINRA censured Wilson-Davis and assessed a $500,000 fine for violations, among others, of applicable AML rules. Further, Wilson-Davis engaged an independent consultant to help develop and implement new comprehensive policies and procedures designed to comply with applicable AML requirements. Wilson-Davis has completed this process but cannot assure that its new policies and procedures will in fact be adequate to assure AML compliance in practice. This enforcement proceeding and the related implementation of new AML policies and procedures may have heightened regulatory scrutiny of Wilson-Davis. Regulatory authorities may consider Wilson-Davis' previous discipline as warranting increased sanctions in any subsequent enforcement proceeding finding AML violations.

Although Wilson-Davis expends significant time and financial resources to monitor and investigate potential AML issues, Wilson-Davis' resources, technologies, personnel, and fraud detection tools may be insufficient to accurately detect and prevent such activities. Significant increases in fraudulent or illegal activities could negatively impact Wilson-Davis' reputation and reduce the trading volume through the firm. Any misbehavior of or violation by Wilson-Davis' customers may also lead to regulatory investigations into the firm.

Further, although Wilson-Davis may ultimately conclude that no fraud or money laundering exists, regulatory authorities may disagree that the red flags pointed towards such a conclusion and may impose various penalties without needing to point to any evidence of fraud or money laundering. Any such penalties could significantly harm the financial condition and results of operations of Wilson-Davis.

Wilson-Davis cannot predict the duration or severity of economic conditions that may adversely affect its results of operations.

Wilson-Davis' revenue and profitability have been adversely affected by the general downturn in the securities markets since early 2022, resulting from rising inflation, increased interest rates, the lingering economic effects of the COVID-19 pandemic, the military conflict in Ukraine and Israel, Hamas' attack on Israel and the ensuing war and other factors. Wilson-Davis cannot predict the duration or severity of the downturn of the current securities markets or the economic and other factors that are contributing to these market conditions.

General, long-term financial and economic conditions and unforeseen events may adversely affect Wilson-Davis' financial condition and results of operations.

In addition to the previous and current securities markets and economic challenges, previous long-term market downturns, economic depressions and unforeseen events, such as the COVID-19 pandemic, have had an adverse impact on Wilson-Davis' business. Although Wilson-Davis has established a disaster recovery plan, there is no guarantee that it could operate without disruption in the event a disaster were to occur. The occurrence of various unforeseeable events such as natural disasters, pandemics, terrorism and acts of war, could result in fewer customer orders and, as a result, decreased commissions and revenue, resulting in a significant impact on Wilson-Davis' ability to conduct business and adversely affecting its results of operations and financial condition.

Wilson-Davis may be unable to attract and retain registered representatives and other professional employees.

There is intense competition for experienced registered representatives with a knowledge of over-the-counter markets and a large customer network. Further, many customers may be more loyal to individual representatives than to the firm itself. If Wilson-Davis is unable to attract and retain the services of registered representatives, the firm may be unable to maintain or expand its customer base or may be unable to effectively manage the volume of orders it executes and clears. Likewise, Wilson-Davis relies upon financial and compliance professionals who are not registered representatives but who perform important services to the firm. If Wilson-Davis is unable to attract and retain such professionals, it may be unable to stay compliant in an increasingly complex regulatory environment. Further, the number of young professionals entering the broker-dealer industry has declined over time and Wilson-Davis' inability to hire young professionals, particularly in light of the average age of Wilson-Davis' existing professionals, may adversely impact its ability to retain or expand its customer base.

FINRA has adopted rules that impose significant compliance requirements on making investment recommendations to retail customers.

Wilson-Davis policy is to not recommend investments to its customers. However, Wilson-Davis cannot assure you that its policy of not making recommendations to customers will be observed in all cases or that any investment recommendation rules compliance measures that Wilson-Davis adopts and implements will be effective. Breaches of Wilson-Davis' policy could expose Wilson-Davis to regulatory enforcement and to liability from its customers.

Wilson-Davis faces significant competition from other brokers and clearing firms.

The broker-dealer and clearing firm industries are dominated by a small number of very large broker-dealers and clearing firms and a number of smaller self-clearing firms and clearing firms that clear for small introducing brokers clearing microcap securities transactions. Wilson-Davis continues to compete with larger firms that have greater financial resources, vast customer networks, diverse business lines, household name recognition, large-scale marketing campaigns, and established relationships with regulatory and legislative institutions. Further, the firm's competitors are comparatively less impacted by adverse regulatory actions and rulemaking than Wilson-Davis as a smaller firm, including impacts of net capital and margin calls imposed by NSCC. If Wilson-Davis does provide new products and services, doing so may require substantial expenditures and take considerable time. If Wilson-Davis fails to innovate and deliver products and services quickly enough as compared to its competitors, it might fail to attract and retain customers.

Wilson-Davis is exposed to credit risk and other risks from customers, market makers, and other counterparties.

Wilson-Davis is exposed to the risk that third parties that owe the firm money, securities, or other assets will not perform their obligations. These parties include other clearing firms, broker-dealers, customers, clearing houses, exchanges, and other financial

intermediaries. Such parties may default on their obligations owed to Wilson-Davis due to bankruptcy, lack of liquidity, operational failure, or other reasons. For example, Wilson-Davis permits certain clients to purchase securities on a margin basis. These transactions may be collateralized by the customer's cash and securities. If customers are unable to cover their short position or repay the credit extended by Wilson-Davis, the firm may incur a loss if it liquidates the customer's collateral at market rates. Those risks may be particularly great during periods of rapidly declining markets in which the value of the collateral held by Wilson-Davis may fall below the amount of a customer's indebtedness.

NSCC requires daily cash deposits on unsettled trades, those between trade date and settlement date. In some cases, the deposit may be an amount that is significantly in excess of the value of the trade itself. NSCC also may require intraday deposits that must be met in only a few hours or less. If the cash to make these deposits is not available, NSCC may impose penalties that could be severe, such as revoking membership or restricting correspondent clearing, either of which would have a significant negative impact on the business. Although Wilson-Davis imposes limits on the size of some trades as a risk management procedure, it is not always possible to determine in advance the size of the deposit requirements.

Additionally, if Wilson-Davis fails to adequately monitor its customers' accounts and certain business reorganizations are not timely or properly updated on its system, such failure could lead to severe losses. For example, if when undertaking a reverse stock split, a customer sells the previous amount of shares at the new share price, it would result in a severe loss, which has resulted in some broker-dealers going out of business. Although Wilson-Davis' procedure is to put a freeze on trading for companies that are in the process of a reorganization in advance of the effective date of such reorganization, if Wilson-Davis is not aware of the pending reorganization or fails to adequately update its system, any improper sales could significantly harm the results of operations of Wilson-Davis.

Wilson-Davis faces significant risks in conducting its market making business.

Wilson-Davis faces various risks relating to making markets in microcap securities. The regulations relating to market making are complex and subject to a significant breadth of regulatory interpretation, resulting in inconsistent and unpredictable enforcement of applicable law. If the firm acts in a manner that a regulator perceives to be inconsistent with applicable law, the firm may be subject to costly penalties and sanctions. Regulatory scrutiny of Wilson-Davis' market making activities may have increased because of Wilson-Davis' previous sanctions for short sale compliance deficiencies.

Systems and security failures could significantly disrupt Wilson-Davis' business and subject the firm to losses, litigation, and regulatory actions.

Wilson-Davis' business depends on its ability to execute large volumes of transactions for its own customers and to clear large volumes of transactions for introducing broker-dealers. The firm relies heavily on its communications systems and on stable and functioning Internet, mobile devices, and computer systems, all of which are subject to internal and external security vulnerabilities. Those vulnerabilities include disruptions from natural disasters, power and service outages, interruptions or losses, software bugs, cybersecurity attacks, computer viruses, malware, phishing, unauthorized entry, and other similar events. Further, Wilson-Davis is reliant on numerous service providers that may themselves have insufficient security measures that Wilson-Davis cannot effectively monitor. Although Wilson-Davis generally has agreements, policies, and procedures relating to cybersecurity and data privacy in place with third-party service providers, security breaches may still occur. Vulnerabilities with Wilson-Davis and third-party systems may result in, for example, the inability of Wilson-Davis to conduct its business, the theft or ransom of Wilson-Davis property, or the unauthorized disclosure of confidential customer information or the proprietary or confidential data of Wilson-Davis and its supervised persons. Unauthorized disclosures may in turn result in reputational damage, regulatory action, and civil suits, and may further require Wilson-Davis to expend significant additional resources to modify its protective measures, to investigate and remediate vulnerabilities, and to defend against legal and regulatory claims. Such events may also result in uninsured liability and the firm being subject to increased regulatory scrutiny and legal liabilities. Wilson-Davis may be unable to receive reimbursement from third-party service providers in the event of a security incident but may still be subject to adverse regulatory action if the firm is held responsible for security failures attributed to its vendors.

Wilson-Davis also faces risks relating to mistakes made in recoding, accounting for, confirming, and settling transactions. Wilson-Davis also faces risks relating to software and internet malfunctions. Any such malfunction or depletion of functionality could result in Wilson-Davis' inability to execute trade orders, adverse operational and regulatory action, and reputational damage. Wilson-Davis' board oversees cybersecurity risk management and controls, including appropriate risk mitigation strategies, systems, processes, and controls. This oversight involves reviewing an annual cybersecurity report from the firm's chief information security officer, with whom the board maintains an ongoing dialog on current strategies, systems, processes, controls and possible needs for additional processes and controls to keep current with the latest threats.

Wilson-Davis relies on numerous external service providers whose failure to provide those services properly may result in significant adverse events.

Wilson-Davis relies on numerous third-party service providers, including communication systems providers, regulatory services providers, clearing systems, exchange systems, banking systems, and market information providers. If the provision of services by these third parties is interrupted or terminated, Wilson-Davis may be unable to conduct its business effectively, including by being unable to accept receipt of securities or funds or to provide information regarding stock trades. For example, the firm relies heavily on websites and software provided by or relating to OTC Markets. Any disruption to those websites or services could result in a significant reduction of orders received from the firm's customers and even a cessation of the firm's business activities.

Wilson-Davis relies on representations of third parties to ensure compliance with applicable laws and rules.

Wilson-Davis is required to comply with various securities laws and apply a compliance program designed to detect and prevent various kinds of illegality and misconduct, including fraud, money laundering, and the unregistered sale of securities. In applying its compliance program, the firm relies on various customer and other third-party representations. Inaccurate or incomplete representations or information could result in adverse consequences for the firm. For example, before liquidating restricted securities, Wilson-Davis is required to conduct a reasonable investigation of facts supporting an exemption from registration of the securities. Such reasonable investigation may not reveal whether the proposed liquidation is in fact exempt from registration or may involve other illegal activity by others, including Wilson-Davis' customer. Any enforcement investigation or action relating to issuers or their affiliates may subsequently encompass Wilson-Davis, which could require the firm to incur costs of defense and expose it to fines and other sanctions. Similarly, in making a market in securities, Wilson-Davis frequently relies on exemption from certain requirements that depend in part on conclusions of third parties. If those third-party conclusions are incorrect, Wilson-Davis could be subject to regulatory sanctions.

Damage to Wilson-Davis' reputation could adversely impact its business.

Wilson-Davis' reputation is critical to its ability to attract and retain customers that use Wilson-Davis' brokerage services and current and prospective introducing brokers that use or may use Wilson-Davis' clearing services. The perceived inability of Wilson-Davis or its supervised persons to operate the firm's business efficiently, securely, and in compliance with applicable law may adversely harm its business.

Risks Related to Regulatory, Compliance and Legal

We are or may be subject to numerous risks relating to the need to comply with data and information privacy laws.

We are or may become subject to data privacy and securities laws and regulations that apply to the collection, transmission, storage, use, processing, destruction, retention and security of personal information. Our current privacy policies and practices are designed to comply with privacy and data protection laws in the United States. These policies and practices inform members how we handle their personal information and, as permitted by law, allow members to change or delete the personal information in their member accounts. The legislative and regulatory landscape for privacy and data protection continues to evolve in the United States, both federally and at the state level, as well as in other jurisdictions worldwide, and these laws and regulations may at times be conflicting. It is possible that these laws may be interpreted and applied in a manner that is inconsistent from one jurisdiction or is inconsistent with our practices, and our efforts to comply with the evolving data protection rules may be unsuccessful. We must devote significant resources to understanding and complying with this changing landscape. Failure to comply with federal, state, provincial and international laws regarding privacy and security of personal information could expose us to penalties under such laws, orders requiring that we change our practices, claims for damages or other liabilities, regulatory investigations and enforcement action (including fines and penalties), litigation, significant costs for remediation, and damage to our reputation and loss of goodwill, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects. Although we endeavor to comply with our published privacy policies and related documentation, and all applicable privacy and security laws and regulations, we may at times fail to do so or may be perceived to have failed to do so. Even if we have not violated these laws and regulations, government investigations into these issues typically require the expenditure of significant resources and generate negative publicity, which could have a material adverse effect on our business, financial condition, results of operations and prospects. Additionally, if we are unable to properly protect the privacy and security of personal information, including sensitive personal information (e.g., financial information), we could be found to have breached our contracts with certain third parties.

There are numerous U.S. and Canadian federal, state, and provincial laws and regulations related to the privacy and security of personal information. Determining whether protected information has been handled in compliance with applicable privacy standards and our contractual obligations can be complex and may be subject to changing interpretation. For example, in 2018, California enacted the California Consumer Privacy Act ("CCPA"), which, among other things, requires new disclosures to California consumers and

affords such consumers new abilities to opt out of certain sales of information and may restrict the use of cookies and similar technologies for advertising purposes. The CCPA, which became effective on January 1, 2020, was amended on multiple occasions and is the subject of regulations issued by the California Attorney General regarding certain aspects of the law and its application. Moreover, California voters approved the California Privacy Rights Act (the "CPRA") in November 2020. The CPRA significantly modifies the CCPA, creating additional obligations relating to consumer data, with enforcement beginning July 1, 2023. Aspects of the CCPA and CPRA remain unclear, resulting in further uncertainty and potentially requiring us to modify our data practices and policies and to incur substantial additional costs and expenses in an effort to comply. Similar laws have been proposed, and likely will be proposed, in other states and at the federal level, and if passed, such laws may have potentially conflicting requirements that would make compliance challenging. Similar state laws have been passed in Virginia, Colorado, Utah, Connecticut, and New Jersey and other states are expected to follow. If we fail to comply with applicable privacy laws, we could face civil and criminal fines or penalties.

Failing to take appropriate steps to keep consumers' personal information secure, or misrepresentations regarding our current privacy practices, can also constitute unfair acts or practices in or affecting commerce and be construed as a violation of Section 5(a) of the Federal Trade Commission Act (the "FTCA"), 15 U.S.C. § 45(a). The Federal Trade Commission ("FTC") expects a company's data security measures to be reasonable and appropriate in light of the sensitivity and volume of consumer information it holds, the size and complexity of our business, and the cost of available tools to improve security and reduce vulnerabilities. The FTC may also bring an action against a company who collects or otherwise processes personal information for any statements it deems misleading or false contained in privacy disclosures to consumers. While we use best efforts to comply with our published privacy policies and related documents, we may at times fail to do so, or may be perceived to have failed to do so. In addition, we may be unsuccessful in achieving compliance if our personnel, partners, or service providers fail to comply with our published privacy policies and related documentation. Such failures can subject us to potential foreign, local, state and federal action if they are found to be deceptive, unfair, or misrepresentative of our actual practices. In addition, state attorneys general are authorized to bring civil actions seeking either injunctions or damages in response to violations that threaten the privacy of state residents. We cannot be sure how these regulations will be interpreted, enforced or applied to our operations. In addition to the risks associated with enforcement activities and potential contractual liabilities, our ongoing efforts to comply with evolving laws and regulations at the federal and state level may be costly and require ongoing modifications to our policies, procedures and systems.

Overall, because of the complexity of these laws, the changing obligations and the risk associated with our collection and use of data, we cannot guarantee that we are, or will be, in compliance with all applicable U.S., Canadian, or other international regulations as they are enforced now or as they evolve.

We are subject to cybersecurity risks and interruptions or failures in our information technology systems and as we grow, we will need to expend additional resources to enhance our protection from such risks. Any cyber incident could result in information theft, data corruption, operational disruption, and/or a financial loss that has a material adverse impact on our business and that could subject us to legal claims.

We rely on sophisticated information technology ("IT") systems and infrastructure to support our business. At the same time, cybersecurity incidents, including deliberate attacks, malware, viruses, ransomware attacks, denial of service attacks, phishing schemes, and other attempts to harm IT systems are prevalent and have increased. Our technologies, systems and networks and those of our vendors, suppliers and other business partners may become the target of cyberattacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of proprietary and other information, or other disruption of business operations. In addition, certain cyber incidents, such as surveillance or vulnerabilities in widely used open source software, may remain undetected for an extended period. Our systems for protecting against cybersecurity risks may not be sufficient. As the sophistication of cyber incidents continues to evolve, we have been and will likely continue to be required to expend additional resources to continue to modify or enhance our protective measures or to investigate and remediate any vulnerability to cyber incidents. Additionally, any of these systems may be susceptible to outages due to fire, floods, power loss, telecommunications failures, usage errors by employees, computer viruses, cyber-attacks or other security breaches or similar events. The failure of any of our IT systems may cause disruptions in our operations, which could adversely affect our revenues and profitability, and lead to claims related to the disruption of our services from members of the AtlasClear Platform and advertisers.

Hackers and data thieves are increasingly sophisticated and operate large-scale and complex automated attacks, which may remain undetected until after they occur. Despite our efforts to protect our information technology networks and systems, payment processing, and information, we may not be able to anticipate or to implement effective preventive and remedial measures against all data security and privacy threats. Our security measures may not be adequate to prevent or detect service interruption, system failure, data loss or theft, or other material adverse consequences. No security solution, strategy, or measures can address all possible security threats. Our applications, systems, networks, software, and physical facilities could have material vulnerabilities, be breached, or personal or confidential information could be otherwise compromised due to employee error or malfeasance, if, for example, third parties attempt to fraudulently induce our personnel or our business members to disclose information or usernames and/or passwords, or otherwise

compromise the security of our networks, systems and/or physical facilities. We cannot be certain that we will be able to address any such vulnerabilities, in whole or part, and there may be delays in developing and deploying patches and other remedial measures to adequately address vulnerabilities, and taking such remedial steps could adversely impact or disrupt our operations. We expect similar issues to arise in the future as products and services sold through the AtlasClear Platform are more widely adopted, and as we continue to introduce future products and services. An actual or perceived breach of our security systems or those of our third party service providers may require notification under applicable data privacy regulations or for customer relations or publicity purposes, which could result in reputational harm, costly litigation (including class action litigation), material contract breaches, liability, settlement costs, loss of sales, regulatory scrutiny, actions or investigations, a loss of confidence in our business, systems and payment processing, a diversion of management's time and attention, and significant fines, penalties, assessments, fees, and expenses. Moreover, pursuant to SEC rules, public companies must disclose material cybersecurity incidents on Form 8-K within four business days (subject to a delayed compliance date for smaller reporting companies, of which we are one). In addition, companies must provide cybersecurity risk management disclosures in their annual reports.

The costs to respond to a security breach or to mitigate any security vulnerabilities that may be identified could be significant, and our efforts to address these problems may not be successful. These costs include, but are not limited to: retaining the services of cybersecurity providers; complying with requirements of existing and future cybersecurity, data protection and privacy laws and regulations, including the costs of notifying regulatory agencies and impacted individuals; and maintaining redundant networks, data backups, and other damage-mitigation measures. We could be required to fundamentally change our business activities and practices in response to a security breach or related regulatory actions or litigation, which could have an adverse effect on our business. Additionally, most jurisdictions have enacted laws requiring companies to notify individuals, regulatory authorities, and others of security breaches involving certain types of data. Such mandatory disclosures are costly, could lead to negative publicity, may cause our customers to lose confidence in the effectiveness of our security measures, and require us to expend significant capital and other resources to respond to or alleviate problems caused by the actual or perceived security breach.

We may not have adequate insurance coverage for handling cyber security incidents or breaches, including fines, judgments, settlements, penalties, costs, attorney fees, and other impacts that arise out of incidents or breaches. If the impacts of a security incident or breach, or the successful assertion of one or more large claims against us that exceeds our available insurance coverage, or results in changes to our insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), it could harm our business. In addition, we cannot be sure that our existing insurance coverage will continue to be available on acceptable terms or that our insurers will not deny coverage as to all or part of any future claim or loss. Moreover, our privacy risks are likely to increase as we continue to expand, grow our consumer and business member base, and process, store, and transmit increasingly large amounts of personal or sensitive data.

Issues in the use of artificial intelligence, including machine learning and computer vision (together, "AI"), in our analytics platforms may result in reputational harm or liability.

AI is enabled by or integrated into some of our analytics platforms and is a growing element of our business offerings going forward. As with many developing technologies, AI presents risks and challenges that could affect its further development, adoption, and use, and therefore our business. AI algorithms may be flawed. Data sets may be insufficient, of poor quality, or contain biased information. Inappropriate or controversial data practices by data scientists, engineers, and end-users of our systems could impair the acceptance of AI solutions. If the analyses that AI applications assist in producing are deficient or inaccurate, we could be subjected to competitive harm, potential legal liability, and brand or reputational harm. Some uses of AI present ethical issues, and our judgment as to the ethical concerns may not be accurate. If we use AI as part of the AtlasClear Platform in a manner that is controversial because of the purported or real impact on our business members or vendors, this may lead to adverse results for our financial condition and operations or the financial condition and operations of our business members, which may further lead to us experiencing competitive harm, legal liability and brand or reputational harm.

We could face employee claims.

We could face employee claims against us based on, among other things, wage and hour violations, discrimination, harassment, or wrongful termination that may also create not only legal and financial liability, but also negative publicity that could adversely affect us and divert our financial and management resources that would otherwise be used to benefit the future performance of our operations.

Litigation or legal proceedings could expose us to significant liabilities and have a negative impact on our reputation or business.

From time to time, we may be party to various claims and litigation proceedings.

Even when not merited, the lawsuits and other legal proceedings may divert management's attention, and we may incur significant expenses in pursuing or defending these lawsuits or other legal proceedings. The results of litigation and other legal proceedings are inherently uncertain, and adverse judgments or settlements in some of these legal disputes may result in adverse monetary damages, penalties or injunctive relief against us, which could negatively impact our financial position, cash flows or results of operations. Any claims or litigation, even if fully indemnified or insured, could damage our reputation and make it more difficult to compete effectively or to obtain adequate insurance in the future.

Furthermore, while we maintain insurance for certain potential liabilities, our insurance does not cover all types and amounts of potential liabilities and is subject to various exclusions as well as caps on amounts recoverable. Even if we believe a claim is covered by insurance, insurers may dispute our entitlement to recovery for a variety of potential reasons, which may affect the timing and, if the insurers prevail, the amount of our recovery.

Wilson-Davis is subject to extensive regulation from the SEC and FINRA, and the failure to comply with this regulation can result in significant penalties, fines, liability, and reputational harm.

As a broker-dealer and clearing firm, Wilson-Davis is subject to extensive regulation by the SEC as well as self-regulatory organizations, particularly FINRA. Statutes, rules, and related interpretations can change rapidly, and the cost of remaining compliant with applicable regulations is costly. The SEC and FINRA have comprehensive examination and monitoring practices, which have resulted in previous regulatory actions against Wilson-Davis and certain of its personnel. Wilson-Davis is subject to periodic examinations from the SEC and FINRA. Any finding of violation of any applicable regulation may result in formal administrative or judicial proceedings that subject Wilson-Davis to costly settlement agreements, censure, fines, civil penalties, cease-and-desist orders, termination or suspension of broker-dealer activities, and suspension or disqualification of supervised persons.

Wilson-Davis and its supervised persons have been previously subject to various sanctions. The imposition of compliance sanctions may have a material adverse effect on Wilson-Davis' operating results and financial condition, including the expulsion of the firm from the industry. Wilson-Davis expends significant time and financial resources to address compliance concerns of regulators, communicate with regulators, contest preliminary examination conclusions with which Wilson-Davis disagrees, and defend against regulatory action.

The misconduct of Wilson-Davis' employees could expose the firm to significant legal liability and reputational harm.

Wilson-Davis employees may violate Wilson-Davis' written supervisory procedures or engage in other unlawful activities, which could expose Wilson-Davis to regulatory action, sanctions or damage to its reputation. Improper activity by employees may expose Wilson-Davis to regulatory action for failing to supervise its employees. Wilson-Davis' compliance measures to detect and prevent employee misconduct may not be effective or deemed adequate by regulatory authorities.

If the Pacsquare Assets are not successfully implemented or integrated into the Company's business, or do not perform adequately, this could adversely affect the Company's business, financial condition and results of operations, and could damage its reputation.

Although AtlasClear expects that the AtlasClear Platform, source code and other technology assets it acquired, or will acquire, from Pacsquare would be properly implemented and integrated into the Company's systems, we cannot assure you that a successful implementation or integration would occur, or that the AtlasClear Platform, source code, software and other technology assets would perform adequately due to among other things, errors, viruses and defects. Prior to its implementation, AtlasClear expects that all software will be fully tested and representatives from FINRA would be provided demonstrations before they are put into production. Nevertheless, the inability to easily integrate with the Company's system, or any defects in or nonperformance of Pacsquare's software could result in increased costs, customer loss and customer dissatisfaction, and could negatively impact the Company's ability to accomplish its business goals, which could adversely affect its business, financial condition and results of operations, and could damage the Company's reputation.

AtlasClear Holdings relies on the third-party services of Pacsquare which may expose it to additional risks and could have an adverse impact on its business.

AtlasClear Holdings relies on the third-party services of Pacsquare to customize and integrate the AtlasClear Platform, source code and technology assets and to maintain the software it provides along with industry updates as needed. If Pacsquare fails to perform these services properly, this could have an adverse impact on the Company's business. Any errors or defects in the software incorporated into the Company's service offerings, may result in a delay or loss of revenue, diversion of resources, damage to the Company's reputation, the loss of the affected customer, loss of future business, increased service costs or potential litigation claims against the Company.

Risks Relating to the Proposed Acquisition of Commercial Bancorp

The proposed CB Merger may not be completed on the terms or timeline currently contemplated, or at all, as the parties may be unable to satisfy the conditions or obtain the approvals required to complete the CB Merger.

Completion of the CB Merger is subject to certain customary conditions, including, among other things, (i) approval by the stockholders of Commercial Bancorp, Commercial Bancorp's wholly-owned subsidiary Farmers State Bank ("FSB"), AtlasClear and the Company, (ii) receipt of certain regulatory approvals, and (iii) the prior completion of the Business Combination. We cannot assure you that these conditions will be fulfilled or that the CB Merger will be completed on the terms or timeline currently contemplated, or at all. The Federal Reserve and the Wyoming Division of Banking may not approve the CB Merger, may impose conditions to the approval of the CB Merger or require changes to the terms of the CB Merger. Any such conditions or changes could have the effect of delaying completion of the CB Merger, imposing costs on AtlasClear and the Company or limiting the Company's revenues following the CB Merger or otherwise reducing the anticipated benefits of the CB Merger. In addition, AtlasClear and Commercial Bancorp can mutually agree at any time prior to the effective time of the CB Merger to terminate the Bank Acquisition Agreement, even after the approval by Commercial Bancorp's shareholders of the CB Merger. AtlasClear and Commercial Bancorp may also terminate the Bank Acquisition Agreement in the event of breach of the agreement as specified in the Bank Acquisition Agreement.

Failure to complete the CB Merger may hinder the Company from achieving its anticipated business goals, and negatively impact the Company's share price and its business, prospects, financial condition and results of operations.

Through the acquisition of Wilson-Davis and the proposed acquisition of Commercial Bancorp, a federal reserve member, the Company expects to acquire the capabilities to provide specialized clearing and banking services to financial services firms, with an emphasis on global markets currently underserviced by larger vendors. If the Company is able to complete the CB Merger, once properly integrated, anticipated synergies between Commercial Bancorp and Wilson-Davis are expected to allow for lower cost of capital, higher net interest margins, expanded product development and greater credit extension. Management considered the importance of the CB Merger to the overall success of the combined company and determined that such acquisition is not critical. While AtlasClear needs an institution that can carry funds greater than FDIC insurance limits, this can be any FDIC institution that can hold funds of the qualified accounts (profit sharing and IRA). Furthermore, AtlasClear does not believe that the income that Commercial Bancorp is expected to contribute to the combined company will be material. Although AtlasClear believes that Commercial Bancorp can be replaced with a substantially similar alternative acquisition, if needed, this would require the Company to expend additional time and resources to identify and consummate such similar alternative acquisition. In addition, it is possible that AtlasClear will not be able to successfully acquire an alternative FDIC institution for any number of reasons, including the factors that create substantial uncertainty regarding the ability to complete the CB Merger. For example, assuming AtlasClear is able to identify a suitable alternative acquisition candidate that is willing to sell to AtlasClear on terms that the parties agree upon, such transaction may not receive required regulatory approval or other closing conditions may not be satisfied. For example, the Federal Reserve and/or any applicable state banking regulatory authority may not approve any such proposed alternative acquisition, may impose conditions to the approval of such alternative acquisition or require changes to the terms of the proposed transaction. Any such conditions or changes could have the effect of delaying completion of the transaction, imposing costs on AtlasClear and the Company or limiting the Company's revenues following the transaction or otherwise reducing the anticipated benefits of the transaction. If the CB Merger or an alternative acquisition is not consummated, without a Federal Reserve member bank as part of its future business, the Company may not be able to realize these anticipated business goals in the anticipated timeframe, or at all. In particular, the Company may not be able to attract as many, or the pedigree of, customers it anticipates without an FDIC institution. Without an FDIC institution, the Company may face greater risk of trade fails and inferior real-time cash management, and may not be able to maximize net interest margins or sweep deposits to an institution owned by the Company. In addition, if the CB Merger is not completed, the price of our Common Stock may decline to the extent that its then current market price reflects a market assumption that the CB Merger will be completed or it may decline due to a market perception that the CB Merger was not completed due to an adverse change in the Company's business. Furthermore, the Company may experience negative reactions from its stockholders, customers and/or other persons with whom it has a business relationship. In addition, some costs related to the CB Merger, such as legal, accounting and financial advisory fees, must be paid by AtlasClear, and, following the Business Combination, the Company, even if the CB Merger is not completed. Furthermore, AtlasClear has expended, and the Company's management will have expended, valuable time and resources to matters relating to the CB Merger that could otherwise have been devoted to other beneficial activities for the Company. As a result of all the foregoing, failure to complete the CB Merger may negatively impact the Company and its business, prospects, financial condition and results of operations.

The terms of our promissory notes make non-compliance or default likely, and this can result in additional legal and other fees as well as impact the Company's share price and its business, prospects, financial condition and results of operations.

As part of our recent acquisition and ongoing efforts to acquire another company, we have entered into several promissory notes with terms that are more onerous than usual. These promissory notes contain covenants and obligations that, if not met, could result in

default. Given the significant changes and integration efforts currently underway, there is an increased risk that we may not be able to comply with these terms.

In the event of non-compliance or default, we could face severe financial penalties, acceleration of debt repayment obligations, and potential legal actions. Such outcomes could materially and adversely affect our financial condition, liquidity, and overall business operations. Additionally, a default could damage our reputation and hinder our ability to secure future financing on favorable terms, thereby impacting our long-term growth and strategic objectives.

Risks Related to Our Operations as a New Public Company

The requirements of being a public company may strain our resources, divert our management's attention and affect our ability to attract and retain qualified independent board members.

As a public company, we are subject to the reporting and corporate governance requirements of the Exchange Act, the listing requirements of the NYSE and other applicable securities rules and regulations, including the Sarbanes-Oxley Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"). Compliance with these rules and regulations will increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase demand on our systems and resources, particularly after we are no longer an "emerging growth company" as defined in the JOBS Act. Among other things, the Exchange Act requires that we file annual, quarterly and current reports with respect to our business and results of operations and maintain effective disclosure controls and procedures and internal control over financial reporting. In order to improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could harm our business, financial condition, results of operations and prospects. Although we have already hired additional personnel to help comply with these requirements, we may need to further expand our legal and finance departments in the future, which will increase our costs and expenses.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time-consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expense and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies, regulatory authorities may initiate legal proceedings against us and our business and prospects may be harmed. As a result of disclosure of information in the filings required of a public company and in this report, our business and financial condition will become more visible, which may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business, financial condition, results of operations and prospects could be materially harmed, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and materially harm our business, financial condition, results of operations and prospects.

We may have increasing difficulty attracting and retaining qualified outside independent board members.

The directors and management of publicly traded corporations are increasingly concerned with the extent of their personal exposure to lawsuits and shareholder claims, as well as governmental and creditor claims that may be made against them in connection with their positions with publicly held companies. Outside directors are becoming increasingly concerned with the availability of directors' and officers' liability insurance to pay on a timely basis the costs incurred in defending shareholder claims. Directors' and officers' liability insurance is expensive and difficult to obtain. The SEC and NYSE have also imposed higher independence standards and certain special requirements on directors of public companies. Accordingly, it may become increasingly difficult to attract and retain qualified outside directors to serve on our Board.

Stock trading volatility could impact our ability to recruit and retain employees.

Volatility or lack of appreciation in our stock price may also affect our ability to attract and retain our key employees. Employees may be more likely to leave us if the shares they own or the shares underlying their vested equity have not significantly appreciated in value relative to the original purchase price of the shares or the exercise price of the options, or conversely, if the exercise price of the options that they hold are significantly above the market price of our Common Stock. If we are unable to retain our employees, or if we

need to increase our compensation expenses to retain our employees, our business, operating results, and financial condition could be adversely affected.

Some members of our management team have no prior experience managing a public company.

Some members of our senior management team do not have any experience managing a publicly traded company, interacting with public company investors, and complying with the increasingly complex laws pertaining to public companies. Our management team may not successfully or efficiently manage our transition to being a public company, which will subject us to significant regulatory oversight and reporting obligations under the federal securities laws and the continuous scrutiny of securities analysts, investors and regulators. These new obligations and constituents will require significant attention from our senior management and could divert their attention away from the day-to-day management of our business, which could harm our business, results of operations, and financial condition.

We are an Emerging Growth Company, making comparisons to non-Emerging Growth companies difficult or impossible.

We are an Emerging Growth Company ("EGC") as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), and we have taken and expect to continue to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not EGCs including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports, registrations statements and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. Further, Section 102(b)(1) of the JOBS Act exempts EGCs from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. This exemption may make comparison of our financial statements with other public companies that are neither EGCs nor EGCs that have opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

We may be exposed to risk if we cannot enhance, maintain, and adhere to our internal controls and procedures.

As a public company trading on the NYSE American, we have significant requirements for enhanced financial reporting and internal controls. The process of designing and implementing effective internal controls is a continuous effort that will require us to anticipate and react to changes in our business accounting, auditing and regulatory requirements and to expend significant resources to maintain a system of internal controls that is adequate to satisfy our reporting obligations as a public company, and we are still early in the process of generating a mature system of internal controls and integration across business systems. If we are unable to establish or maintain appropriate internal financial reporting controls and procedures, it could cause us to fail to meet our reporting obligations on a timely basis, result in material misstatements in our financial statements, harm our operating results, and subject us to litigation and claims arising from material weaknesses in our internal controls and any resulting consequences, including restatements of our financial statements. See "*Litigation or legal proceedings could expose us to significant liabilities and have a negative impact on our reputation or business*."

Matters impacting our internal controls may cause us to be unable to report our financial information in an accurate manner or on a timely basis and thereby subject us to adverse regulatory consequences, including sanctions by the SEC or violations of NYSE rules. There also could be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. Confidence in the reliability of our financial statements also could suffer if we or our independent registered public accounting firm continue to report a material weakness in our internal controls over financial reporting. This could materially adversely affect us and lead to a decline in the market price of our Common Stock.

We have identified material weaknesses in its internal control over financial reporting. If we are unable to develop and maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results in a timely manner, which may adversely affect investor confidence in our Company and materially and adversely affect our business and operating results.

In connection with the preparation of our Form 10-K for the year ended on December 31, 2023 and our Form 10-KT for the transition period ended June 30, 2024, management reassessed the effectiveness of our disclosure controls and procedures for the periods affected. As a result of that reassessment, management determined that our disclosure controls and procedures were not effective as of December 31, 2023, and June 30, 2024 due to the material weaknesses with respect to compiling information to prepare financial statements in accordance with U.S. GAAP. The material weaknesses are due to the analysis and full disclosure of the Merger Agreement, the impact

of the Merger Agreement on and the impact of the Business Combination Agreement as it relates to the classification of complex accounting instruments, and related financial disclosures.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented, or detected and corrected, on a timely basis. Effective internal controls are necessary for the Company to provide reliable financial reports and prevent fraud. We continue to evaluate steps to remediate the material weakness. These remediation measures may be time consuming and costly and there is no assurance that these initiatives will ultimately have the intended effects.

If we identify any new material weaknesses in the future, any such newly identified material weakness could limit our ability to prevent or detect a misstatement of accounts or disclosures that could result in a material misstatement of annual or interim financial statements. In such case, we may be unable to maintain compliance with securities law requirements regarding timely filing of periodic reports in addition to applicable stock exchange listing requirements, investors may lose confidence in our financial reporting and our stock price may decline as a result. We cannot assure you that the measures we have taken to date, or any measures we may take in the future, will be sufficient to avoid potential future material weaknesses.

As a public company, we have incurred and expect to continue to incur increased expenses associated with the costs of being a public company.

We have and expect to continue to face a significant increase in insurance, legal, auditing, accounting, administrative and other costs and expenses as a public company that we did not currently incur as a private company. The Sarbanes-Oxley Act, including the requirements of Section 404 of that Act, as well as rules and regulations subsequently implemented by the SEC, the Dodd-Frank Act and the rules and regulations promulgated and to be promulgated thereunder, the Public Company Accounting Oversight Board ("PCAOB"), the SEC and the NYSE, impose additional reporting and other obligations on public companies. Compliance with public company requirements have and will continue to increase our costs and make certain activities more time-consuming. A number of those requirements require us to carry out activities that we have not done previously. For example, we recently created new board committees and adopted new internal controls and disclosure controls and procedures. In addition, additional expenses associated with SEC reporting requirements have and will continue to be incurred. Furthermore, if any issues in complying with those requirements are identified (for example, if our independent registered accounting firm identifies a material weakness or significant deficiency in the internal control over financial reporting), we could incur additional costs to remediate those issues, and the existence of those issues could adversely affect our reputation or investor perceptions of it. Being a public company has and may in the future make it more difficult or costly for us to obtain certain types of insurance, including director and officer liability insurance. We may ultimately be forced to accept reduced policy limits and coverage with increased self-retention risk or incur substantially higher costs to obtain the same or similar coverage in the future. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our Common Stock, fines, sanctions and other regulatory action and potentially civil litigation.

The additional reporting and other obligations imposed by various rules and regulations applicable to public companies has and is expected to continue to increase legal and financial compliance costs and the costs of related legal, auditing, accounting and administrative activities. These increased costs will require us to divert a significant amount of money that could otherwise be used to expand the business and achieve strategic objectives. Advocacy efforts by shareholders and third parties may also prompt additional changes in governance and reporting requirements, which could further increase costs.

Our existing indebtedness, and any indebtedness we incur in the future, could adversely affect our financial condition, our ability to raise additional capital to fund our operations, our ability to operate our business, our ability to react to changes in the economy or our industry and our ability to pay our debts and could divert our cash flow from operations for debt payments.

Our level of indebtedness increases the possibility that we may be unable to generate cash sufficient to pay the principal of, interest on, or other amounts due with respect to our indebtedness. Our leverage and debt service obligations could adversely impact our business, including by:

- impairing our ability to generate cash sufficient to pay interest or principal, including periodic principal payments;
- increasing our vulnerability to general adverse economic and industry conditions;
- requiring the dedication of a portion of our cash flow from operations to service our debt, thereby reducing the amount of our cash flow available for other purposes, including capital expenditures, dividends to stockholders or to pursue future business opportunities;
- requiring us to sell debt or equity securities or to sell some of our core assets, possibly on unfavorable terms, to meet payment obligations;

- limiting our flexibility in planning for, or reacting to, changes in our business and the industries in which we compete; and
- placing us at a possible competitive disadvantage with less leveraged competitors and competitors that may have better access to capital resources.

Any of the foregoing factors could have negative consequences on our financial condition and results of operations.

Limited insurance coverage and availability may prevent us from obtaining insurance to cover all risks of loss.

We have insured certain products and launches to the extent that insurance was available at acceptable premiums. This insurance will not protect us against all losses due to specified exclusions, deductibles and material change limitations.

We have obtained and maintain insurance for director and officers, cybersecurity, business owner, commercial general liability and workers' compensation, based on a variety of factors, including the availability of insurance in the market, the cost of available insurance and the redundancy of our operating entities. Higher premiums on insurance policies will increase our costs and consequently reduce our operating income by the amount of such increased premiums. If the terms of these insurance policies become less favorable than those currently available, there may be limits on the amount of coverage that we can obtain or we may not be able to obtain insurance at all. Even as obtained, our insurance will not cover any loss in revenue incurred as a result of a partial or total loss.

Moreover, our insurance coverage may be inadequate to cover our liabilities related to such hazards or operational risks. In addition, passenger insurance may not be accepted or may be prohibitive to procure. Moreover, we may not be able to maintain adequate insurance in the future at rates we consider reasonable and commercially justifiable, and insurance may not continue to be available on terms as favorable as our current arrangements. The occurrence of a significant uninsured claim, or a claim in excess of the insurance coverage limits maintained by us, could harm our business, financial condition and results of operations.

Our amended and restated certificate of incorporation (the "Charter") contains anti-takeover provisions that could adversely affect the rights of our stockholders.

Our Charter contains provisions to limit the ability of others to acquire control of the Company or cause it to engage in change-of-control transactions, including, among other things:

- provisions that authorize its board of directors, without action by its stockholders, to issue additional shares of Common Stock and preferred stock with preferential rights determined by its board of directors; and
- provisions that permit only a majority of its board of directors, the chairperson of the board of directors or the chief executive officer to call stockholder meetings and therefore do not permit stockholders to call special meetings of the stockholders.

These provisions could have the effect of depriving our stockholders of an opportunity to sell their Common Stock at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction.

Our Charter provides, subject to limited exceptions, that the Court of Chancery of the State of Delaware will be the sole and exclusive forum for certain stockholder litigation matters, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or stockholders.

Our Charter requires, to the fullest extent permitted by law, that, unless we consent in writing to the selection of an alternative forum, (a) any derivative action or proceeding brought on behalf of the Company; (b) any action asserting a claim of breach of a fiduciary duty owed by any director, officer, stockholder, employee or agent of the Company to the Company or the Company's stockholders; (c) any action asserting a claim against the Company arising pursuant to any provision of the Delaware General Corporation Law ("DGCL"), our Charter or the bylaws or as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware; (d) any action to interpret, apply, enforce or determine the validity of the Charter or the bylaws. Subject to the preceding sentence, the federal district courts of the United States of America will be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. However, such forum selection provisions will not apply to suits brought to enforce any liability or duty created by the Exchange Act or any other claim for which the federal courts of the United States have exclusive jurisdiction.

The choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees, which may discourage such lawsuits against us and our directors, officers, and other employees. Alternatively, if a court were to find the choice of forum provision contained in the Charter to be inapplicable or

unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, results of operations, and financial condition.

Additionally, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. As noted above, the Charter will provide that the federal district courts of the United States of America will have jurisdiction over any action arising under the Securities Act. Accordingly, there is uncertainty as to whether a court would enforce such provision. Our stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder.

Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock will be deemed to have notice of and consented to the forum provisions in our Charter.

Risks Related to Ownership of Our Common Stock

Future sales or resales of our Common Stock could cause the market price for our Common Stock to decline significantly, even if the Company's business is doing well.

We had 23,275,171 shares of Class A common stock outstanding as of October 7, 2024. We filed a resale registration statement which became effective on August 14, 2024, which registers the offer and sale from time to time by certain selling stockholders of up to 77,577,099 shares of our Common Stock. Further, Robert McBey and Atlas Fintech beneficially own 31.2% of our outstanding Common Stock. These shares may be resold. Although Robert McBey and Atlas Fintech are prohibited from transferring any Common Stock until the expiration of the lock-up periods in the applicable lock-up agreements, upon the effectiveness of any registration statement the Company files, including our resale registration statement that was declared effective on August 14, 2024, or otherwise in accordance with Rule 144 under the Securities Act ("Rule 144") and after expiration or early termination or release of the applicable lock-up provisions, the Company stockholders may sell our Common Stock in the open market or in privately negotiated transactions, which could have the effect of increasing the volatility in the trading price of our Common Stock or putting significant downward pressure on the price of our Common Stock.

Until such time that the registration statement is no longer effective or all securities thereunder are sold, the registration statement will permit the resale of these securities. The resale, or expected or potential resale, of a substantial number of our Common Stock in the public market could adversely affect the market price for our Common Stock and make it more difficult for our stockholders to sell their Common Stock at times and prices that they feel are appropriate. Furthermore, we expect that, because there was a large number of shares registered pursuant to the registration statement, the selling stockholders will continue to offer the securities covered by the registration statement for a significant period of time, the precise duration of which cannot be predicted. Accordingly, the adverse market and price pressures resulting from an offering pursuant to a registration statement may continue for an extended period of time.

Further, sales of our Common Stock upon expected expiration of resale restrictions could encourage short sales by market participants. Generally, short selling means selling a security, contract or commodity not owned by the seller. The seller is committed to eventually purchase the financial instrument previously sold. Short sales are used to capitalize on an expected decline in the security's price. As such, short sales of our Common Stock could have a tendency to depress the price of our Common Stock, which could further increase the potential for short sales.

We cannot predict the effect, if any, that market sales of shares of our Common Stock or the availability of shares of our Common Stock for sale will have on the market price of our Common Stock prevailing from time to time. Sales of substantial amounts of shares of our Common Stock in the public market, or the perception that those sales will occur, could cause the market price of our Common Stock to decline or be depressed.

We may issue our securities if we need to raise capital in connection with a capital expenditure, working capital requirement or acquisition. The number of shares of our Common Stock issued in connection with a capital expenditure, working capital requirement or acquisition could constitute a material portion of our then-outstanding shares of Common Stock. Any perceived excess in the supply of our shares in the market could negatively impact our share price and any issuance of additional securities in connection with investments or acquisitions may result in additional dilution to you.

In addition, registration rights we may grant in the future, including in the ordinary course of the Company's business, may further depress market prices if these registration rights are exercised or shares of our Common Stock are sold under the registration statements, the presence of additional shares trading in the public market may also adversely affect the market price of our Common Stock.

An active market for our securities may not develop, which would adversely affect the liquidity and price of our securities.

The price of our securities may vary significantly due to factors specific to us as well as to general market or economic conditions. Furthermore, an active trading market for our securities may never develop or, if developed, it may not be sustained. You may be unable to sell your securities unless a market can be established and sustained.

Issuances of shares of Common Stock pursuant to the Pacsquare Purchase Agreement, or to settle accrued expenses and obligations, and conversion of any amounts under the Seller Notes, Funicular Note, the Chardan Note, the Winston & Strawn Agreement, or pursuant to the ELOC Agreement, would result in substantial dilution of our stockholders and may have a negative impact on the market price of our Common Stock.

In connection with the Closing, AtlasClear Holdings entered into the Funicular Purchase Agreement, the Pacsquare Purchase Agreement, the Chardan Note, amendments to the Broker-Dealer Acquisition Agreement and other notes to settle accrued expenses and obligations. As of the date of this filing, Pacsquare has received an aggregate of 336,000 shares of Common Stock, and we expect to issue additional shares in the future, pursuant to the Pacsquare Purchase Agreement. The notes, including the Convertible Notes are convertible into shares of our Common Stock, at various conversion prices (which may be reduced under certain circumstances). The issuance of any of these shares will dilute our other equity holders, which could cause the price of our Common Stock to decline. Interest on the Chardan Note in the aggregate principal amount of $4,150,000 may, at the election of AtlasClear Holdings, be either paid in cash or, subject to the satisfaction of certain conditions, in shares of Common Stock, at a rate equal to 85% of the VWAP for the trading day immediately prior to the applicable interest payment date. The Chardan Note is convertible, in whole or in part, into shares of Common Stock at the election of the holder at any time at a conversion price equal to 90% of the VWAP of the Common Stock for the trading day immediately preceding the applicable conversion date. The Funicular Note is convertible, in whole or in part, into shares of Common Stock at the election of the holder at any time at an initial conversion price of $10.00 per share (the "Conversion Price"). The Conversion Price is subject to adjustment monthly to a price equal to the trailing five-day VWAP, subject to a floor of $2.00 per share (provided that if the Company sells stock at an effective price below $2.00 per share, such floor would be reduced to such effective price). The Short-Term Notes (as defined below) accrue interest at a rate of 9% per annum, payable quarterly in arrears, in shares of Common Stock at a rate equal to 90% of the trailing seven-trading day volume weighted average price of the Common Stock ("VWAP") prior to payment (or, at the Company's option, cash), and are convertible at the option of the holder at any time during the continuance of an event of default, at a rate equal to 90% of the trailing seven-trading day VWAP prior to conversion. The Long-Term Notes (as defined below) accrue interest at a rate of 13% per annum, payable quarterly in arrears, in shares of Common Stock at a rate equal to 90% of the trailing seven-trading day VWAP prior to payment (or, at the Company's option, in cash), and are convertible at the option of the holder at any time commencing six months after the Closing Date, at a rate equal to 90% of the trailing seven-trading day VWAP prior to conversion (or 85% if an event of default occurs and is continuing. Under the terms of the Pacsquare Purchase Agreement $850,000 of the purchase price is payable in shares of common stock at a price of $6.00 per share, and $950,000 is payable in shares of common stock in four equal monthly installments.

The shares of Common Stock issuable pursuant to the Pacsquare Purchase Agreement and the conversion of any amounts under the notes, including the Funicular Note, the Seller Notes and the Chardan Note, to the extent exercised, converted and issued, would impose significant dilution on our stockholders. Also in connection with the Closing, AtlasClear Holdings agreed to settle certain accrued expenses and other obligations to certain parties through the issuance of an aggregate of 2,201,010 shares of Common Stock and intends to, in the future, issue additional shares of Common Stock, to settle other accrued expenses and obligations.

Pursuant to the Winston & Strawn Agreement, the Company may issue up to $2,500,000 worth of shares of Common Stock as payment for legal services, in three equal installments of $833,333 beginning on August 9, 2024. Additionally, pursuant to the ELOC Agreement, Tau has committed to purchase, upon the terms thereof and subject to the satisfaction of certain conditions, up to $10 million of Common Stock of the Company, at a price per share equal to 97% of the lowest VWAP of the Common Stock during a pricing period of three consecutive trading days following Tau's receipt of the applicable advance notice sent by the Company from time to time, over the course of 24 months from the date of the ELOC Agreement. Each advance may be up to the greater of 100,000 shares or 50% of the average daily volume traded of the shares during the 30 trading days immediately prior to the date the Company requests each advance. All of the foregoing issuances would result in substantial dilution of our stockholders and may have a negative impact on the market price of our Common Stock.

Our issuance of additional capital stock in connection with future financings, acquisitions, investments, the AtlasClear 2024 Equity Incentive Plan (the "Incentive Plan") or otherwise will dilute all other stockholders.

We expect to issue additional capital stock in the future that will result in dilution to all other stockholders. We expect to grant equity awards to employees, directors and consultants under the Incentive Plan. We may also raise capital through equity financings in the future. We may acquire or make investments in complementary companies or technologies and issue equity securities to pay for any

such acquisition or investment. Any such issuances of additional capital stock may cause stockholders to experience significant dilution of their ownership interests and the per share value of our Common Stock to decline.

If we are not able to raise sufficient capital to satisfy our payment obligations under the Convertible Notes, or otherwise restructure the Convertible Notes, and payment of principal and accrued and unpaid interest thereon is demanded by the holders thereof, we will be in default, and may not be able to continue as a going concern.

We have not timely satisfied certain payment obligations under the Funicular Note, the Seller Notes and the Chardan Note. In the event we are not able to raise sufficient capital to pay such notes, or otherwise restructure the same, and payment of principal and accrued interest thereon is demanded by the holders thereof, we will be in default, and may not be able to continue as a going concern. Although none of the holders of such promissory notes have elected to pursue remedies against us, we cannot assure you that they will not do so in the future. The institution of collection actions could have a material adverse effect on our business and could force us to seek relief through insolvency or other proceedings. The Long-Term Notes accrue interest at a rate of 13% per annum, payable quarterly in arrears, in shares of Common Stock at a rate equal to 90% of the trailing seven-trading day VWAP prior to payment (or, at the Company's option, in cash), and are convertible at the option of the holder at any time commencing six months after the Closing Date, at a rate equal to 90% of the trailing seven-trading day VWAP prior to conversion (or 85% if an event of default occurs and is continuing). On each interest payment date, the accrued and unpaid interest shall, at the election of the Company in its sole discretion, be either paid in cash or paid in-kind by increasing the principal amount of the Funicular Note. In the event of an Event of Default (as defined in the Funicular Note), in addition to Funicular's other rights and remedies, the interest rate would increase to 20% per annum. If the registration statement for the issued shares is not filed within 30 days after the Closing or is not declared effective by the applicable deadline set forth in the Registration Rights Agreement, or under certain other circumstances described in the Registration Rights Agreement, then the Company shall be obligated to pay to the Funicular an amount in cash equal to 5% of the original principal amount of the Note on a monthly basis until the applicable event giving rise to such payments is cured. The Chardan Note is subject to a demand for immediate repayment in cash upon the occurrence of certain events of default specified therein. In addition, if the registration statement for the issued shares is not filed within 45 days after the Closing or is not effective within a specified period after the Closing (or if effectiveness is subsequently suspended or terminated for at least 15 days, subject to certain exceptions), then the interest rate of the Chardan Note will increase by 2% for each week that such event continues. The Company is not currently in compliance with the foregoing registration obligations, which have resulted in increased interest rates under the terms of the applicable Convertible Notes.

We cannot assure you that we will continue to be able to comply with the continued listing standards of the NYSE American, which could limit investors' ability to make transactions in our securities and subject us to additional trading restrictions.

Our continued eligibility to maintain the listing of our Common Stock on the NYSE American depends on a number of factors, including the price of our Common Stock and the number of persons that hold our Common Stock. Our Common Stock has traded below the $1.00 minimum share price requirement since June 27, 2024. For this, and other reasons, our Board has recommended, and we plan to hold a special meeting for our stockholders to approve, that the Company effect a reverse stock split as one potential mechanism to address any potential future compliance requirements with the NYSE American's continued listing standards. If the NYSE American delists our securities from trading on its exchange for failure to meet its listing standards, and we are not able to list such securities on another national securities exchange, then our Common Stock could be quoted on an over-the-counter market. If this were to occur, we and our stockholders could face significant material adverse consequences, including:

- a limited availability of market quotations for our securities;
- reduced liquidity for our securities;
- a determination that the Common Stock is a "penny stock," which will require brokers trading the Common Stock to adhere to more stringent rules, possibly resulting in a reduced level of trading activity in the secondary trading market for shares of Common Stock;
- a limited amount of news and analyst coverage; and
- a decreased ability for us to issue additional securities or obtain additional financing in the future.

If securities or industry analysts do not publish or cease publishing research or reports about us, our business, or our market, or if they change their recommendations regarding our securities adversely, the price and trading volume of our securities could decline.

The trading market for our securities will be influenced by the research and reports that industry or securities analysts may publish about us, our business, markets, revenue streams, and competitors. Securities and industry analysts do not currently, and may never, publish research on us. If no securities or industry analysts commence coverage of us, our share price and trading volume would likely be negatively impacted. If any of the analysts who may cover us adversely change their recommendation regarding our shares of Common Stock or provide relatively more favorable recommendations with respect to competitors, the price of our shares of Common

Stock would likely decline. If any analyst who may cover us were to cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our share price or trading volume to decline.

We do not intend to pay cash dividends for the foreseeable future.

We currently intend to retain our future earnings, if any, to finance the further development and expansion of our business and do not intend to pay cash dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of our Board and will depend on our financial condition, results of operations, capital requirements, restrictions contained in the Stockholders' Agreement and future agreements and financing instruments, business prospects and such other factors as our Board deems relevant.

Because there are no current plans to pay cash dividends on our Common Stock for the foreseeable future, you may not receive any return on investment unless you sell your Common Stock at a price greater than what you paid for it.

We intend to retain future earnings, if any, for future operations, expansion and debt repayment and there are no current plans to pay any cash dividends for the foreseeable future. The declaration, amount and payment of any future dividends on shares of our Common Stock will be at the sole discretion of the Board. The Board may take into account general and economic conditions, our financial condition and results of operations, our available cash and current and anticipated cash needs, capital requirements, contractual, legal, tax and regulatory restrictions, implications of the payment of dividends by us to our stockholders or by our subsidiaries to us and such other factors as the Board may deem relevant. As a result, you may not receive any return on an investment in the Common Stock unless you sell your Common Stock for a price greater than that which you paid for it.

Our Warrants may have an adverse effect on the market price of our Common Stock.

In connection with the Business Combination, 10,062,500 public warrants (the "Public Warrants") and 5,562,500 private placement warrants (the "Private Warrants" and collectively, the "Warrants") became exercisable to purchase our Common Stock, each exercisable to purchase one share of our Common Stock at $11.50 per share. Such Warrants, when and if exercised, will increase the number of issued and outstanding shares of Common Stock and may reduce the value of the Common Stock.

The exercise of Warrants, and any proceeds we may receive from their exercise, are highly dependent on the price of our Common Stock and the spread between the exercise price of the Warrant and the price of our Common Stock at the time of exercise. For example, to the extent that the price of our Common Stock exceeds $11.50 per share, it is more likely that holders of our Warrants will exercise their warrants. If the price of our Common Stock is less than $11.50 per share, we believe it is much less likely that such holders will exercise their warrants. On April 12, 2024, the closing price of the Common Stock as reported by the NYSE American was $1.43 per share, which price was less than the $11.50 per share exercise price of the Private Warrants. We cannot assure you that our Warrants will be in the money after the date of this report and prior to their expiration. Quantum Ventures and its distributees have the option to exercise the Private Warrants on a cashless basis. Holders of public warrants may generally only exercise such warrants for cash, subject to very limited exceptions in certain circumstances as provided for in the Warrant Agreement relating to the warrants.

Our warrants are accounted for as a warrant liability and were recorded at fair value upon issuance with changes in fair value each period reported in earnings, which may have an adverse effect on the market price of our Common Stock.

In accordance with ASC 815, *Derivatives and Hedging* ("ASC 815"), the Company's warrants are classified as derivative liabilities and measured at fair value on its balance sheet, with any changes in fair value to be reported each period in earnings on our statement of operations.

As a result of the recurring fair value measurement, our financial statements may fluctuate quarterly, based on factors that are outside of our control. Due to the recurring fair value measurement, we expect we will recognize non-cash gains or losses on our warrants each reporting period and that the amount of such gains or losses could be material.

Future sales, or the perception of future sales, by us or our stockholders in the public market following could cause the market price for the Common Stock to decline.

The sale of shares of our Common Stock in the public market, or the perception that such sales could occur, could harm the prevailing market price of shares of Common Stock. These sales, or the possibility that these sales may occur, also might make it more difficult for the us to sell equity securities in the future at a time and at a price that it deems appropriate.

As of October 7, 2024 we had a total of 23,275,171 shares of Common Stock outstanding (i) without giving effect to any awards that may be issued under the Incentive Plan or any earnout shares that may be issued in the future, and (ii) assuming no exercise of the outstanding Warrants. All shares currently held by public stockholders and all of the shares issued in the Business Combination to former AtlasClear's stockholders are freely tradable without registration under the Securities Act, and without restriction by persons other than our "affiliates" (as defined under Rule 144), including our directors, executive officers and other affiliates.

In the future, we may also issue our securities in connection with investments or acquisitions. The amount of shares of the Common Stock issued in connection with an investment or acquisition could constitute a material portion of the then-outstanding shares of the Common Stock. Any issuance of additional securities in connection with investments or acquisitions may result in additional dilution to our stockholders.

We are an "emerging growth company" and a "smaller reporting company" within the meaning of the Securities Act, and if we take advantage of certain exemptions from disclosure requirements available to emerging growth companies and smaller reporting companies, this could make our securities less attractive to investors and may make it more difficult to compare our performance with other public companies.

We are an "emerging growth company" and "smaller reporting company" within the meaning of the Securities Act, as modified by the JOBS Act. We may continue to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies or smaller reporting companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. As a result, our stockholders may not have access to certain information they may deem important. We cannot predict whether investors will find securities issued by us less attractive because we elect to rely on these exemptions. If some investors find those securities less attractive as a result of its reliance on these exemptions, the trading prices of our securities may be lower than they otherwise would be, there may be a less active trading market for our securities and the trading prices of our securities may be more volatile.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. We have elected not to opt out of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, we, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of our financial statements with another public company that is neither an emerging growth company nor an emerging growth company that has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

We will remain an emerging growth company until the earliest of: (i) the last day of the fiscal year following the fifth anniversary of the closing of Quantum's initial public offering ("IPO"), (ii) the last day of the fiscal year in which we have total annual gross revenue of at least $1.235 billion; (iii) the last day of the fiscal year in which we are deemed to be a "large accelerated filer" as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of our Common Stock held by non-affiliates exceeded $700.0 million as of the last business day of the second fiscal quarter of such year; or (iv) the date on which we have issued more than $1.0 billion in non-convertible debt securities during the prior three-year period.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 1C. Cybersecurity

Board of Directors Oversight

Our board of directors, as a whole and through its committees, holds oversight responsibility for our risk management processes, including risks from cybersecurity threats. Our board of directors exercises its oversight function through the audit committee, which oversees the management of risk exposure across various areas, including cybersecurity risk. The audit committee is comprised of board members with diverse expertise including risk management and technology, which we believe enables the board to oversee cybersecurity risks.

Management's Role

Our management is responsible for day-to-day administration and management of our cybersecurity program and for informing the audit committee of cybersecurity risks. We may also work with external security service providers to support our security monitoring and threat detection capabilities. Primary responsibility for assessing, monitoring and managing our cybersecurity risks rests with our information technology team overseen by the Executive Chairman. With over twenty-five years of technology development experience in the financial services industry, our Executive Chairman is familiar with our technology infrastructure and risk profile. Our information technology team tests our infrastructure for known cybersecurity risks and leads our employee training program on matters related to cybersecurity. The Executive Chairman and information technology team seek to implement and oversee processes for monitoring our information systems. This includes the deployment of advanced security measures and system audits to identify potential vulnerabilities. If a potential breach is identified, it is raised to the attention of senior management to help mitigate any further vulnerabilities.

Cybersecurity Risk Management and Strategy

The goal of our cybersecurity program is to establish processes for identification, assessment, and management of cybersecurity risks. We conduct periodic risk assessments, including with support from external vendors, if needed, to assess our cyber program, identify potential areas of enhancement, and develop strategies for the mitigation of cyber risks. We also conduct security testing and have established a vulnerability detection process, supported by security testing, that is designed to address the treatment of identified security risks based on severity. Our risk assessments include, but are not limited to:

Interfaces	Storage security
Applications	Hardware security
Data	Remote access security
IT architecture	Information flow

Risks from Cybersecurity Threats

Some potential cybersecurity threats include, but are not limited to:

- *Human errors or sabotage*: Company employees or a third-party having access to the system could cause errors or allow for sabotage that may cause company losses. Our procedures seek to identify the risks that can be caused by human error or intent and includes processes to mitigate with a particular focus on training employees to avoid human errors.

- *Data leaks*: Data leaks could result in a breach of our privacy policies for customers sensitive data, resulting in potential regulatory violations or commercial litigation. Our processes aim to restrict access and monitor for leaks of internal and/or external data.

- *Unauthorized access*: Unauthorized access could be due to password theft, malware attacks, employee involvement, or hackers. Preventing unauthorized access is a top priority within our cybersecurity protocols.

- *Natural or man-made disasters*: Data can be threatened by natural or human disasters. Lightning strikes, fire, floods, hurricanes, bombings, etc. Without proper data backup, all company data could be compromised in one incident. Backups, co-location of servers and data is regularly monitored and adjusted as needed with a goal of insulating the Company from this type of risk.

- *Failed system*: Our cybersecurity policies contemplate enterprise system failures due to cyber-attacks, network connections, hardware challenges, bottleneck problems and other issues. We seek to mitigate these potential vulnerabilities through monitoring and redundancy.

We have not identified any cybersecurity incidents or threats that have materially affected us or are reasonably likely to materially affect us, including our business strategy, results of operations or financial condition; however, like other companies in our industry, we and our third-party vendors may, from time to time, experience threats and security incidents relating to our and our third-party vendors' information systems. For more information about the cybersecurity risks we face, see "*Increased cybersecurity requirements, vulnerabilities, threats, and more sophisticated and targeted computer crime could pose a risk to our systems, networks, products, services, and data*" in "Risk Factors" in Part I, Item 1A of this Annual Report on Form 10-KT.

Item 2. Properties

The Company maintains its principal executive offices at 2203 Lois Avenue, Suite 814 Tampa, FL, 33607. Our facilities, which are leased, are adequate to meet our current needs though we intend to procure additional space in the future, if and as necessary, as we continue to add employees and expand our business.

Item 3. Legal Proceedings

From time to time, we may be subject to legal proceedings and claims in the ordinary course of business. We are not presently a party to any legal proceedings that are expected to have a material adverse impact on our financial position, results of operations or cash flows, nor have we been to date since inception.

Wilson-Davis is not a party to any material legal proceedings, and no material legal proceedings have been threatened by Wilson-Davis or, to the best of its knowledge, against it, except that in December 2016, FINRA filed a complaint (FINRA Enforcement Matter No. 20120327318) asserting potential violations of several securities laws and regulations. Wilson-Davis denied the allegations and the hearing was held in November 2017. The FINRA panel issued its decision against Wilson-Davis in February 2018. Wilson-Davis was fined $1,170,000 and ordered to disgorge $51,624 for purported improper short sales. Wilson-Davis was fined an additional $300,000 for its purported failure to supervise and implement adequate AML procedures.

Wilson-Davis filed a timely appeal. All sanctions were stayed while the appeal was pending before the FINRA National Adjudicatory Council ("NAC"). The appeal hearing before the NAC occurred in October 2018. On December 27, 2019, NAC issued a ruling that affirmed Wilson-Davis' liability but reduced the sanctions imposed. Wilson-Davis was fined $350,000 and ordered to disgorge $51,624 for purported improper short sales. Wilson-Davis was fined an additional $750,000 for its purported failure to supervise and implement adequate AML procedures.

Wilson-Davis timely appealed the ruling to the SEC. All sanctions are stayed while the appeal is pending before the SEC. The SEC has not made a ruling in this matter.

On May 7, 2024, Chardan filed a complaint in the Court of Chancery of the State of Delaware, for alleged breach of contract, breach of the implied covenant of good faith and fair dealing, and specific performance, alleging that the Company breached a Registration Rights Agreement entered into by and between the Company and Chardan, dated February 9, 2024, by failing to file a registration statement with the SEC to permit the public resale of certain registerable securities in an amount sufficient to cover the Chardan Note in the principal amount of $4,150,000. Chardan has alleged that the Company's failure to file the registration statement left Chardan without the ability to convert and sell shares of the Company's Common Stock as allowed for under the Chardan Note. Chardan seeks specific performance, an award of compensatory damages in an amount to be approved at trial, attorney's fees and other legal and equitable relief as the Court deems just and proper. No trial on the merits has been scheduled, and the parties, as of the date of this filing, are engaged in settlement discussions.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Market Information

Our Common Stock is currently listed on NYSE American under the symbol "ATCH." Our Public Warrants trade on the over-the-counter ("OTC") market under the symbol "ATCHW."

Holders

As of September 30, 2024, there were 90 holders of record of our Common Stock, and 3 holders of record of our Public Warrants. A substantially greater number of holders are "street name" or beneficial holders, whose shares of record are held by banks, brokers, and other financial institutions.

Dividends

We have not paid any cash dividends on our Common Stock to date. It is the present intention of our Board to retain all earnings, if any, for use in our business operations and, accordingly, our Board does not anticipate declaring any dividends in the foreseeable future.

Unregistered Sales of Equity Securities

The information set forth in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" above with respect to the issuances under the headings, "Wilson-Davis Sellers Amendments to Broker-Dealer Acquisition Agreement," "Funicular Convertible Note Financing," "Chardan Convertible Promissory Note," "Pacsquare Purchase Agreement," "Amendment to Bank Acquisition Agreement" and "Expense Settlements" with respect to the Quantum Ventures issuance, the Calabrese Agreement, the Grant Thornton Agreement, the IB Agreement, the OTB Agreement, the Carriage Agreement, the Interest Solutions Note, the JonesTrading Note, the Winston & Strawn Agreement, the ELOC Agreement, the Atlas FinTech Agreement and Lead Nectar, is incorporated by reference herein. The shares of Common Stock have been or will be issued pursuant to each of the respective agreements in reliance upon the exemption from registration provided under Section 4(a)(2) and/or Rule 506 of Regulation D of the Securities Act in transactions not requiring registration under the Securities Act.

Item 6. [Reserved]

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

References in this section of the transition report to "we," "us" or the "Company" refer to AtlasClear Holdings, Inc., a Delaware corporation. References to our "management" or our "management team" refer to our officers and directors. Certain information contained in the discussion and analysis set forth below includes forward-looking statements that are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements." Our actual results may differ materially from those contained in or implied by any forward-looking statements. You should read the following discussion together with the sections entitled "Risk Factors"," "Business" and the audited financial statements, including the related notes, appearing elsewhere in this transition report. All references to years, unless otherwise noted, refer to our fiscal years, which end on June 30.

Overview

Our goal is to build a cutting-edge technology enabled financial services firm that would create a more efficient platform for trading, clearing, settlement and banking, with evolving and innovative financial products that focus on financial services firms. We are a fintech driven business-to-business platform that expects to power innovation in fintech, investing, underwriting and trading. We believe we are positioned to provide a modern, mission-critical suite of solutions to our clients, enabling them to reduce their transactions costs and compete more effectively in their businesses.

Our target client base for our prime banking and prime brokerage services includes financial services firms, generally with annual revenues up to $1 billion, including brokerage firms, hedge funds, pension plans, and family offices that are not adequately served by today's larger correspondent clearing firms and banks.

Through the acquisition of Wilson-Davis, a correspondent clearing company, and the anticipated CB Merger, we expect to acquire the capabilities to provide specialized clearing and banking services to financial services firms, with an emphasis on global markets currently underserviced by larger vendors. Once properly integrated, anticipated synergies between Commercial Bancorp, if acquired, and Wilson-Davis are expected to allow for lower cost of capital, higher net interest margins, expanded product development and greater credit extension.

In addition, we believe the acquisition of a proprietary trading platform with clearing and settlement capabilities that will be developed by Pacsquare, including the AtlasClear Platform, along with the software products and intellectual property assets acquired from Atlas FinTech and Atlas Financial Technologies Corp., are cutting-edge, flexible and scalable.

Wilson-Davis

Wilson-Davis is a self-clearing correspondent securities broker-dealer registered with the SEC, licensed in 50 states, District of Columbia, and Puerto Rico, and is a member in good standing of FINRA. Wilson-Davis derives revenue principally from commissions charged on the liquidation of restricted and control microcap securities, vetting, and clearing service fees charged to introducing brokers for which Wilson-Davis clears transactions on a fully disclosed basis, and other financial service fees. Commissions are earned by executing transactions for customers. Vetting fee revenues are earned when Wilson-Davis vests stock the customers want to bring into their accounts. Clearing fees are earned by clearing transactions for Glendale Securities, as introducing broker on a fully disclosed basis, pursuant to a clearing agreement with Glendale Securities.

Key Factors Impacting Wilson-Davis' Business

Wilson-Davis' business and results of operations have been, and will continue to be, affected by numerous factors and trends, which Wilson-Davis believes include those discussed in the section titled "Risk Factors" of the Transition Report.

- *Liquidity*. As a clearing broker-dealer in the U.S., Wilson-Davis is subject to cash deposit requirements with clearing organizations, brokers, and banks that may be large in relation to its total liquid assets.
- *Growth of Customer Base*. Wilson-Davis' growth requires continued use of its services by new customers.
- *Expanding Wilson-Davis' Relationship with Existing Customers*. Wilson-Davis' ability to expand its relationship with its existing customers will be an important contributor to its long-term growth.
- *Market Trends*. As financial markets grow and contract, Wilson-Davis' customers' behaviors are affected. Wilson-Davis' revenue and profitability can be affected by general downturns in the securities markets, resulting from factors such as increased inflation, increased interest rates and other factors.

Recent Developments

Business Combination

On February 9, 2024, we consummated the previously Business Combination Agreement. In connection with the consummation of the Business Combination, we changed our name from "Calculator New Pubco, Inc." to "AtlasClear Holdings, Inc."

For more information about the Business Combination, see Note 1.

Non-Redemption Agreement

On August 1, 2023, Quantum and Quantum Ventures entered into a non-redemption agreement (the "Non-Redemption Agreement") with Funicular Funds, LP ("Funicular") in exchange for Funicular agreeing either not to request redemption in connection with the Extension (as defined below) or to reverse any previously submitted redemption demand in connection with the Extension with respect to an aggregate of 2,351,800 shares of Common Stock at the special meeting of stockholders called by the Company to, among other things, approve an amendment to the Company's amended and restated certificate of incorporation to extend the date by which the Company must consummate an initial business combination to up to February 9, 2024 or such earlier date as is determined by the board of directors of the Company to be in the best interests of the Company (the "Extension"). In consideration of the foregoing agreement, immediately prior to, and substantially concurrently with, the closing of an initial business combination (the "Closing"), (i) Quantum Ventures agreed to surrender and forfeit to the Company for no consideration an aggregate of 235,180 shares of Common Stock held by Quantum Ventures (the "Forfeited Shares") and an aggregate of 235,180 warrants held by Quantum Ventures to purchase 235,180 shares of Common Stock (the "Forfeited Warrants") and (ii) the Company agreed to issue to Funicular a number of shares of Common Stock equal to the number of Forfeited Shares and a number of warrants to purchase shares of Common Stock equal to the number of Forfeited Warrants. As a result of the closing of the Business Combination, there is no further obligation regarding the Non-Redemption Agreement, as such the liability was trued up as of February 9, 2024 and transferred to permanent equity as the shares have been transferred.

Amendments to Broker-Dealer Acquisition Agreement

Prior to the Closing, AtlasClear and AltasClear Holdings entered into two amendments to the Broker-Dealer Acquisition Agreement (as defined in the with Wilson-Davis and the then-owners of Wilson-Davis (the "Wilson-Davis Sellers"), Amendment No. 8 dated January 9, 2024 ("Amendment No. 8") and Amendment No. 9 dated February 7, 2024 ("Amendment No. 9" and, together with Amendment No. 8, the "Amendments"). Among other things, the Amendments reduced the total purchase price payable under the Broker- Dealer Acquisition Agreement by $5 million and reduced the cash payable at the Wilson-Davis Closing as part of the purchase price to $8 million, with the balance of the purchase price paid in the form of convertible promissory notes issued by AtlasClear to the Wilson-Davis Sellers, as follows: (i) $5,000,000 in aggregate principal amount of notes due 90 days after the Closing Date (the "Short-Term Notes") and (ii) $7,971,000 in aggregate principal amount of notes due 24 months after the Closing Date (the "Long-Term Notes" and, together with the Short-Term Notes, the "Seller Notes"). The Short-Term Notes accrue interest at a rate of 9% per annum, payable quarterly in arrears, in shares of Common Stock at a rate equal to 90% of the trailing seven-trading day VWAP prior to payment (or, at the Company's option, cash), and are convertible at the option of the holder at any time during the continuance of an event of default, at a rate equal to 90% of the trailing seven-trading day VWAP prior to conversion. The Long-Term Notes accrue interest at a rate of 13% per annum, payable quarterly in arrears, in shares of Common Stock at a rate equal to 90% of the trailing seven-trading day VWAP prior to payment (or, at the Company's option, in cash), and are convertible at the option of the holder at any time commencing six months after the Closing Date, at a rate equal to 90% of the trailing seven-trading day VWAP prior to conversion (or 85% if an event of default occurs and is continuing).

For more information about the Amendments to Broker-Dealer Acquisition Agreement, see Note 10.

Convertible Note Financing

On February 9, 2024, AtlasClear Holdings and Quantum entered into a securities purchase agreement (the "Funicular Purchase Agreement") with Funicular, pursuant to which AtlasClear Holdings sold and issued to Funicular, on that date, a secured convertible promissory note (the "Funicular Note") in the principal amount of $6,000,000 for a purchase price of $6,000,000, in a private placement (the "Note Financing"). The proceeds raised in the Note Financing were used to pay a portion of the purchase price paid at Closing to the Wilson-Davis sellers. The Funicular Note has a stated maturity date of November 9, 2025. Interest accrues at a rate per annum equal to 12.5%, and is payable semi-annually on each June 30 and December 31. On each interest payment date, the accrued and unpaid interest shall, at the election of the Company in its sole discretion, be either paid in cash or paid in-kind by increasing the principal amount of the Funicular Note. In the event of an Event of Default (as defined in the Funicular Note), in addition to Funicular's other

rights and remedies, the interest rate would increase to 20% per annum. The Funicular Note is convertible, in whole or in part, into shares of Common Stock at the election of the holder at any time at an initial conversion price of $10.00 per share (the "Conversion Price"). The Conversion Price is subject to adjustment monthly to a price equal to the trailing five-day VWAP, subject to a floor of $2.00 per share (provided that if the Company sells stock at an effective price below $2.00 per share, such floor would be reduced to such effective price), and is subject to customary adjustments for stock dividends, stock splits, reclassifications and the like. The Company had the right to redeem the Funicular Note upon 30 days' notice after the earlier of August 7, 2024 and the effectiveness of the Registration Statement (as defined in the Funicular Note), and Funicular would have the right to require the Company to redeem the Note in connection with a Change of Control (as defined in the Note), in each case for a price equal to 101% of the outstanding principal amount of the Note plus accrued and unpaid interest.

For more information about the Note Financing, see Notes 10 and 19.

Pacsquare Purchase Agreement

Pursuant to the transactions contemplated by a letter of intent, on February 16, 2024, AtlasClear and Pacsquare entered into a Source Code Purchase Agreement and Master Services Agreement (the "Pacsquare Purchase Agreement"), pursuant to which AtlasClear acquired the AtlasClear Platform. Pursuant to the Pacsquare Purchase Agreement, Pacsquare will develop, implement and launch the AtlasClear Platform and provide maintenance and support services as described in the agreement. The Pacsquare Purchase Agreement provides that Pacsquare will develop and deliver to AtlasClear the Level 1 equities trading platform and that it will develop and deliver all modules of the clearing platform within 12 months of signing the Pacsquare Purchase Agreement. AtlasClear owns all the intellectual property relating to the AtlasClear Platform, including the software and source code. The Pacsquare Purchase Agreement also granted AtlasClear a right of first refusal to any products or services that relate to trading, settlement, clearance or any other business of AtlasClear that Pacsquare proposes to offer to other persons. The purchase price for the assets was $4.8 million as follows: (i) $1.9 million, consisting of (A) $100,000 payable in a cash upon delivery of the source code and execution of the Pacsquare Purchase Agreement; (B) $850,000 payable in shares of Common Stock at a price of $6.00 per share; and (C) $950,000 to be paid in four monthly installments of $237,500, payable in shares of Common Stock at the price per share on the day of issuance and (ii) $2.7 million to be paid ratably on a module-by-module basis upon delivery and acceptance of each of the AtlasClear Platform modules. AtlasClear has sole discretion to determine whether any of the foregoing payments will be made in cash or shares of Common Stock. The Company has issued 336,000 shares of Common Stock to Pacsquare pursuant to the terms of the Pacsquare Purchase Agreement at a price of $3.32 per share in satisfaction of a total cash amount of $1,150,000. Of the remaining purchase price, $950,000 is payable in four monthly installments of $237,500 in cash or shares of Common Stock at the price per share on the day of issuance, as source code is provided; and $2.7 million is payable on a module-by-module basis at the price per share on the day of issuance.

Amendment to Bank Acquisition Agreement

On February 26, 2024, AtlasClear and Commercial Bancorp entered into an amendment (the "Amendment") to the Amended and Restated Agreement and Plan of Merger, dated as of November 16, 2022, by and between AtlasClear and Commercial Bancorp (the "Bank Acquisition Agreement"), pursuant to which, among other things, Commercial Bancorp is expected to merge with and into a subsidiary of AtlasClear. Pursuant to the Amendment, Commercial Bancorp received 40,000 shares of Common Stock in lieu of a nonrefundable escrow deposit.

Expense Settlements

In connection with the Closing, AtlasClear Holdings and Chardan agreed that the fee, in the amount of $7,043,750, payable by Quantum to Chardan upon the Closing pursuant to the terms of the business combination marketing agreement entered into in connection with Quantum's IPO, would be waived in exchange for the issuance by AtlasClear Holdings to Chardan of a convertible promissory note in the aggregate principal amount of $4,150,000. The Chardan Note was issued by AtlasClear Holdings at the Closing. The Chardan Note has a stated maturity date of February 9, 2028. Interest accrues at a rate per annum equal to 13%, and is payable quarterly on the first day of each calendar quarter. On each interest payment date, the accrued and unpaid interest shall, at the election of AtlasClear Holdings, be either paid in cash or, subject to the satisfaction of certain conditions, in shares of Common Stock, at a rate equal to 85% of the VWAP for the trading day immediately prior to the applicable interest payment date. The Chardan Note is convertible, in whole or in part, into shares of Common Stock at the election of the holder at any time at a conversion price equal to 90% of the VWAP of the Common Stock for the trading day immediately preceding the applicable conversion date. In addition, on each conversion date AtlasClear Holdings is required to pay to Chardan in cash (or, at AtlasClear Holdings' option and subject to certain conditions, a combination of cash and Common Stock) all accrued interest on the Chardan Note and all interest that would otherwise accrue on the amount of the Note being converted if such converted amount would be held to three years after the applicable conversion date.

Also in connection with the Closing, AtlasClear Holdings agreed to settle certain accrued expenses and other obligations to certain parties through the issuance of shares of Common Stock. Pursuant to such arrangements, on February 9, 2024, AtlasClear Holdings issued an aggregate of 2,201,010 shares of Common Stock in settlement of obligations in the aggregate amount of $5,448,933, including the issuance of 2,000,000 shares of Common Stock to Qvent, LLC, an affiliate of Quantum Ventures, in settlement of an aggregate of $4,633,833 advanced to Quantum through the Closing Date. Additionally, on the Closing Date, AtlasClear Holdings issued notes to settle other expenses of Quantum in the aggregate principal amount of approximately $3.3 million, some of which are convertible into shares of Common Stock.

For more information about the Chardan Note and additional expense settlements, see Note 10 and Note 19.

Additional Settlements

The Company entered into the following settlements for certain accrued expenses and other obligations to third parties through the issuance of Common Stock and/or convertible promissory notes as follows:

- Calabrese LLC – 32,188 shares of Common Stock that were issued to Calabrese Consulting LLC ("Calabrese"), pursuant to a Satisfaction and Discharge Agreement, dated as of April 4, 2024, between Calabrese and the Company (the "Calabrese Agreement"), in lieu of payment for accounting services in the amount of $64,236, at a price per share of $2.00.
- Grant Thornton LLP – 46,010 shares of Common Stock that were issued to Grant Thornton LLP ("Grant Thornton"), pursuant to a Satisfaction and Discharge Agreement, dated as of February 9, 2024, between Grant Thornton and the Company (the "Grant Thornton Agreement"), in lieu of payment for services in the amount of $460,100, at a price per share of $10.00.
- IB Capital LLC – 155,000 shares of Common Stock that were issued to IB Capital LLC ("IB"), pursuant to a Satisfaction and Discharge Agreement, dated as of February 9, 2024, between IB and the Company (the "IB Agreement"), in lieu of payment for services in the amount of $295,000, at a price per share of $1.90.
- Outside The Box Capital Inc. – 20,000 shares of Common Stock that were issued to Outside The Box Capital Inc. ("OTB"), pursuant to a Marketing Services Agreement, dated as of September 13, 2023, between OTB and Quantum (the "OTB Agreement"), as payment in shares for services rendered to Quantum.
- Carriage House Capital, Inc. – up to 350,000 shares of Common Stock that were issued, or may become issuable, to Carriage House Capital, Inc. ("Carriage"), pursuant to the Consulting Agreement, dated as of February 19, 2024, between Carriage and the Company (the "Carriage Agreement"), as partial consideration for consulting services rendered to the Company, at the price per share of $4.41 on the day of issuance. The total consideration due under the Consulting Agreement is 350,000 shares of Common Stock, 100,007 shares of which were due upon signing of the contract and 27,777 shares of which are due in months four through twelve from the date of signing.
- Interest Solutions, LLC – up to 321,034 shares of Common Stock that may become issuable to Interest Solutions, LLC ("Interest Solutions"), pursuant to a convertible promissory note, dated as of February 9, 2024, in the aggregate principal amount of $275,000 (the "Interest Solutions Note") at a price per share of $2.00. Accrued interest on the Interest Solutions Note is payable monthly, beginning on June 30, 2024, at a rate of 13% per annum. Until all payments have been made to the Wilson-Davis Sellers, interest on the Interest Solutions Note may be paid in cash or shares of Common Stock valued at the then-current conversion price. Thereafter, all accrued interest must be paid in cash.
- JonesTrading Institutional Services LLC – up to 437,774 shares of Common Stock that may become issuable to JonesTrading Institutional Services LLC ("JonesTrading"), pursuant to a convertible promissory note, dated as of February 9, 2024, in the aggregate principal amount of $375,000 (the "JonesTrading Note") at a price per share of $2.00. Accrued interest on the JonesTrading Note is payable monthly, beginning on June 30, 2024, at a rate of 13% per annum. Until all payments have been made to the Wilson-Davis Sellers, interest on the Interest Solutions Note may be paid in cash or shares of Common Stock valued at the then-current conversion price. Thereafter, all accrued interest must be paid in cash.
- Winston & Strawn LLP – up to $2,500,000 in shares of Common Stock that may become issuable to Winston & Strawn LLP ("Winston & Strawn"), pursuant to a subscription agreement, dated as of February 9, 2024, between Winston & Strawn and the Company (the "Winston & Strawn Agreement") at a 5 day VWAP on date of issuance. Pursuant to the Winston Agreement, the Company may issue $2,500,000 worth of shares of Common Stock as payment for legal services, in three equal installments of $833,333 beginning on August 9, 2024.

- Toppan Merrill LLC – the Company issued to Toppan Merrill LLC ("Toppan") a promissory note, dated as of February 9, 2024, in the aggregate principal amount of $160,025 (the "Toppan Note"). The maturity date of the Toppan Note is February 8, 2026 and the note accrues interest at a rate of 13% per annum. The principal and interest payments due under the note is not payable in shares of Common Stock.
- Lead Nectar – On August 29, 2024, 12,000 shares of Common Stock were issued to Lead Nectar in lieu of payment for internet marketing services in the amount of $20,000.
- Atlas FinTech – 2,788,276 shares of Common Stock that were issued to Atlas FinTech pursuant to a Satisfaction and Discharge of Indebtedness Agreement, dated as of August 9, 2024, between Atlas FinTech and the Company (the "Atlas FinTech Agreement"), in lieu of payment of $803,860 of expenses that were paid by Atlas FinTech in connection with a previous proposed business combination of Quantum.

ELOC Agreement

On July 31, 2024, Tau Investment Partners LLC ("Tau") and the Company entered into an at-the-market agreement (the "ELOC Agreement"). Pursuant to the ELOC Agreement, Tau has committed to purchase, upon the terms thereof and subject to the satisfaction of certain conditions, up to $10 million of shares of Common Stock, at a price per share equal to 97% of the lowest VWAP of the Common Stock during a pricing period of three consecutive trading days following Tau's receipt of the applicable advance notice sent by the Company from time to time, over the course of 24 months from the date of the ELOC Agreement. Each advance may be up to the greater of 100,000 shares or 50% of the average daily volume traded of the shares during the 30 trading days immediately prior to the date the Company requests each advance. Tau is an underwriter within the meaning of Section 2(a)(11) of the Securities Act.

Results of Operations

Comparison of the Six Months Ended June 30, 2024 and the Six Months Ended June 30, 2023

The Company did not have operations until the acquisition of Wilson-Davis in connection with the Business Combination which closed on February 9, 2024. Therefore, the period-to-period comparison below primarily reflects financial results of Wilson-Davis since February 9, 2024.

	Six Months Ended June 30,		Six Months Ended
	2024	2023	Changes
REVENUES			
Commissions	$ 2,679,673	$ —	2,679,673
Vetting fees	499,125	—	499,125
Clearing fees	756,393	—	756,393
Net gain/(loss) on firm trading accounts	10,046	—	10,046
Other revenue	56,246	—	56,246
TOTAL REVENUES	**4,001,483**	**—**	**4,001,483**
EXPENSES			
Compensation, payroll taxes and benefits	2,386,837	—	2,386,837
Data processing and clearing costs	1,299,527	—	1,299,527
Regulatory, professional fees and related expenses	11,649,470	—	11,649,470
Stock compensation - founder share transfer	1,462,650	—	1,462,650
Communications	254,608	—	254,608
Occupancy and equipment	76,324	—	76,324
Transfer fees	75,425	—	75,425
Bank charges	88,253	—	88,253
Intangible assets amortization	791,375	—	791,375
Other	185,840	—	185,840
Operating and formation costs	—	1,485,122	(1,485,122)
TOTAL EXPENSES	18,270,309	1,485,122	16,785,187
LOSS FROM OPERATIONS	(14,268,826)	(1,485,122)	(12,783,704)
OTHER INCOME/(EXPENSE)			
Interest income	938,802	8,458	930,344
Interest earned on marketable securities held in Trust Account	256,279	2,028,921	(1,772,642)
Gain on sale of assets	146,706	—	146,706
Net gain on settlement	—	829,853	(829,853)
Loss on AtlasClear asset acquisition	(86,392,769)	—	(86,392,769)
Change in fair value of warrant liability derivative	—	(123,062)	123,062
Change in fair value, convertible note derivative	(3,585,902)	—	(3,585,902)
Change in fair value, long-term and short-term note derivative	(11,208,055)	—	(11,208,055)
Change in fair value of non-redemption agreement	(164,626)	—	(164,626)
Change in fair value of contingent guarantee	(3,256,863)	—	(3,256,863)
Change in fair value of earnout liability	(1,335,000)	—	(1,335,000)
Change in fair value of subscription agreement	(38,796)	—	(38,796)
Extinguishment of stock payable	985,072	—	985,072
Extinguishment of accrued expenses	879,473	—	879,473
Interest expense	(3,732,178)	—	(3,732,178)
TOTAL OTHER INCOME/(EXPENSE)	(106,507,857)	2,744,170	(109,252,027)
Income before provision for income taxes	(120,776,683)	1,259,048	(122,035,731)
Benefit (provision) for income taxes	569,736	(581,118)	1,150,854
Net income (loss)	**$ (120,206,947)**	**$ 677,930**	**(120,884,877)**

Revenues of $4,001,483 for the six months ended June 30, 2024, represent a 100% increase from revenues of $0 for the six months period ended June 30, 2023. Wilson-Davis is a self-clearing correspondent securities broker-dealer registered with the SEC and a member in good standing of FINRA. Wilson-Davis is engaged principally in the over-the-counter, or "OTC," markets in microcap securities. Microcap securities generally are issued by companies with low or "micro" capitalizations, meaning the total market capitalization value of the company's stock is less than $250 million, which includes low-priced securities, or penny stocks, that trade for less than $5.00 per share and have a market capitalization of less than $50 million. Wilson-Davis also executes transactions in exchange-traded securities. It derives its revenue from the liquidation of restricted and control microcap securities; clearing transactions on behalf of an introducing broker-dealer on a fully disclosed basis; and trading in equity securities for its own account. It receives limited revenues from fully paid stock lending and margin accounts. During its history, Wilson-Davis has underwritten at-the-market offerings for publicly traded companies, placed private offerings, sold mutual funds, introduced margin accounts cleared by other firms on a fully disclosed basis, and provided ancillary financial services.

Total expenses of $18,270,309 for the six months ended June 30, 2024 represent a significant increase of $16,785,187 from total expenses for the six months period ended June 30, 2023. The increase was primarily due to the Business Combination and related transactions.

Compensation, payroll taxes and benefits increased to $2,386,837 for the six-month period ended June 30, 2024. No expense was recorded in the six-month period ended June 30, 2023. The increase was due to compensation, payroll taxes and benefits related to Wilson-Davis.

Regulatory, professional fees and related expenses increased to $11,649,470 for the six months ended June 30, 2024. No expense was recorded in the six-month period ended June 30, 2023. The increase was due to the Business Combination and related transactions primarily consisting of $9,008,053 in transaction related cost.

Stock compensation – founder share transfer increased $1,462,650 for the six months period ended June 30, 2024. No expense was recorded in the six-month period ended June 30, 2023. The increase was due to the closing of the Business resulted in the recognition of stock based compensation granted in February 2021 with a performance condition which was met at closing of the Business Combination.

Intangible asset amortization increased $791,375 for the six months period ended June 30, 2024. No expense was recorded in the six-month period ended June 30, 2023. The increase was due to the intangible assets, such as the customer list and technologies acquired in the Business Combination and related transactions.

Other expenses, which includes, Communications, Occupancy and equipment, Transfer fees, Bank charges and Other, increased to an aggregate of $680,450 for the six-month period ended June 30, 2024. No expense was recorded in the six-month period ended June 30, 2023. The increase was due to the Business Combination and related transactions.

Loss from operations was $14,268,826 from the date of acquisition through June 30, 2024. Loss from operations was $1,485,122 in the prior period. The increase was due to the Business Combination and related transactions as described above.

Other income/expense of $106,507,857 for the six-month period ended June 30, 2024, represents a significant increase from $2,744,170 when compared to the prior period. The increase was due to the Business Combination and related transactions as described below.

Interest income and interest earned on investments held in trust decreased to $1,195,081 for the six-month period ended June 30, 2024, represents an approximate 41% decrease from $2,037,379 when compared to the prior period. In the prior period, the Company held cash in a trust account for the benefit of Quantum's stockholders which generated $256,279 in the six-month period ended June 30, 2024 of interest income compared to $2,028,921 in the prior six months period ended June 30, 2023, this was due to the shareholder redemptions in connection with the business combination.

The $86,392,769 loss for the six months ended June 30, 2024 was due to the business combination and asset purchase transaction with AtlasClear, Inc. ASC 350 prohibits the recognition of goodwill in an asset purchase. As such the difference between the purchase price net of the technology acquired of $68.55 million was expensed on acquisition date. Further, due to limited capital contributions from Quantum's trust account, management views timelines for revenue recognition from the FinTech Assets to be unknowable and

therefore has decided to write down in full. Reflecting a loss of on AtlasClear asset acquisition of $86,392,769. Refer to Note 12 for further detail. No similar loss was present in the prior period.

Total Purchase Price	$	44,400,000
Fair value of Software Product Earn Out Shares		10,963,000
Fair value of Earn Out Shares		31,347,000
Purchase price allocated to Contribution Agreement	$	86,710,000
SURFACExchange	$	381,461
Bond Quantum		32,284
Atlas		7,749,299
Rubicon		10,000,000
Total Developed Technology acquired	$	18,163,044
Transaction cost	$	68,546,956
Technology acquired	$	18,163,044
Amortization recognized		(317,231)
Carrying balance of Technology acquired written off		17,845,813
Total loss on AtlasClear technology acquired	$	86,392,769

The Company recognized a total of $18,604,170 in loss in change in fair value of financial instruments for the six-month period ended June 30, 2024. The Company entered into the following financial instruments which are required to be accounted for at fair value under ASC 815 or ASC 480. The Company recognized a change in fair value related to the Non-redemption Agreement resulting in a loss of $164,626. As settlement with Chardan, the company issued a convertible note to Chardan which required the conversion element to be accounted for as a derivative resulting in a loss of $3,585,902. The sellers of Wilson-Davis received convertible short term and long term notes which required the conversion element to be accounted for as a derivative resulting in a loss of $11,208,055 as well as a Commitment guarantee resulting in a loss of $3,256,863. The Company granted earnout shares as part of the consideration paid to AtlasClear, Inc. which resulted in a loss of $1,335,000. The Company entered into a Subscription Agreement with Winston & Strawn which required fair value accounting under ASC 480 creating a loss of $38,796. These agreements were entered into in connection with the closing of the Business Combination and, as such, no such expense was incurred in the six-month period ended June 30, 2023.

Vendor settlements increased to $879,473 for the six-month period ended June 30, 2024 compared to $0 in the prior six-month period ended June 30, 2023. The increase was as a result of the negotiation with various vendors related to transaction cost incurred in connection with the business combination which resulted in vendors waiving fees or entering into payment arrangements.

Interest expense increased to $3,732,178 for the six-month period ended June 30, 2024 compared to $0 in the prior six-month period ended June 30, 2023. The increase was due to convertible secured Notes, the seller notes, the convertible notes and Promissory Notes inters rates ranged from 8% to 13%. These agreements were issued in connection with the closing of the Business Combination as such no such expense was incurred in the six-month period ended June 30, 2023.

Benefit from income taxes of $569,736 for the six months period ended June 30, 2024 increased by $1,150,854, from $581,118 in income tax provision in the prior six-month period ended June 30, 2023, primarily due to the Business Combination resulting in deferred tax liabilities and assets.

The foregoing factors resulted in net loss of $120,206,947 for the six-month period ended June 30, 2024, compared to net income of $677,930 during the prior six month period ended June 30, 2023. The increase was due to the business combination and asset purchase transaction with AtlasClear as described above.

Comparison of the Year Ended December 31, 2023 and the Year Ended December 31, 2022

We had neither engaged in any operations nor generated any revenues through December 31, 2023. Our only activities through December 31, 2023, were organizational activities, the initial public offering of Quantum, and subsequent to the initial public offering, identifying a target company for, and completing, a business combination.

For the year ended December 31, 2023, we had net income of $794,950, which consists of income earned on marketable securities held in trust account of $3,090,086, net gain on settlement of $829,853, change in fair value of non-redemption agreement liability of $439,787 and interest income from bank of $22,195, partially offset by change in fair value of warrant liability of $123,062, operating costs of $2,737,871 and provision for income taxes of $726,038.

For the year ended December 31, 2022, we had a net income of $11,045,567, which consists of income earned on marketable securities held in trust account of $3,087,315, change in fair value of PIPE derivative liability of $4,566,000 and change in fair value of warrant liability of $6,953,336, partially offset by operating costs of $3,024,231 and provision for income taxes of $536,853.

Liquidity and Capital Resources

Cash used in operating activities for the six months period ended June 30, 2024 was $11,227,227 as compared 785,611 for the six month period ended June 30, 2023. This was primarily affected by $3,879,692 in changes in operational assets and liabilities and the impact of operating revenue and operating expense due to the business combination and asset purchase transaction with AtlasClear, Inc. Adjustment to net loss primarily consisted of change in fair value related to the Non-redemption Agreement resulting in a loss of $164,626. As settlement with Chardan the company issued a convertible note to Chardan which required the conversion element to be accounted for as a derivative resulting in a loss of $3,585,902. The sellers of Wilson-Davis received convertible short term and long term note which required the conversion element to be accounted for as a derivative resulting in a loss of $11,208,055 as well as a Commitment guarantee resulting in a loss of $3,256,863. The Company granted earnout shares as part of the consideration paid to AtlasClear, Inc which resulted in a loss of $1,335,000. The Company entered into a Subscription Agreement with a Winston & Strawn which required fair value accounting under ASC 480 creating a loss of $38,796. Further adjustef for the loss on business combination for the assets acquired from AtlasClear of $86,392,769, stock based compensation of $1,462,650, non-cash interest expense on convertible notes of $1,896,714, transaction cost paid with stock of $1,401,937, Fee on Secured Convertible note of $1,500,000 and $616,098 other non-cash operating changes.

Cash provided by investing activities for six-month period ended June 30, 2024 was $79,792,355 as compared to $148,663,643 for the six month period ended June 30, 2023. This is primarily due to the redemptions of cash held in trust of $53,947,064 and cash paid to Wilson-Davis shareholders of $8,092,568 at closing of the business combination and the acquisition of $33,333,876 in cash from the closing of the business combination the payment of $500,000 in to Pacsquare for the AtlasClear Platform and $1,195,565 of funds released from trust as a result of the closing of the business combination.

Cash used in financing activities from the six-month period ended June 30, 2024 was $41,891,796 as compared to $146,874,692 for the six month period ended June 30, 2023. This is primarily due to the redemptions of $53,947,064, the financing of transaction cost of $5,002,968 and financing from funicular totaling $6,000,000 and advances from related party of $1,052,300.

For the year ended December 31, 2023, net cash used in operating activities was $1,819,835. Net income of $794,950 was affected by income earned on marketable securities held in the trust account of $3,090,086, change in fair value of warrant liability of $123,062, and change in fair value of non-redemption agreement liability of $439,787. Changes in operating assets and liabilities provided $791,193 of cash for operating activities, primarily due to an increase in accounts payable and accrued expenses.

For the year ended December 31, 2022, net cash used in operating activities was $1,084,259. Net income of $11,045,567 was affected by income earned on marketable securities held in the trust account of $3,087,315, change in fair value of PIPE derivative liability of $4,566,000 and the change in fair value of warrant liability of $6,953,336. Changes in operating assets and liabilities provided $2,476,825 of cash for operating activities, primarily due to an increase in accounts payable and accrued expenses.

As of December 31, 2023, we had marketable securities of $54,799,478 (including $2,445,638 of income, net of amounts withdrawn to pay taxes) held in the trust account, invested in U.S. government treasury bills, notes or bonds having a maturity of 185 days or less and/or (ii) in money market funds meeting certain conditions under Rule 2a-7 of the Investment Company Act, as determined by us. During the year ended December 31, 2023, we withdrew an amount of $1,374,898 in income earned from the Trust Account.

As of December 31, 2023, we had cash of $619,554 in our operating bank accounts ($619,554 of which is required to be used to pay taxes, as described below), $54,799,478 in marketable securities held in the Trust Account to be used for a Business Combination or to repurchase or redeem stock in connection therewith and working capital deficit of $11,386,299. As of December 31, 2023, $2,445,638 of the amount on deposit in the Trust Account represented income on marketable securities.

As of December 31, 2022, we had marketable securities of $204,044,469 held in the trust account, invested in U.S. government treasury bills, notes or bonds having a maturity of 185 days or less and/or (ii) in money market funds meeting certain conditions under Rule 2a-7 of the Investment Company Act, as determined by us.

As of December 31, 2022, we had cash of $129,560 in our operating bank accounts, $204,044,469 in marketable securities held in the Trust Account to be used for a Business Combination or to repurchase or redeem stock in connection therewith and working capital deficit of $5,449,512.

Line of Credit

The Company has a $10,000,000 revolving line of credit with BMO Harris Bank N.A. The interest rate is determined at the time of borrowing as agreed by the Company and the bank. The line of credit currently provides for interest at the bank's overnight rate plus 1.5% and is secured by Wilson-Davis' assets. In addition, the line of credit carries an interest rate of 0.5% on its unused portion. The line of credit agreement requires Wilson-Davis to maintain line of credit collateral with value, as determined by the bank, in an amount at least equal to a percentage of the loan amount as specified by the bank. Advances on the line of credit are payable on demand. The entire amount of this credit facility is available to be drawn and used to meet Wilson-Davis' liquidity requirements for NSCC clearing margin deposits. Wilson-Davis did not draw on its line of credit during the year ended or period ended June 30, 2024, December 31, 2023 and June 30, 2023. As of June 30, 2024, December 31, 2023 and December 31, 2022, Wilson-Davis was in compliance with all financial covenants contained in its revolving line of credit agreement.

In connection with AtlasClear Holdings' assessment of going concern considerations in accordance with Financial Accounting Standard Board's Accounting Standards Codification Subtopic 205-40, "Presentation of Financial Statements – Going Concern," the liquidity of the Company raises substantial doubt about its ability to continue as a going concern through the twelve months following the issuance of the financial statements. If AtlasClear Holdings is unable to raise additional capital, it may be required to take additional measures to conserve liquidity, which could include, but not necessarily be limited to, curtailing operations and reducing overhead expenses. AtlasClear Holdings cannot provide any assurance that new financing will be available to it on commercially acceptable terms, if at all.

Off-Balance Sheet Arrangements

We have no obligations, assets or liabilities, which would be considered off-balance sheet arrangements as of June 30, 2024, December 31, 2023 and December 31, 2022.

Contractual Obligations

The Company holds several long-term debt obligations with outside vendors and investors, with loans maturing between 2025 and 2028 (see Note 9, 10 and 19). Additionally, the Company leases office space under several operating leases (see Note 11). The Company has no capital lease obligations. Further, there are no other outstanding long-term liabilities contractually obligated by the Company.

Critical Accounting Policies

The preparation of consolidated financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and income and expenses during the periods reported. Actual results could materially differ from those estimates.

Derivative Liabilities

We account for derivative instruments as either equity-classified or liability-classified instruments based on an assessment of the derivative instruments' specific terms and applicable authoritative guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 480, Distinguishing Liabilities from Equity ("ASC 480") and ASC 815, Derivatives and Hedging ("ASC 815"). The assessment considers whether the derivative instruments are freestanding financial instruments pursuant to ASC 480, meet the definition of a liability pursuant to ASC 480, and whether the derivative instruments meet all of the requirements for equity classification under ASC 815, including whether the derivative instruments are indexed to our own common stock, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of issuance and as of each subsequent quarterly period end date while the warrants and the PIPE derivatives are outstanding. We have concluded that the public warrants should be classified as equity instruments, and the PIPE derivatives and the private warrants should be classified as liability instruments.

For issued or modified derivatives that meet all of the criteria for equity classification, the derivatives are required to be recorded as a component of additional paid-in capital at the time of issuance. For issued or modified derivatives that do not meet all the criteria for equity classification, the derivatives are required to be recorded at their initial fair value on the date of issuance, and each balance sheet date thereafter. Changes in the estimated fair value of the derivatives are recognized as a non-cash gain or loss on the statements of operations.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

As a smaller reporting company, we are not required to provide the information required by this Item.

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements required pursuant to this item are included in Part IV, Item 15 of this Transition Report, beginning on page F-2.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
AtlasClear Holdings, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of AtlasClear Holdings, Inc. (the Company) as of June 30, 2024 and December 31, 2023 and 2022, and the related consolidated statements of operations, changes in stockholders' equity (deficit), and cash flows for the six months ended June 30, 2024 and each of the years in the two-year period ended December 31, 2023, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2024 and December 31, 2023 and 2022, and the results of its operations and its cash flows for the six months ended June 30, 2024 and each of the years in the two-year period ended December 31, 2023 and 2022, in conformity with accounting principles generally accepted in the United States of America.

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

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. The Company has limited liquidity and needs to raise additional capital to maintain operations. As more fully described in Note 1 to the financial statements, the Company intends to raise additional capital through loans or additional investments. There is no assurance that the Company will be able to raise the additional capital. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

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

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

/s/ Haynie & Company

Haynie & Company
Salt Lake City, Utah
October 15, 2024

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

ATLASCLEAR HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

	June 30, 2024	December 31, 2023	December 31, 2022
ASSETS			
Cash and cash equivalents	$ 6,558,176	$ 619,554	$ 129,560
Cash segregated - customers	20,548,972	—	—
Cash segregated - PAB	200,738	—	—
Receivables - broker-dealers and clearing organizations	1,333,306	—	—
Receivables - customers, net	823,784	—	—
Other receivables	64,842	—	—
Prepaids	67,967	58,828	33,652
Trading securities, market value, net	55	54,799,478	204,044,469
Total Current Assets	29,597,840	55,477,860	204,207,681
Operating lease right to use lease asset	326,336	—	—
Property and equipment, net	16,080	—	—
Customer list, net	14,150,856	—	—
Goodwill	7,706,725	—	—
Pacsquare asset purchase	1,726,500	—	—
Bank acquisition deposit	91,200		
Cash deposits - broker-dealers and clearing organizations	3,515,000	—	—
Other assets	336,017	—	—
TOTAL ASSETS	$ 57,466,554	$ 55,477,860	$ 204,207,681
LIABILITIES AND STOCKHOLDERS' DEFICIT			
LIABILITIES			
Payables to customers	$ 20,162,973	$ —	$ —
Accounts and payables to officers/directors	686,579	—	—
Accounts payable and accrued expenses	5,393,912	5,510,760	4,813,558
Non-redemption agreement liability	—	1,441,653	—
Payables - broker-dealers and clearing organizations	4,915	—	—
Commissions, payroll and payroll taxes	273,386	—	—
Current portion of lease liability	149,499	—	—
Advances from related parties	—	3,104,097	319,166
Stock payable	259,893	—	—
Convertible notes, net	3,783,437	—	—
Secured convertible note, net	6,857,101	—	—
Promissory notes	852,968	—	—
Promissory notes - related party	—	480,000	480,000
Short-term merger financing, net	5,092,083	—	—
Contingent guarantee	3,256,863	—	—
Subscription agreement	2,425,647	—	—
Stock payable- related party	55,087	—	—
Excise tax payable	2,067,572	1,528,101	—
Total Current Liabilities	51,321,915	12,064,611	5,612,724
Accrued contingent liability	100,000	—	—
Long-term merger financing, net	7,606,561	—	—
Derivative liability - convertible notes	16,462,690	—	—
Derivative liability - warrants	307,656	307,656	184,594
Earnout - liability	12,298,000	—	—
Deferred income tax liability	5,245,886	—	—
Subordinated borrowings	1,950,000	—	—
Trading account deposit	100,000	—	—
Long-term lease liability	182,729	—	—
TOTAL LIABILITIES	95,575,437	12,372,267	5,797,318
Commitments and Contingencies (Note 10)			
Common stock subject to possible redemption	—	54,618,469	203,420,202
STOCKHOLDERS' DEFICIT			
Preferred stock, $0.0001 par value; 1,000,000 shares authorized; none issued or outstanding	—	—	—
Common stock, $0.0001 par value; 100,000,000 shares authorized; 12,277,759 and 5,031,250 shares issued and outstanding (excluding 0 and 5,050,384 shares subject to possible redemption) at June 30, 2024 and December 31, 2023 and 2022, respectively	1,246	503	503
Additional paid-in-capital	110,164,676	—	—
Accumulated Deficit	(148,274,805)	(11,513,379)	(5,010,342)
TOTAL STOCKHOLDERS' DEFICIT	(38,108,883)	(11,512,876)	(5,009,839)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 57,466,554	$ 55,477,860	$ 204,207,681

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

ATLASCLEAR HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	FOR THE PERIOD ENDED	FOR THE YEAR ENDED	
	June 30, 2024	December 31, 2023	December 31, 2022
REVENUES			
Commissions	$ 2,679,673	$ —	$ —
Vetting fees	499,125	—	—
Clearing fees	756,393	—	—
Net gain/(loss) on firm trading accounts	10,046	—	—
Other revenue	56,246	—	—
TOTAL REVENUES	4,001,483	—	—
EXPENSES			
Compensation, payroll taxes and benefits	2,386,837	—	—
Data processing and clearing costs	1,299,527	—	—
Regulatory, professional fees and related expenses	11,649,470	—	—
Stock compensation - founder share transfer	1,462,650	—	—
Communications	254,608	—	—
Occupancy and equipment	76,324	—	—
Transfer fees	75,425	—	—
Bank charges	88,253	—	—
Intangible assets amortization	791,375	—	—
Operating and formation cost	—	2,737,871	3,024,231
Other	185,840	—	—
TOTAL EXPENSES	18,270,309	2,737,871	3,024,231
LOSS FROM OPERATIONS	(14,268,826)	(2,737,871)	(3,024,231)
OTHER INCOME/(EXPENSE)			
Interest income	—	22,195	—
Interest earned on marketable securities held in Trust Account	1,195,081	3,090,086	3,087,315
Net gain on settlement	146,706	829,853	—
Loss on AtlasClear asset acquisition	(86,392,769)	—	—
Change in fair value of warrant liability derivative	—	(123,062)	6,953,336
Change in fair value, convertible note derivative	(3,585,902)	—	—
Change in fair value, long-term and short-term note derivative	(11,208,055)	—	—
Change in fair value, contingent guarantee	(3,256,863)	—	—
Change in fair value of non-redemption agreement	(164,626)	439,787	—
Change in fair value of PIPE derivative liability	—	—	4,566,000
Change in fair value of earnout liability	(1,335,000)	—	—
Change in fair value of subscription agreement	(38,796)	—	—
Change in fair value of stock payable	985,072	—	—
Extinguishment of accrued expenses	879,473	—	—
Interest expense	(3,732,178)	—	—
TOTAL OTHER INCOME/(EXPENSE)	(106,507,857)	4,258,859	14,606,651
NET INCOME/(LOSS) BEFORE INCOME TAXES	(120,776,683)	1,520,988	11,582,420
Income tax (expense) benefit	569,736	(726,038)	(536,853)
NET INCOME/(LOSS)	$ (120,206,947)	$ 794,950	$ 11,045,567
Basic and diluted net income (loss) per share, redeemable common stock	**$ (10.16)**	**$ 0.07**	**$ 0.44**
Basic and diluted weighted average shares outstanding, redeemable common stock	1,109,975	6,898,644	20,125,000
Basic and diluted net income (loss) per share, non-redeemable common stock	**$ (11.60)**	**$ 0.07**	**$ 0.44**
Basic and diluted weighted average shares outstanding, non-redeemable common stock	**10,719,043**	**5,031,250**	**5,031,250**

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

ATLASCLEAR HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE YEAR ENDED OR PERIOD ENDED JUNE 30, 2024, DECEMBER 31, 2023 AND 2022

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount			
Balance – December 31, 2021	**5,031,250**	**$ 503**	**$ —**	**$ (13,885,707)**	**$ (13,885,204)**
Accretion of Common Stock subject to Redemption	—	—	—	(2,170,202)	(2,170,202)
Net income	—	—	—	11,045,567	11,045,567
Balance – December 31, 2022	**5,031,250**	**503**	**—**	**(5,010,342)**	**(5,009,839)**
Excise taxes related to redemptions	—	—	—	(1,528,101)	(1,528,101)
Cancellation of admin fees	—	—	120,000	—	120,000
Fair value of non-redemption agreement liability at issuance	—	—	—	(1,881,440)	(1,881,440)
Accretion of Common Stock subject to Possible Redemption	—	—	(120,000)	(3,888,446)	(4,008,446)
Net income	—	—	—	794,950	794,950
Balance — December 31, 2023	**5,031,250**	**$ 503**	**$ —**	**$ (11,513,379)**	**$ (11,512,876)**
Common stock no longer subject to redemption	109,499	11	1,195,555	—	1,195,566
Common stock issued to settled vendor obligations	353,198	35	1,459,941	—	1,459,976
Stock Compensation Expense - Founder Shares transferred at closing	—	—	1,462,650	—	1,462,650
Founder Shares transferred at closing to non-redemption agreement holders	—	—	1,606,279	—	1,606,279
Founder Shares transferred at closing as consideration for Wilson Davis Acquisition	—	—	6,000,000	—	6,000,000
Founder Shares and warrants transferred to Secured convertible note holders	—	—	1,250,698	—	1,250,698
Shares issued to settle related party advances and promissory notes, net of deemed dividend	2,000,000	200	19,999,800	(15,422,431)	4,577,569
Shares issued as purchase consideration for the assets of AtlasClear, Inc.	4,440,000	445	44,399,555	—	44,400,000
Earnout shares granted as purchase consideration for the assets of AtlasClear, Inc.	—	—	31,347,000	—	31,347,000
Shares issued as deposit for the Commercial Bank acquisition	40,000	4	91,196	—	91,200
Shares issued as purchase consideration for the assets of Pacsquare	336,000	33	1,141,467	—	1,141,500
Shares issued as settlement of accrued interest	145,210	15	210,535	—	210,550
Accretion of Common Stock subject to Possible Redemption	—	—	—	(592,577)	(592,577)
Excise taxes related to redemptions	—	—	—	(539,471)	(539,471)
Net loss	—	—	—	(120,206,947)	(120,206,947)
Balance — June 30, 2024	**12,455,157**	**$ 1,246**	**$ 110,164,676**	**$ (148,274,805)**	**$ (38,108,883)**

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

ATLASCLEAR HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THE PERIOD ENDED	FOR THE YEAR ENDED	
	June 30, 2024	December 31, 2023	December 31, 2022
Cash Flows from Operating Activities:			
Net income (loss)	$ (120,206,947)	$ 794,950	$ 11,045,567
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Change in fair value of warrant liability derivative	—	123,062	(6,953,336)
Change in fair value of PIPE derivative liability	—	—	(4,566,000)
Change in fair value of Contingent guarantee	3,256,863	—	—
Change in fair value of non-redemption agreement	164,626	(439,787)	—
Loss on AtlasClear asset acquisition	86,392,769	—	—
Fee on Secured convertible note	1,500,000	—	—
Change in fair value, convertible note derivative	3,585,904	—	—
Change in fair value, long-term and short-term note derivative	11,208,055	—	—
Interest expense on convertible notes	1,896,714	—	—
Transaction costs paid with stock	1,401,937	—	—
Stock based compensation	1,462,650	—	—
Change in fair value, earnout liability	1,335,000	—	—
Change in operating lease expense	68,727	—	—
Interest earned on marketable securities held in Trust Account	(251,569)	(3,090,086)	(3,087,315)
Change in fair value, subscription agreement	38,796	—	—
Depreciation expense	7,565	—	—
Amortization of intangibles	791,375	—	—
Bad debt expense	2,474	—	—
Changes in operating assets and liabilities:			
Due from Atlas Clear	—	(58,828)	—
Income taxes payable	—	189,038	536,853
Marketable securities	6,820	—	—
Receivables from brokers & dealers	2,203,271	—	—
Receivables from customers	(303,486)	—	—
Receivables from others	(59,043)	—	—
Advances and Prepaid expenses	133,158	33,652	305,798
Cash deposits with clearing organization & other B/Ds	21,664	—	—
Other assets	49,041	—	—
Payables to customers	(5,124,740)	—	—
Payables to officers & directors	98,048	—	—
Payable to brokers & dealers	(12,903)	—	—
Accounts payable and accrued expenses	(1,066,430)	628,164	1,634,174
Commissions and payroll taxes payable	39,638	—	—
Stock Loan	259,893	—	—
Operating lease right-of-use asset	(11,713)	—	—
Operating lease liability	(56,900)	—	—
Deferred tax liability	(43,484)	—	—
Net cash provided by (used in) operating activities	(11,212,227)	**(1,819,835)**	**(1,084,259)**

ATLASCLEAR HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Cash Flows from Investing Activities:			
Cash withdrawn from Trust Account to pay franchise and income taxes	68,418	1,374,898	351,474
Investment of cash into Trust Account	(160,000)	(1,850,000)	—
Cash withdrawn from Trust Account in connection with redemption	53,947,064	152,810,179	—
Cash paid for purchase of Pacsquare	(500,000)	—	—
Cash received from acquisition of Wilson-Davis	33,333,876	—	—
Cash withdrawn from Trust Account for working capital purposes	1,195,565	—	—
Cash paid to Wilson Davis shareholders	(8,092,568)	—	—
Net cash provided by (used in) investing activities	79,792,355	**152,335,077**	**351,474**
Cash Flows from Financing Activities:			
Proceeds from secured convertible note	6,000,000	—	—
Transaction costs financed	5,002,968	—	—
Proceeds from promissory note - related party	—	—	480,000
Repayment of advances from related party	—	(70,500)	—
Advances from related party	1,052,300	2,855,431	319,166
Redemption of common stock	(53,947,064)	(152,810,179)	—
Net cash provided by (used in) financing activities	(41,891,796)	**(150,025,248)**	**799,166**
Net Change in Cash	26,688,332	**489,994**	**66,381**
Cash – Beginning	619,554	129,560	63,179
Cash – Ending	**$** 27,307,886	**$ 619,554**	**$ 129,560**
Supplementary cash flow information:			
Cash paid for income taxes	$ —	$ 537,000	$ —
Supplemental disclosure of non-cash investing and financing activities:			
Shares issued to settled advances from related party and notes payable related party, net of deemed dividend	$ 4,577,569	$ —	$ —
Transaction cost settled with subscription payable	$ 2,386,851	$ —	$ —
Fair value of equity treated earnout in AtlasClear, Inc asset acquisition	$ 31,347,000	$ —	$ —
Fair value of shares issued in AtlasClear, Inc asset acquisition	$ 44,400,000	$ —	$ —
Fair value of liability treated earnout in AtlasClear, Inc asset acquisition	$ 10,963,000	$ —	$ —
Fair value of shares transferred to Wilson Davis shareholders	$ 6,000,000	$ —	$ —
Short term notes issued to Wilson Davis shareholders	$ 5,000,000	$ —	$ —
Long term notes issued to Wilson Davis shareholders	$ 7,971,197	$ —	$ —
Initial value of derivative liability on convertible notes	$ 1,668,731	$ —	$ —
Fair value of shares transferred to Secured convertible note holders	$ 1,250,698	$ —	$ —
Redeemable shares transferred to permanent equity	$ 1,195,566	$ —	$ —
Non-redemption agreement re-classed to permanent equity	$ 1,606,279	$ —	$ —
Shares issued to purchase Pacsquare	$ 1,226,500	$ —	$ —
Shares issued as deposit for Commercial bank acquisition	$ 91,200	$ —	$ —
Initial Classification of non-redemption agreement liability	$ —	$ 1,881,440	$ —
Cancellation of admin fees	$ —	$ 120,000	$ —
Excise tax related to redemptions	$ 539,471	$ 1,528,101	$ —
Accretion of common stock subject to possible redemption	$ 592,577	$ 4,008,446	$ 2,170,202
Accounts payable settled with shares	$ 64,376	$ —	$ —
Interest settled with shares	$ 210,550	$ —	$ —
Interest settled with shares transferred by related party	$ 48,750	$ —	$ —

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

NOTE 1. DESCRIPTION OF ORGANIZATION AND BUSINESS OPERATIONS

AtlasClear Holdings, Inc. (formerly known as Calculator New Pubco, Inc.) (the "Company" or "AtlasClear Holdings") is a Delaware corporation and a direct, wholly-owned subsidiary of Quantum FinTech Acquisition Corporation ("Quantum") formed solely for the purpose of effectuating a business combination. Quantum was incorporated in Delaware on October 1, 2020. Quantum was a blank check company formed for the purpose of entering into a merger, share exchange, asset acquisition, stock purchase, recapitalization, reorganization or other similar business combination with one or more businesses or entities.

On February 9, 2024 (the "Closing Date"), the Company consummated the previously announced transactions pursuant to that certain Business Combination Agreement, dated November 16, 2022 (as amended, the "Business Combination Agreement"), by and among the Company, Quantum, Calculator Merger Sub 1, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant ("Merger Sub 1"), Calculator Merger Sub 2, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant ("Merger Sub 2"), AtlasClear, Inc., a Wyoming corporation ("AtlasClear"), Atlas FinTech Holdings Corp., a Delaware corporation ("Atlas FinTech") and Robert McBey. The transactions contemplated by the Business Combination Agreement are hereinafter referred to as the "Business Combination." In connection with the consummation of the Business Combination (the "Closing"), the Company changed its name from "Calculator New Pubco, Inc." to "AtlasClear Holdings, Inc." As a result, the operation history of Quantum survived the merger.

Pursuant to the Business Combination Agreement, among other things, (i) Merger Sub 1 merged with and into Quantum, with Quantum continuing as the surviving corporation and a wholly-owned subsidiary of AtlasClear Holdings and (ii) Merger Sub 2 merged with and into AtlasClear, with AtlasClear continuing as the surviving corporation and a wholly-owned subsidiary of AtlasClear Holdings. Prior to the Closing, pursuant to the (i) Contribution Agreement (as defined in the Business Combination Agreement), AtlasClear received certain assets from Atlas FinTech and Atlas Financial Technologies Corp., a Delaware corporation, and (ii) Broker-Dealer Acquisition Agreement (as defined in the Business Combination Agreement), AtlasClear completed the acquisition of broker-dealer, Wilson-Davis & Co., Inc. ("Wilson-Davis"). In addition, at Closing, the Bank Acquisition Agreement (as defined in the Business Combination Agreement), pursuant to which AtlasClear has agreed to acquire Commercial Bancorp, a Wyoming corporation and parent of Farmers State Bank ("Commercial Bancorp"), continued to be in full force and effect. Pursuant to the transactions contemplated by a letter of intent, on February 16, 2024, AtlasClear and Pacsquare Technologies, LLC ("Pacsquare") entered into a Source Code Purchase and Master Services Agreement (the "Pacsquare Purchase Agreement"), pursuant to which AtlasClear purchased a proprietary trading platform with clearing and settlement capabilities that will be developed by Pacsquare, including certain software and source code (the "AtlasClear Platform").

The Business Combination has been accounted for in accordance with the acquisition method of accounting, with Quantum considered to be the accounting acquirer of Wilson-Davis. Under the acquisition method of accounting, the preliminary purchase price is allocated to the underlying tangible and intangible assets acquired and liabilities assumed based on their respective fair market values, with the excess purchase price, if any, allocated to goodwill. Costs related to the transaction were expensed as incurred. (See Note 8 – Acquisition of Wilson-Davis).

AtlasClear Holdings' goal is to build a cutting-edge technology enabled financial services firm that would create a more efficient platform for trading, clearing, settlement and banking, with evolving and innovative financial products that focus on financial services firms. AtlasClear Holdings is a fintech driven business-to-business platform that expects to power innovation in fintech, investing, and trading.

AtlasClear does not meet the definition of a business and therefore was treated as an asset acquisition by AtlasClear Holdings. As such the assets contributed from Atlas Fintech and the net assets of AtlasClear were recognized at historical cost. ASC 350 prohibits the recognition of goodwill in an asset purchase. (See Note 9 – Acquisition of Assets of AtlasClear, Inc.)

Quantum was deemed the accounting acquirer based on the following factors: i) Quantum issued cash and shares of its common stock; ii) Quantum controlled the voting rights under the no redemption and the maximum contractual redemption scenarios; iii) Quantum had the largest minority voting interest; iv) Quantum has control over the board of directors of the post-combination company and most of senior management of the post-combination company are former officers of Quantum.

Wilson-Davis is a securities broker and dealer, dealing in over-the-counter and listed securities. Wilson-Davis is registered with the Securities and Exchange Commission (the "SEC")) and is a member of the Financial Industry Regulatory Authority.

Revenue is derived principally Wilson-Davis' operations in three areas: commission revenue, fee revenue and interest revenue.

Wilson-Davis has operations in Utah, Arizona, California, Colorado, Florida, New York, Oklahoma and Texas. Transactions for customers are principally in the states where the Company operates, however, some customers are located in other states in which the Company is registered. Principal trading activities are conducted with other broker dealers throughout the United States.

Going Concern

As of June 30, 2024, the Consolidated Company had $27,307,886 in its bank accounts and working capital deficit of $21,724,075.

The Company has raised and intends to raise additional capital through loans or additional investments from its stockholders, officers, directors, or third parties. The Company's officers and directors may, but are not obligated to loan the Company funds, from time to time, in whatever amount they deem reasonable in their sole discretion, to meet the Company's working capital needs.

In connection with the Company's assessment of going concern considerations in accordance with Financial Accounting Standard Board's Accounting Standards Codification Subtopic 205-40, "Presentation of Financial Statements – Going Concern," the liquidity of the Company raises substantial doubt about the Company's ability to continue as a going concern through the twelve months following the issuance of the financial statements. If the Company is unable to raise additional capital, it may be required to take additional measures to conserve liquidity, which could include, but not necessarily be limited to, curtailing operations and reducing overhead expenses. The Company cannot provide any assurance that new financing will be available to it on commercially acceptable terms, if at all. No adjustments have been made to the carrying amounts of assets or liabilities as a result of this uncertainty.

Inflation Reduction Act of 2022

On August 16, 2022, the Inflation Reduction Act of 2022 (the "IR Act") was signed into federal law. The IR Act provides for, among other things, a new U.S. federal 1% excise tax on certain repurchases of stock by publicly traded U.S. domestic corporations and certain U.S. domestic subsidiaries of publicly traded foreign corporations occurring on or after January 1, 2023. The excise tax is imposed on the repurchasing corporation itself, not its shareholders from which shares are repurchased. The amount of the excise tax is generally 1% of the fair market value of the shares repurchased at the time of the repurchase. However, for purposes of calculating the excise tax, repurchasing corporations are permitted to net the fair market value of certain new stock issuances against the fair market value of stock repurchases during the same taxable year. In addition, certain exceptions apply to the excise tax. The U.S. Department of the Treasury (the "Treasury") has been given authority to provide regulations and other guidance to carry out and prevent the abuse or avoidance of the excise tax.

Any redemption or other repurchase that occurs after December 31, 2022, in connection with a Business Combination, extension vote or otherwise, may be subject to the excise tax. As such the Company has accrued for the estimated excise tax as a result of the redemptions that occurred after December 31, 2022. As of June 30, 2024 - the excise tax payable is $2,067,572.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements are presented in conformity with accounting principles generally accepted in the United States of America ("GAAP") and pursuant to the rules and regulations of the SEC.

Principles of Consolidation

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

Emerging Growth Company

The Company is an "emerging growth company," as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the independent registered public accounting firm attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute

payments not previously approved. Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards.

The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of the Company's consolidated financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires the Company's 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 consolidated financial statements and the reported amounts of expenses during the reporting period.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the consolidated financial statements, which management considered in formulating its estimate, could change in the near term due to one or more future confirming events. The more significant accounting estimates included in these consolidated financial statements is the determination of the fair value of the private warrant liabilities, the fair value of the Subscription Agreement, the fair value of the conversion liabilities, realization of deferred tax assets, and the fair value of the customer list acquired on February 9, 2024. Such estimates may be subject to change as more current information becomes available and accordingly the actual results could differ significantly from those estimates.

Cash and Cash Equivalents

The Company considers all operating accounts that hold money market funds held and short-term investments with an original maturity of three months or less when purchased to be cash equivalents.

Trading Securities

Securities held in the Company's trading account and trading securities, consist primarily of over-the-counter securities and are valued based upon quoted market prices. The value of securities that are not readily marketable are estimated by management based upon quoted prices, the number of market makers, trading volume and number of shares held. Unrealized gains and losses are reflected in income in the financial statements.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation on property and equipment is provided using accelerated and straight-line methods over expected useful lives of three to seven years.

Leases

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, Leases. ASU 2016-02 requires a lessee to record a right-of-use asset and a corresponding lease liability on the statement of financial condition for all leases with terms longer than 12 months. Pursuant to this standard, the Company has recorded an operating lease right-of use ("ROU") asset and operating lease liability in the accompanying balance sheet as of June 30, 2024.

The Company leases office space under the terms of several operating leases. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

ROU assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent the Company's obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Company uses the implicit rate when it is readily determinable. Since the Company's leases do not provide implicit rates, to determine the present value of lease payments, management uses the Company's estimated incremental borrowing rate based on the information available at lease commencement.

Goodwill

Goodwill represents the excess of purchase price in a business combination over the fair value of the net identifiable assets acquired. We evaluate goodwill for impairment at the reporting unit level by assessing whether it is more likely than not that the fair value of a reporting unit exceeds its carrying value. If this assessment concludes that it is more likely than not that the fair value of a reporting unit exceeds its carrying value, then goodwill is not considered impaired and no further impairment testing is required. Conversely, if the assessment concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying value, a goodwill impairment test is performed to compare the fair value of the reporting unit to its carrying value. The Company determines fair value of the reporting unit using income models. Our models contain significant assumptions and accounting estimates about discount rates, future cash flows, that could materially affect our operating results or financial position if they were to change significantly in the future and could result in an impairment. We perform our goodwill impairment assessment whenever events or changes in facts or circumstances indicate that impairment may exist and during the fourth quarter each year. The cash flow estimates and discount rates incorporate management's best estimates, using appropriate and customary assumptions and projections at the date of evaluation. As of June 30, 2024, the fair value of goodwill was $7,706,725, as described in Note 11.

Intangible Assets

Intangible assets are presented at fair value, net of amortization. The fair value is determined based on the appraised value of the asset. Intangible assets comprise of developed technology and customer list (See Note 11 and 13). Developed technology and customer relationships are amortized using the straight-line method over the ten-year and twelve-year estimated useful lives of the assets, respectively. As of June 30, 2024, the fair value of developed technology and customer list was $1,726,500 and $14,625,000, respectively, as described in Note 11 and Note 13.

Impairment of Long-lived and Intangible Assets

In accordance with ASC 360-10 Property Plant and Equipment and ASC 350-10 Intangibles, the Company, on a regular basis, reviews the carrying amount of long-lived assets for the existence of facts or circumstances, both internally and externally, that suggest impairment. The Company determines if the carrying amount of a long-lived asset is impaired based on anticipated undiscounted cash flows, before interest, from the use of the asset. In the event of impairment, a loss is recognized based on the amount by which the carrying amount exceeds the fair value of the asset. Fair value is determined based on the appraised value of the assets or the anticipated cash flows from the use of the asset, discounted at a rate commensurate with the risk involved. The Company recorded $17,845,813 of impairment charges included in loss on AtlasClear asset acquisition during the six months ended June 30.

Warrant Liabilities

The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant's specific terms and applicable authoritative guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 480, Distinguishing Liabilities from Equity ("ASC 480") and ASC 815, Derivatives and Hedging ("ASC 815"). The assessment considers whether the warrants are freestanding financial instruments pursuant to ASC 480, meet the definition of a liability pursuant to ASC 480, and whether the warrants meet all of the requirements for equity classification under ASC 815, including whether the warrants are indexed to the Company's own common stock, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of warrant issuance and as of each subsequent quarterly period end date while the warrants are outstanding.

For issued or modified warrants that meet all of the criteria for equity classification, the warrants are required to be recorded as a component of additional paid-in capital at the time of issuance. For issued or modified warrants that do not meet all the criteria for equity classification, the warrants are required to be recorded at their initial fair value on the date of issuance, and each balance sheet date thereafter. Changes in the estimated fair value of the warrants that do not meet all the criteria for equity classification are recognized as a non-cash gain or loss on the consolidated statements of operations. The fair value of the private warrants was estimated using a Black-Scholes model approach (see Note 9).

Income Taxes

The Company utilizes the asset and liability method to account for income taxes. The objective of this method is to establish deferred tax assets and liabilities for the temporary differences between net income for financial reporting basis and the tax basis of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized.

Income tax expense or benefit is provided based upon the financial statement earnings of the Company. The allowance for doubtful accounts is deductible for financial statement purposes, but not for tax purposes. Depreciation expense is recognized in different periods for tax and financial accounting purposes due to the use of accelerated depreciation methods for income tax purposes. The tax effects of such differences are reported as deferred income taxes in the financial statements.

Revenue Recognition

Wilson-Davis, a subsidiary of the Company, recognizes revenue in accordance with ASC 606, Revenue from Contracts with Customers, using the modified retrospective method. This revenue recognition guidance requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance requires an entity to follow a five-step model to: (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when the entity satisfies a performance obligation.

Wilson-Davis acts as an agent by selling securities to customers and collecting commissions. Wilson-Davis recognizes commissions on a trade date basis, which is the day the transaction is executed. Wilson-Davis believes that the performance obligation is satisfied on the trade date because that is when the security is selected, the price is determined, the trade is executed, and the risks and rewards of ownership have been transferred to/from the customer.

Wilson-Davis also receives commissions on mutual funds purchased by customers. Wilson-Davis believes that the performance obligation is not satisfied until the mutual funds are purchased by customers and recognizes the commission at that time.

Wilson-Davis performs vetting services to customers that wish to convert restricted stock to eligible trading stock. In addition, Wilson-Davis charges clearing fees to another broker-dealer for which it clears trades. Wilson-Davis recognizes revenue as the related performance obligations are satisfied.

Common Stock Subject to Possible Redemption

The Company accounts for its Common Stock subject to possible redemption in accordance with the guidance in ASC 480. Common Stock subject to mandatory redemption are classified as a liability instrument and is measured at fair value. Conditionally redeemable Common Stock (including Common Stock that features redemption rights that is either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within the Company's control) is classified as temporary equity. At all other times, Common Stock is classified as stockholders' equity. The Company's Common Stock features certain redemption rights that are considered to be outside of the Company's control and subject to occurrence of uncertain future events. Accordingly, all Common Stock subject to possible redemption is presented at redemption value as temporary equity, outside of the stockholders' deficit section of the Company's balance sheets.

The Company recognizes changes in redemption value immediately as they occur and adjusts the carrying value of redeemable Common Stock to equal the redemption value at the end of each reporting period. The accretion of redeemable Common Stock during the year ended December 31, 2023 was an increase of $4,008,446, which represents cumulative earnings and withdrawals on the Trust Account through December 31, 2023, net of reimbursable income and franchise tax obligations as of December 31, 2023. The dissolution expense of $100,000 is not included in the redemption value of the Common Stock subject to redemption since it is only taken into account in the event of the Company's liquidation. Immediately upon the closing of the Initial Public Offering, the Company recognized the accretion from initial book value to redemption amount value. The change in the carrying value of redeemable Common Stock resulted in charges against additional paid-in capital, to the extent available, and accumulated deficit. On February 9, 2024, the shareholders redeemed in connection with the business combination $53,947,064, the company withdrew $68,418 from trust to cover income tax payments and recognized reclassified the unredeemed shares to permanent equity of 1,195,566. As of June 30, 2024 the Company no longer has redeemable shares.

At June 30, 2024, December 31, 2023 and 2022, the Common Stock reflected in the balance sheets is reconciled in the following table:

Common Stock subject to possible redemption, December 31, 2021	$	201,250,000
Plus:		
Accretion of carrying value to redemption value		2,170,202
Common Stock subject to possible redemption, December 31, 2022		203,420,202
Less:		
Redemption		(152,810,179)
Plus:		
Accretion of carrying value to redemption value		4,008,446
Common Stock subject to possible redemption, December 31, 2023	$	54,618,469
Less:		
Redemption		(53,947,064)
Withdraw for taxes		(68,416)
Reclass to permanent equity		(1,195,566)
Plus:		
Accretion of carrying value to redemption value		592,577
Common Stock subject to possible redemption, June 30, 2024	$	—

Net (Loss) Income per Common Stock

The Company complies with accounting and disclosure requirements of FASB ASC Topic 260, "Earnings Per Share". Net (loss) income per share of common stock is computed by dividing net (loss) income by the weighted average number of shares of common stock outstanding for the period. (Loss) income is allocated between redeemable and non-redeemable shares based on relative amounts of weighted average shares outstanding. Accretion associated with the redeemable shares of common stock is excluded from (loss) income per share as the redemption value approximates fair value.

The calculation of diluted net (loss) income per share does not consider the effect of the convertible derivative liability, subscription agreement, earnout shares nor the warrants issued and outstanding. The calculation excludes the dilutive impact of these instruments because the issuance of the securities underlying the exercise of the warrants are contingent upon the occurrence of future events and inclusion would be antidilutive. As a result, diluted net (loss) income per share of common stock is the same as basic net (loss) income per common stock for the periods presented.

The following table reflects the calculation of basic and diluted net (loss) income per share of common stock (in dollars, except share amounts):

	FOR THE SIX MONTHS PERIOD ENDED June 30, 2024		FOR THE YEAR ENDED December 31, 2023		December 31, 2022	
	Redeemable	Non-redeemable	Redeemable	Non-redeemable	Redeemable	Non-Redeemable
Basic and diluted net income (loss) per share of Common Stock						
Numerator:						
Net loss	$ (11,279,605)	$ (108,927,342)	$ 460,174	$ 335,609	$ 8,836,454	$ 2,209,113
Deemed dividend	—	(15,422,431)	—	—	—	—
Allocation of net income (loss)	$ (11,279,605)	$ (124,349,773)	$ 460,174	$ 335,609	$ 8,836,454	$ 2,209,113
Denominator:						
Basic and diluted weighted average shares outstanding	10,719,043	1,109,975	6,898,644	5,031,250	20,125,000	5,031,250
Basic and diluted net income (loss) per share of Common Stock	$ (10.16)	$ (11.60)	$ 0.07	$ 0.07	$ 0.44	$ 0.44

Below is a summary of the dilutive instruments as of June 30, 2024, December 31, 2023 and, these were excluded as including them would be anti dilutive as of June 30, 2024 and were excluded in December 31, 2023 and June 30, 2023 as the exercise was contingent:

Description	For the Six Months Ended June 30, 2024	For the year ended December 31, 2023	December 31, 2022
Shares issuable pursuant to Short Term and Long Term Notes	14,012,965	—	—
Shares issuable pursuant to Secured convertible note	9,801,273	—	—
Shares issuable pursuant to Convertible note	4,722,875		
Shares issuable pursuant to Subscription agreement	938,967		
Shares issuable pursuant to Promissory note	379,375	—	—
Total Shares issuable under Note obligations	29,855,455	—	—
Public Warrants	10,062,500	10,062,500	10,062,500
Private Warrants	5,553,125	6,153,125	6,153,125
Secured convertible note warrants	600,000	—	—
Total dilutive	46,071,080	16,215,625	16,215,625

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash accounts in a financial institution, which, at times may exceed the Federal Deposit Insurance Coverage of $250,000. The Company has not experienced losses on these accounts and management believes the Company is not exposed to significant risks on such accounts.

Fair Value of Financial Instruments

The fair value of the Company's assets and liabilities, which qualify as financial instruments under ASC Topic 820, "Fair Value Measurement," approximates the carrying amounts represented in the accompanying balance sheets, primarily due to their short-term nature, except for warrant liabilities, convertible derivatives and the earnout out liability (see Note 19).

Derivative Financial Instruments

The Company evaluates its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives in accordance with ASC 815. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value on the issuance date and is then re-valued at each reporting date, with changes in the fair value reported in the statements of operations. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative liabilities are classified in the balance sheet as current or non-current based on whether net-cash settlement or conversion of the instrument could be required within 12 months of the balance sheet date.

Recent Accounting Standards

Management does not believe that any other recently issued, but not yet effective, accounting standards, if currently adopted, would have a material effect on the Company's consolidated financial statements.

NOTE 3. CASH SEGREGATED IN ACCORDANCE WITH FEDERAL REGULATIONS

The Wilson-Davis is required by Rule 15c3-3 of the Securities and Exchange Commission to maintain a cash reserve with respect to customers' transactions and credit balances, on a settlement date basis. Such a reserve is computed weekly using a formula provided by the rule and the reserve account must be separate from all other bank accounts of Wilson-Davis. The required reserve as of June 30, 2024, was calculated to be $19,326,300. Wilson-Davis had $19,677,378 cash on deposit in the reserve account, which was $351,078 more than the amount required. On July 1, 2024, Wilson-Davis deposited $150,000 to the reserve account in accordance with the rule which resulted in an excess of $501,078.

Wilson-Davis is required by Rule 15c3-3 of the Securities and Exchange Commission to maintain a cash reserve with respect to broker-dealer transactions and credit balances. Such a reserve is computed weekly using a formula provided by the rule and the reserve account must be separate from all other bank accounts of Wilson-Davis. The required reserve as of June 30, 2024, was calculated to be $100,000. Wilson-Davis had $200,738 cash on deposit in the reserve account, which was $100,738 more than the amount required.

NOTE 4. NET CAPITAL REQUIREMENTS

As a broker dealer, the Company is subject to the uniform net capital rule adopted and administered by the Securities and Exchange Commission. The rule requires maintenance of minimum net capital and prohibits a broker dealer from engaging in securities transactions at a time when its net capital falls below minimum requirements, as those terms are defined by the rule. Under the alternative method permitted by this rule, net capital shall not be less than the greater of $250,000 or 2% of aggregate debit items arising from customer transactions, as defined. Also, the Company has a minimum requirement based upon the number of securities' markets that the Company maintains. At June 30, 2024, the Company's net capital was $10,437,312 which was $10,187,312 in excess of the minimum required

NOTE 5 – CASH AND RESTRICTED CASH

Reconciliation of cash and restricted cash as shown in the statements of cash flows is presented in the table below:

	June 30, 2024	December 31, 2023	December 31, 2022
Cash and cash equivalents	$ 6,558,176	$ 619,554	$ 129,560
Cash segregated - customers	20,548,972	—	—
Cash segregated - PAB	200,738	—	—
Total cash and restricted cash shown in the statement of cash flows.	$ 27,307,886	$ 619,554	$ 129,560

NOTE 6 – RECEIVABLES & PAYABLES WITH BROKER DEALERS AND CLEARING ORGANIZATION

Amounts receivable and payable with broker dealers and the clearing organization include:

	June 30, 2024	December 31, 2023	December 31, 2022
Due from clearing organizations, net	$ 1,094,453	$ —	$ —
Fails to deliver and receive	238,853	—	—
Total receivables	$ 1,333,306	$ —	$ —
Due from clearing organizations, net	$ 3,003	$ —	$ —
Fails to deliver and receive	1,912	—	—
Total payables	$ 4,915	$ —	$ —

No losses were recognized on the receivables from broker dealers or clearing organizations during the six-month period ended June 30, 2024.

NOTE 7 – CUSTOMER RECEIVABLE AND PAYABLES

Accounts receivable from and payable to customers at June 30, 2024, include cash and margin accounts. Securities owned by customers are held as collateral for any unpaid amounts. Such collateral is not reflected in the financial statements. The Company provides an allowance for doubtful accounts, as needed, for accounts in which collection is uncertain. Management periodically evaluates each account on a case-by-case basis to determine impairment. Accounts that are deemed uncollectible are written off to bad debt expense. Bad debt expense net of bad debt recoveries and trading error adjustments for the six months period ended June 30, 2024 was $15,000 and zero for the year ended December 31, 2023 and December 31, 2022.

NOTE 8 – PROPERTY AND EQUIPMENT

Depreciation expense for the six-month period ended June 30, 2024, was $7,565. The Company acquired the below on February 9, 2024, in connection with the closing of the business combination with Wilson-Davis, see Note 11 for further detail. Property and equipment are summarized by major classifications as follows:

	June 30, 2024
Equipment	$ 150,202
Leasehold improvements	89,087
Software	85,042
Furniture and fixtures	51,717
	376,048
Less: Accumulated depreciation and Amortization	(359,968)
	$ 16,080

NOTE 9. RELATED PARTY TRANSACTIONS

Founder Shares

On October 23, 2020, Quantum Ventures LLC ("Quantum Ventures"), an affiliate of the Company, purchased 4,312,500 shares (the "Founder Shares") of the Company's common stock for an aggregate price of $25,000. In January 2021, Quantum Ventures sold 813,500 Founder Shares to Chardan Quantum LLC ("Chardan Quantum" and together with Quantum Ventures, the "Co-Sponsors") and 35,000 Founder Shares to each of the Company's directors and director nominees, for a total of 245,000 Founder Shares, in each case at the original price per share, resulting in Quantum Ventures holding a balance of 3,254,000 Founder Shares. On February 4, 2021, the Company effected a stock dividend of 718,750 shares with respect to its common stock, resulting in the initial stockholders holding an aggregate of 5,031,250 Founder Shares. The Founder Shares included an aggregate of up to 656,250 shares that were subject to forfeiture. As a result of the underwriters' election to fully exercise their over-allotment option on February 12, 2021, no Founder Shares are currently subject to forfeiture.

At the time of the Initial Public Offering, the initial stockholders placed the Founder Shares into an escrow account maintained by Continental Stock Transfer & Trust Company until (1) with respect to 50% of the Founder Shares, the earlier of six months after the completion of a Business Combination and the date on which the closing price of the common stock equals or exceeds $12.50 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) for any 20 trading days within any 30-trading day period commencing after a Business Combination and (2) with respect to the remaining 50% of the Founder Shares, six months after the completion of a Business Combination, or earlier, in either case, if, subsequent to a Business Combination, the Company completes a liquidation, merger, stock exchange or other similar transaction which results in all of the Company's stockholders having the right to exchange their shares of common stock for cash, securities or other property. If the Company seeks stockholder approval in connection with a Business Combination, the Co-Sponsors have (a) agreed to vote their Founder Shares and any Public Shares purchased during or after the Initial Public Offering in favor of approving a Business Combination and (b) not to redeem any shares in connection with a stockholder vote to approve a Business Combination or sell any shares to the Company in a tender offer in connection with a Business Combination.

The sale of the Founders Shares to the Company's directors and director nominees is in the scope of FASB ASC Topic 718, "Compensation-Stock Compensation" ("ASC 718"). Under ASC 718, stock-based compensation associated with equity-classified awards is measured at fair value upon the grant date. The fair value of the 245,000 shares granted to the Company's directors and director nominees was $1,462,650 or $5.97 per share. The Founders Shares were granted subject to a performance condition (i.e., the occurrence of a Business Combination). Compensation expense related to the Founders Shares is recognized only when the performance condition is probable of occurrence under the applicable accounting literature in this circumstance. As of December 31, 2023, the Company determined that a Business Combination is not considered probable, and, therefore, no stock-based compensation expense had been recognized. Stock-based compensation would be recognized at the date a Business Combination is considered probable (i.e., upon consummation of a Business Combination) in an amount equal to the number of Founders Shares times the grant date fair value per share (unless subsequently modified) less the amount initially received for the purchase of the Founders Shares. Since the transaction closed on February 9, 2024 the transaction was recognized as of February 9, 2024.

Related Party Loans

In order to finance transaction costs in connection with a Business Combination, Quantum Ventures or an affiliate of Quantum Ventures, or certain of the Company's officers and directors loaned the Company funds as required ("Working Capital Loans"). Such Working Capital Loans were to be evidenced by promissory notes. The notes were to be repaid upon completion of a Business Combination, without interest, or, at the lender's discretion, up to $1,500,000 of notes may have been converted upon completion of a Business Combination into warrants at a price of $1.00 per warrant. Such warrants would be identical to the Private Warrants.

On March 14, 2022, the Company issued an unsecured promissory note, effective as of January 3, 2022, in the amount of up to $480,000 to Quantum Ventures to evidence the Working Capital Loans. The note bore no interest and was payable in full upon the earlier (i) February 9, 2023 and (ii) the effective date of the consummation of an initial business combination. The note was required to be repaid in cash at the Closing and was not convertible into Private Warrants. As of December 31, 2023 and 2022, a principal balance of $480,000 had been advanced. The promissory note was past due as of December 31, 2023 and on February 9, 2024, upon the Closing of the Business Combination, the unsecured promissory note was settled with the issuance of 2,000,000 shares (see below.)

Advances from Related Parties

As of December 31, 2023 and 2022, the Co-Sponsors had advanced $3,104,097 and $319,166, respectively, to the Company. Through February 9, 2024, the Co-Sponsors advanced an additional $1,052,300 for an aggregate of $4,156,397 advanced to the Company and offset the balance by $58,828 in receivable from Co-Sponsor. On February 9, 2024, upon the Closing of the Business Combination, the advances from related party, the related party loan of $480,000 as described above and the $58,828 receivable from related party was settled with the issuance of 2,000,000 shares settling a total of $4,636,397 in liabilities and $58,828 in receivables . The value of the shares granted was based on $10 per share resulting in a deemed dividend to the related party of $15,422,431.

As of February 9, 2024 and as of June 30, 2024, AtlasFintech Holdings Corp ("AFHC"), a related party and shareholder, incurred expenditures of $803,860 in connection with the business combination. The amount is included in account payable and accrued liabilities. On August 9, 2024 the Company issued 2,788,276 shares to AFHC as full settlement of this payable.

On May 9, 2024 Quantum Ventures, a shareholder and related party transferred 56,073 shares to pay for the $47,750 of interest in connection with the short term sellers notes. The shares are to be reissued at a 13% interest rate, as such a payable of $55,087 was accrued.

NOTE 10. COMMITMENTS AND CONTINGENCIES

Registration Rights

Pursuant to a registration rights agreement entered into on February 4, 2021, the holders of the Founder Shares, as well as the holders of the Private Warrants (and underlying securities) and any warrants issued in payment of Working Capital Loans made to the Company (and underlying securities) will have registration and stockholder rights pursuant to an agreement to be signed prior to or on the effective date of the Initial Public Offering. The holders of a majority of these securities are entitled to make up to two demands that the Company register such securities. The holders of the majority of the insider shares can elect to exercise these registration rights at any time commencing three months prior to the date on which these shares of common stock are to be released from escrow. The holders of a majority of the Private Warrants (and underlying securities) can elect to exercise these registration rights at any time after the consummation of a Business Combination. In addition, the holders have certain "piggy-back" registration rights with respect to registration statements filed subsequent to the consummation of a Business Combination. The registration and stockholder rights agreement does not contain liquidating damages or other cash settlement provisions resulting from delays in registering the Company's securities. The Company will bear the expenses incurred in connection with the filing of any such registration statements. On May 14, 2024, the Company filed a registration statement on Form S-1 to register the resale of up to 37,885,852 shares of Common Stock by the selling stockholders named in the registration statement. The Company will not receive any of the proceeds from these sales.

Business Combination Marketing Agreement

On February 9, 2021 at closing of the initial public offering, the Company engaged the underwriters as advisors in connection with a Business Combination to assist the Company in holding meetings with its stockholders to discuss the potential Business Combination and the target business's attributes, introduce the Company to potential investors that are interested in purchasing the Company's securities in connection with the potential Business Combination, assist the Company in obtaining stockholder approval for the Business Combination and assist the Company with its press releases and public filings in connection with the Business Combination. The Company will pay the underwriters the marketing fee for such services upon the consummation of our initial business combination in an amount equal to, in the aggregate, 3.5% of the gross proceeds of the Initial Public offering or $7,043,750.

In connection with the Closing on February 9, 2024, the Company and Chardan Capital Markets LLC ("Chardan") agreed that the fee, in the amount of $7,043,750, payable by the Company to Chardan upon the Closing pursuant to the terms of the business combination marketing agreement entered into in connection with Quantum's initial public offering, would be waived in exchange for the issuance by the Company to Chardan of a convertible promissory note in the aggregate principal amount of $4,150,000. Such note (the "Chardan Note") was issued by the Company at the Closing. Under ASC 815 the conversion feature was bifurcated resulting in a conversion liability of $404,483 at issuance. As of June 30, 2024, the company recognized $212,803 in interest expense on the principal and $37,920 of interest related to the amortization of the debt discount created with the derivative liability. See Note 19 for additional information on the fair value of the derivative.

The Chardan Note has a stated maturity date of February 9, 2028. Interest accrues at a rate per annum equal to 13%, and is payable quarterly on the first day of each calendar quarter. On each interest payment date, the accrued and unpaid interest shall, at the election of the Company, be either paid in cash or, subject to the satisfaction of certain conditions, in shares of Common Stock, at a rate equal to 85% of the VWAP for the trading day immediately prior to the applicable interest payment date. The Chardan Note is convertible, in whole or in part, into shares of Common Stock at the election of the holder at any time at a conversion price equal to 85% of the VWAP of the Common Stock for the trading day immediately preceding the applicable conversion date. In addition, on each conversion date the Company is required to pay to Chardan in cash (or, at the Company's option and subject to certain conditions, a combination of cash and Common Stock) all accrued interest on the Chardan Note and all interest that would otherwise accrue on the amount of the Note being converted if such converted amount would be held to three years after the applicable conversion date. Conversion of the Chardan Note, including the issuance of shares to pay interest thereon, is limited to the extent that such conversion would result in Chardan (together with its affiliates and any other persons acting as a group together with Chardan or its affiliates) beneficially owning in excess of 9.99% of the outstanding shares of Common Stock outstanding immediately prior to such conversion. The conversion price applicable to the Chardan Note is subject to adjustment is subject to customary adjustments for stock dividends, stock splits, reclassifications and the like, and is subject to price-based adjustment, on a "full ratchet" basis, in the event of any issuances of Common Stock, or securities convertible, exercisable or exchangeable for, Common Stock at a price below the then-applicable conversion price (subject to certain exceptions). The Chardan Note is subject to a demand for immediate repayment in cash upon the occurrence of certain events of default specified therein.

Also on February 9, 2024, the Company entered into a registration rights agreement with Chardan (the "Chardan Registration Rights Agreement"), pursuant to which the Company agreed, among other things, to file with the U.S. Securities and Exchange Commission within 45 days after the Closing Date a registration statement registering the resale of the shares of Common Stock issuable upon exercise of the Chardan Note and to use its reasonable best efforts to have such registration statement declared effective as soon as possible after filing. If the registration statement is not filed within 45 days after the Closing or is not effective within a specified period after the Closing (or if effectiveness is subsequently suspended or terminated for at least 15 days, subject to certain exceptions), then the interest rate of the Chardan Note will increase by 2% for each week that such event continues. The Chardan Registration Rights Agreement also provides that the Company is obligated to file additional registration statements under certain circumstances, and provides Chardan with customary "piggyback" registration rights.

On May 7, 2024, Chardan Capital Markets LLC ("Chardan") filed a complaint in the Court of Chancery of the State of Delaware in an action entitled *Chardan Capital Markets LLC v. AtlasClear Holdings, Inc.*, C.A. No. 2024-0480-LWW, for alleged breach of contract, breach of the implied covenant of good faith and fair dealing, and specific performance, alleging that the Company breached a Registration Rights Agreement entered into by and between the Company and Chardan, dated February 9, 2024, by failing to file a registration statement with the SEC to permit the public resale of certain Registerable Securities in an amount sufficient to cover a Convertible Promissory Note ("Convertible Note") in the principal amount of $4,150,000. Chardan has alleged that the Company's failure to file the registration statement left Chardan without the ability to convert and sell shares of the Company's common stock as allowed for under the Convertible Note. Chardan seeks specific performance, an award of compensatory damages in an amount to be approved at trial, attorney's fees and other legal and equitable relief as the Court deems just and proper. The Company disputes all allegations and has completed the registration statement required. No trial on the merits has been scheduled, and the parties, as of the date of this filing, are engaged in settlement discussions.

Non-Redemption Agreement

On August 1, 2023, the Company and Quantum Ventures entered into a non-redemption agreement (the "Non-Redemption Agreement") with Funicular Funds, LP (the "Holder") in exchange for the Holder agreeing either not to request redemption in connection with the Extension (as defined below) or to reverse any previously submitted redemption demand in connection with the Extension with respect to an aggregate of 2,351,800 shares of common stock at the special meeting of stockholders called by the Company to, among other things, approve an amendment to the Company's amended and restated certificate of incorporation to extend the date by which the Company must consummate an initial business combination to up to February 9, 2024 or such earlier date as is determined by the board of directors of the Company to be in the best interests of the Company (the "Extension"). In consideration of the foregoing agreement, immediately prior to, and substantially concurrently with, the closing of an initial business combination, (i) Quantum Ventures (or its designees or transferees) will surrender and forfeit to the Company for no consideration an aggregate of 235,180 shares of common stock held by Quantum Ventures (the "Forfeited Shares") and an aggregate of 235,180 warrants held by Quantum Ventures to purchase 235,180 shares of common stock (the "Forfeited Warrants") and (ii) the Company shall issue to the Holder a number shares of common stock equal to the number of Forfeited Shares and a number of warrants to purchase shares of common stock equal to the number of Forfeited Warrants. As a result of the closing of the Business Combination, there is no further obligation regarding the Non-Redemption Agreement, as such the liability was trued up as of February 9, 2024 and transferred to permanent equity as the shares have been transferred.

Expense Settlements

In connection with the Closing, AtlasClear Holdings agreed to settle certain accrued expenses and other obligations to certain parties through the issuance of shares of Common Stock. Additionally, on the Closing Date, AtlasClear Holdings issued notes to settle other expenses of Quantum in the aggregate principal amount of approximately $3.3 million, some of which are convertible into shares of Common Stock.

Additional Settlements

- Grant Thornton LLP – 46,010 shares of Common Stock that were issued to Grant Thornton LLP ("Grant Thornton"), pursuant to a Satisfaction and Discharge Agreement, dated as of February 9, 2024, between Grant Thornton and the Company (the "Grant Thornton Agreement"), in lieu of payment for services in the amount of $460,100, at a price per share of $10.00.

- IB Capital LLC – 155,000 shares of Common Stock that were issued to IB Capital LLC ("IB"), pursuant to a Satisfaction and Discharge Agreement, dated as of February 9, 2024, between IB and the Company (the "IB Agreement"), in lieu of

payment for services in the amount of $294,500, at a price per share of $1.90. The shares were valued based on agreed upon value included in the executed subscription agreement.

- Outside The Box Capital Inc. – 20,000 shares of Common Stock that were issued to Outside The Box Capital Inc. ("OTB"), pursuant to a Marketing Services Agreement, dated as of September 13, 2023, between OTB and Quantum (the "OTB Agreement"), as payment in shares for services rendered to Quantum valued at $10 per share for total consideration paid of $200,000.

- Carriage House Capital, Inc. – up to 350,000 shares of Common Stock that were issued, or may become issuable, to Carriage House Capital, Inc. ("Carriage"), pursuant to the Consulting Agreement, dated as of February 19, 2024, between Carriage and the Company (the "Carriage Agreement"), as partial consideration for consulting services rendered to the Company, at the price per share of $4.41 on the day of issuance. The total consideration due under the Consulting Agreement is 350,000 shares of Common Stock, 100,007 shares of which were due upon signing of the contract and 27,777 shares of which are due in months four through twelve from the date of signing. As of June 30, 2024, 100,000 shares were issued, and were valued at $4.41 per share as agreed upon consideration. The Stock payable for the remaining 250,000 shares was valued at $1,244,965 and recorded as a stock payable. As of June 30, 2024 the value of the stock payable of 250,000 shares was $259,893 based on stock price at June 30, 2024.

- Interest Solutions, LLC – up to 298,017 shares of Common Stock that may become issuable to Interest Solutions, LLC ("Interest Solutions"), pursuant to a convertible promissory note, dated as of February 9, 2024, in the aggregate principal amount of $275,000 (the "Interest Solutions Note") at a price per share of $2.00. Accrued interest on the Interest Solutions Note is payable monthly, beginning on June 30, 2024, at a rate of 13% per annum. Until all payments have been made to the Wilson-Davis Sellers, interest on the Interest Solutions Note may be paid in cash or shares of Common Stock valued at the then-current conversion price. Thereafter, all accrued interest must be paid in cash. As of June 30, 2024, the amount is included in Promissory note payable.

- JonesTrading Institutional Services LLC – up to 375,000 shares of Common Stock that may become issuable to JonesTrading Institutional Services LLC ("JonesTrading"), pursuant to a convertible promissory note, dated as of February 9, 2024, in the aggregate principal amount of $375,000 (the "JonesTrading Note") at a price per share of $2.00. Accrued interest on the JonesTrading Note is payable monthly, beginning on June 30, 2024, at a rate of 13% per annum. Until all payments have been made to the Wilson-Davis Sellers, interest on the Interest Solutions Note may be paid in cash or shares of Common Stock valued at the then-current conversion price. Thereafter, all accrued interest must be paid in cash. As of June 30, 2024, the amount is included in Promissory note payable.

- Winston & Strawn LLP – up to $2,500,000 in shares of Common Stock that may become issuable to Winston & Strawn LLP ("Winston & Strawn"), pursuant to a subscription agreement, dated as of February 9, 2024, between Winston & Strawn and the Company (the "Winston & Strawn Agreement"). Pursuant to the Winston Agreement, the Company may issue $2,500,000 worth of shares of Common Stock as payment for legal services, in three equal installments of $833,333 beginning on August 9, 2024. As of June 30, 2024, the amount is included in Subscription agreement as an liability of $2,425,647. Due to the nature of the settlement terms, the subreption agreement was deemed to be a derivative liability to the Company as of June 30, 2024 under ASC 480. Change in fair value of the subscription agreement are measured at each reporting period with change reported in earnings. See valuation approach and further disclosure on Note 19.

- Toppan Merrill LLC – the Company issued to Toppan Merrill LLC ("Toppan") a promissory note, dated as of February 9, 2024, in the aggregate principal amount of $160,025 (the "Toppan Note"). The maturity date of the Toppan Note is February 8, 2026 and the note accrues interest at a rate of 13% per annum. The principal and interest payments due under the note is not payable in shares of Common Stock. As of June 30, 2024, the amount is included in Promissory note payable.

- Lead Nectar – up to 12,000 shares of Common Stock that may become issuable to Lead Nectar in lieu of payment for internet marketing services in the amount of $20,000. Shares were issued after June 30, 2024.

Excise Taxes Payable

On February 6, 2023, the Company's stockholders redeemed 14,667,626 shares of common stock for a total of $148,523,642. On August 4, 2023, the Company's stockholders redeemed 406,990 shares of common stock for a total of $4,286,537. On February 9, 2024, the Company's stockholders redeemed 4,940,885 shares of common stock for a total of $53,947,064. The Company evaluated the classification and accounting of the excise tax related to these stock redemptions under ASC 450, "Contingencies". ASC 450 states that when a loss contingency exists the likelihood that the future event(s) will confirm the loss or impairment of an asset, or the incurrence of a liability can range from probable to remote. A contingent liability must be reviewed at each reporting period to determine appropriate treatment. The Company evaluated the current status and probability of completing a Business Combination as of September 30, 2023 and determined that a contingent liability should be calculated and recorded. As of June 30, 2024, December 31, 2023, the Company recorded $2,067,572 and $1,528,101, respectively, of excise tax liability calculated as 1% of shares redeemed.

Secured Convertible Note Financing

On February 9, 2024, Wilson-Davis and Quantum entered into a securities purchase agreement (the "Purchase Agreement") with Funicular Funds, LP, a Delaware limited partnership ("Funicular"), pursuant to which the Company sold and issued to Funicular, on that date, a secured convertible promissory note in the principal amount of $6,000,000 (the "Funicular Note") for a purchase price of $6,000,000, in a private placement (the "Secured Note Financing"). The proceeds raised in the Note Financing were used to pay a portion of the purchase price paid at Closing to the Wilson-Davis Sellers.

The Funicular Note has a stated maturity date of November 9, 2025. Interest accrues at a rate per annum equal to 12.5%, and is payable semi-annually on each June 30 and December 31. On each interest payment date, the accrued and unpaid interest shall, at the election of the Company in its sole discretion, be either paid in cash or paid in-kind by increasing the principal amount of the Funicular Note. In the event of an Event of Default (as defined in the Funicular Note), in addition to Funicular's other rights and remedies, the interest rate would increase to 20% per annum. The Funicular Note is convertible, in whole or in part, into shares of Common Stock at the election of the holder at any time at an initial conversion price of $10.00 per share (the "Conversion Price"). The Conversion Price is subject to adjustment monthly to a price equal to the trailing five-day VWAP, subject to a floor of $2.00 per share (provided that if the Company sells stock at an effective price below $2.00 per share, such floor would be reduced to such effective price), and is subject to customary adjustments for stock dividends, stock splits, reclassifications and the like. The Company has the right to redeem the Funicular Note upon 30 days' notice after the earlier of August 7, 2024 and the effectiveness of the Registration Statement (as defined in the Funicular Note), and Funicular would have the right to require the Company to redeem the Note in connection with a Change of Control (as defined in the Note), in each case for a price equal to 101% of the outstanding principal amount of the Note plus accrued and unpaid interest. The Funicular Note contains covenants which, among other things, limit the ability of the Company and its subsidiaries to incur additional indebtedness, incur additional liens and sell its assets or properties.

The Funicular Note is secured by a perfected security interest in substantially all of the existing and future assets of the Company and each Grantor (as defined in the Security Agreement, as defined below), including a pledge of all of the capital stock of each of the Grantors, subject to certain exceptions, as evidenced by (i) a security agreement, dated as of February 9, 2024 (the "Security Agreement"), entered into among the Company, each of the Company's subsidiaries and Funicular, and (ii) a guaranty, dated as of February 9, 2024 (the "Guaranty"), executed by each of the Company's subsidiaries pursuant to which each of them has agreed to guaranty the obligations of the Company under the Funicular Note and the other Loan Documents (as defined in the Funicular Note).

Pursuant to the Purchase Agreement, the Company agreed, among other things, that if the Funicular Note becomes convertible into a number of shares of Common Stock in excess of 19.9% of the Company's total number of shares of Common Stock outstanding, to seek the approval of its stockholders for the issuance of all shares of Common Stock issuable upon conversion of the Funicular Note in excess of that amount, in accordance with the rules of the NYSE American. Also pursuant to the Purchase Agreement, at the Closing the Sponsor transferred 600,000 Founder Shares and 600,000 Private Warrants to Funicular, which transfers terminated Quantum's obligation to issue shares to Funicular pursuant to the terms of the non-redemption agreement, dated August 1, 2023, between Quantum and Funicular. The purchase price was allocated on a relative fair value basis resulting in the allocated value of the warrants transferred at $28,496 and the value of the shares transferred at $1,222,202 for a total discount to the note value of $1,250,698 recorded as additional paid in capital for the equity components granted.

In connection with the Note Financing, on February 9, 2024, the Company entered into a registration rights agreement with Funicular (the "Funicular Registration Rights Agreement"), pursuant to which the Company agreed, among other things, to file with the U.S. Securities and Exchange Commission within 15 days after the Closing Date a registration statement registering the resale of the shares of Common Stock issuable upon exercise of the Funicular Note (the "Funicular Registration Statement"), and the Company agreed to

use its best efforts to have the Funicular Registration Statement declared effective as promptly as reasonably possible after the filing thereof, but in any event within 60 days of the Closing Date. If the registration statement is not filed within 30 days after the Closing or is not declared effective by the applicable deadline set forth in the Registration Rights Agreement, or under certain other circumstances described in the Registration Rights Agreement, then the Company shall be obligated to pay to the Buyer an amount in cash equal to 5% of the original principal amount of the Note on a monthly basis until the applicable event giving rise to such payments is cured. The Funicular Registration Rights Agreement also provides that the Company is obligated to file additional registration statements under certain circumstances, and provides Funicular with customary "piggyback" registration rights.

As a result of the delay in filing the registration statement the Company incurred $1,500,000 in fees through June 30, 2024 which has been added to the principal of the note. As of June 30, 2024, the company recognized $328,767 in interest expense on the principal and $279,032 of interest related to the amortization of the debt discount described above. As of June 30, 2024 the carrying value of the notes is $6,857,101 net of discount of $971,666.

Sellers Note

As described in note 11 below, (i) $5,000,000 in aggregate principal amount of notes due 90 days after the Closing Date (the "Short-Term Notes") and (ii) $7,971,000 in aggregate principal amount of notes due 24 months after the Closing Date (the "Long-Term Notes" and, together with the Short-Term Notes, the "Seller Notes"). The Short-Term Notes accrue interest at a rate of 9% per annum, payable quarterly in arrears, in shares of Common Stock at a rate equal to 90% of the trailing seven-trading day VWAP prior to payment (or, at the Company's option, cash), and are convertible at the option of the holder at any time during the continuance of an event of default, at a rate equal to 90% of the trailing seven-trading day VWAP prior to conversion. The Long-Term Notes accrue interest at a rate of 13% per annum, payable quarterly in arrears, in shares of Common Stock at a rate equal to 90% of the trailing seven-trading day VWAP prior to payment (or, at the Company's option, in cash), and are convertible at the option of the holder at any time commencing six months after the Closing Date, at a rate equal to 90% of the trailing seven-trading day VWAP prior to conversion (or 85% if an event of default occurs and is continuing).

Under ASC 815 the conversion feature was bifurcated resulting in a conversion liability of $487,329 for the short term loan and $776,919 for the long-term loan at issuance. As of June 30, 2024, the company recognized $610,440 in interest expense on the principal and $640,555 of interest related to the amortization of the debt discount created with the derivative liability. See Note 19 for additional information on the fair value of the derivative.

Subscription Agreement and Satisfaction and Discharge Agreement

On February 9, 2024, the Registrant entered into a Subscription Agreement (the "Subscription Agreement") and Satisfaction and Discharge Agreement ("Discharge Agreement") with Winston & Strawn LLP ("Winston"), Calculator New Pubco, Inc. and Quantum. The Registrant accepted the offer of Winston to subscribe for an aggregate of $2.5 million worth of shares of its common stock in lieu of fees accrued prior to the Business Combination. In accordance with the Discharge Agreement, Winston, the service provider, has irrevocably waived their rights to receive the professional fees for the Prior Services in cash and has agreed to the Company tendering the full amount of the Fees in cash at Closing, Winston accept common stock of the Post-Closing Company as satisfaction of the Fees. As a result of the Discharge Agreement, Winston has legally released the Company from being the primary obligor under the liability. As a result, the Company has concluded that such liabilities are no longer an obligation of the Company and therefore qualify for extinguishment. The Subscription Agreement is considered a variable-share obligation under ASC Topic 480 ("Distinguishing Liabilities from Equity"). The Subscription Agreement meets the requirements for classification under ASC 480 and as a result is required to be accounted for as a liability under ASC 480 and is presented as such on the Consolidated Balance Sheets. The Company will record a change in fair value on each reporting period until settlement in its Consolidated Statement of Operations. See foot note 19 for additional disclosures.

Indemnification Agreements

On the Closing Date, in connection with the Closing, the Company entered into indemnification agreements with each of its directors and executive officers, which provide for indemnification and advancements by the Company of certain expenses and costs under certain circumstances. The indemnification agreements provide that AtlasClear Holdings will indemnify each of its directors and executive officers against any and all expenses incurred by that director or executive officer because of his or her status as a director or officer of AtlasClear Holdings, to the fullest extent permitted by Delaware law, the Amended and Restated Certificate of Incorporation and the Amended and Restated Bylaws.

Wilson-Davis

On February 27, 2018, an extended hearing panel of the Department of Enforcement of the Financial Industry Regulatory Authority, Inc. ("FINRA"), Office of Hearing Officers, issued its decision ordering fines aggregating $1.47 million for violations of the applicable short sales and anti-money laundering rules. Wilson-Davis appealed the decision to the National Adjudicatory Council ("NAC"). On December 19, 2019, NAC issued its decision ordering that the fines be reduced by $205,000 to an aggregate $1.265 million. Wilson-Davis made a timely appeal to the SEC to hear the case. Pursuant to FINRA rules, Wilson-Davis's timely appeal of the decision to the SEC deferred the effectiveness of the findings and sanctions. Due to the disparity in the range of fines of similar cases, Wilson-Davis believes that the final amount is not reasonably estimable. Wilson-Davis has booked a contingent liability totaling $100,000, which represents the estimated low end of the possible range of fines. On December 28, 2023, the SEC issued an Opinion sustaining FINRA's findings of violations against Wilson-Davis. The Opinion set aside the fines FINRA imposed on Wilson-Davis for the Reg SHO violations and the supervisory and AML violations. The SEC remanded the case to FINRA to reconsider the appropriate sanctions.

On October 16, 2023, Wilson-Davis entered into a Fifth Addendum to Lease for the Salt Lake City office. The lease is for three years.

On December 21, 2023, Wilson-Davis entered into a Second Amendment to Office Lease for the Denver office. The lease is for one year.

NOTE 11. ACQUISITION OF WILSON-DAVIS

Prior to the Closing, AtlasClear and the Company entered into two amendments to the Broker-Dealer Acquisition Agreement with Wilson-Davis and the then-owners of Wilson-Davis (the "Wilson-Davis Sellers"), Amendment No. 8 dated January 9, 2024 ("Amendment No. 8") and Amendment No. 9 dated February 7, 2024 ("Amendment No. 9" and, together with Amendment No. 8, the "Amendments"). Among other things, the Amendments reduced the total purchase price payable under the Broker- Dealer Acquisition Agreement by $5 million and reduced the cash payable at the Wilson-Davis Closing as part of the purchase price to $8 million, with the balance of the purchase price paid in the form of convertible promissory notes issued by AtlasClear to the Wilson-Davis Sellers, as follows: (i) $5,000,000 in aggregate principal amount of notes due 90 days after the Closing Date (the "Short-Term Notes") and (ii) $7,971,000 in aggregate principal amount of notes due 24 months after the Closing Date (the "Long-Term Notes" and, together with the Short-Term Notes, the "Seller Notes"). The Short-Term Notes accrue interest at a rate of 9% per annum, payable quarterly in arrears, in shares of Common Stock at a rate equal to 90% of the trailing seven-trading day VWAP prior to payment (or, at the Company's option, cash), and are convertible at the option of the holder at any time during the continuance of an event of default, at a rate equal to 90% of the trailing seven-trading day VWAP prior to conversion. The Long-Term Notes accrue interest at a rate of 13% per annum, payable quarterly in arrears, in shares of Common Stock at a rate equal to 90% of the trailing seven-trading day VWAP prior to payment (or, at the Company's option, in cash), and are convertible at the option of the holder at any time commencing six months after the Closing Date, at a rate equal to 90% of the trailing seven-trading day VWAP prior to conversion (or 85% if an event of default occurs and is continuing). As of May 9, 2024 the short-term notes became due, as such the interest rate increase to 13% per annum, payable quarterly in arrears.

Pursuant to the terms of the Amendments, at the closing of the transactions contemplated by the Broker-Dealer Acquisition Agreement (the "Wilson-Davis Closing") the Company entered into a parent guaranty and registration rights agreement with the Wilson-Davis Sellers (the "Wilson-Davis Guaranty and RRA"), pursuant to which the Company guaranteed the obligations of AtlasClear under the Notes.

The Sponsor also entered into Amendment No. 9, for the limited purpose of agreeing to transfer certain Founder Shares owned by the Sponsor to the Wilson-Davis Sellers. The Sponsor agreed to transfer to the Wilson-Davis Sellers, at the Wilson-Davis Closing, Founder Shares having an aggregate value of $6 million, based on the VWAP of Quantum Common Stock for the five trading days immediately prior to the Wilson-Davis Closing, which resulted in the transfer of an aggregate of 885,010 Founder Shares at the Closing to cover the cash deficit of $4,000,000 and $2,000,000 bonus paid as consideration. The share transfer from Founder was accounted for as contributed capital and recorded in additional paid in capital. From time to time prior to the six month anniversary of the Closing, the Sponsor may be required to transfer additional Founder Shares to the Wilson-Davis Sellers, as set forth in Amendment No. 9, provided that in no event will the Sponsor be required to transfer more than an aggregate of 2,500,000 Founder Shares (including the Founder Shares transferred at the Closing).

As a result of the closing of the business combination the Company allocated the purchase price with the acquisition of Wilson-Davis under the acquisition method of accounting. The final allocation of the purchase consideration for the Mergers will be determined after

the completion of a thorough analysis to determine the fair value of all assets acquired and liabilities assumed, but in no event later than one year following the completion of the Mergers.

Accordingly, the final acquisition accounting adjustments could differ. The preliminary allocation of the purchase price is as follows:

Cash paid to Wilson-Davis shareholders	$	8,092,569
Short-term notes		5,000,000
Long-term notes		7,971,197
Value of shares transferred from sponsor		6,000,000
Total consideration paid		27,063,766
Allocated to:		
Cash	$	11,333,271
Cash segregated		22,000,605
Receivables		4,065,148
Trading Securities, market value		6,875
Prepaid Income Tax		201,125
Accounts payable, accrued expenses and other current liabilities		(28,045,034)
Current portion of lease liability		(161,212)
Property and equipment		23,645
Cash deposit BDs and Clearing Organizations		3,536,664
Operating Lease Right-to-Use Lease Assets		395,063
Other Assets		385,058
Stock loan		(1,431,068)
Long-term Lease liability		(239,629)
Subordinated Borrowing		(1,950,000)
Deferred tax liability		(5,288,470)
Trading Account deposit		(100,000)
Net assets acquired		4,732,041
Excess of purchase price over net liabilities assumed before allocation to identifiable intangible assets and goodwill	$	22,331,725

The fair value of property and equipment was determined using the indirect cost approach which utilizes fixed asset record information including historical costs, acquisition dates, and asset descriptions and applying asset category specific nationally recognized indices to the historical cost of each asset to derive replacement cost new less depreciation. Management has also made the initial determination that all other assets and liabilities to be acquired are primarily estimated to be stated at their fair values, which approximates their recorded cost. While a final determination of the value of the identifiable intangibles has not been completed, management has made an initial determination that approximately $20.77 million of the excess of the purchase price over the net assets acquired should be allocated to identifiable intangible assets.

	Amount	Estimated Useful Life (Years)
Customer Lists (a)	$ 14,625,000	12
Excess of purchase price	22,331,725	—
Goodwill	$ 7,706,725	—

(a) The Wilson Davis customer relationships were valued using the Multi-Period Excess Earnings Method (“MPEEM”). The MPEEM reflects the present value of the operating cash flows generated by existing customer relationships after taking into account the cost to realize the revenue and an appropriate discount rate to reflect the time value and risk associated with the cash flows.

Pro Forma Financial Information

The unaudited pro forma financial information in the table below summarizes the combined results of Wilson-Davis operations and AtlasClear Holdings’s operations, as though the acquisition of Wilson Davis had been completed as of the beginning of fiscal 2022. The pro forma financial information for the six months ended June 30, 2024, and for the years ended December 31, 2023, and 202 combines

our results for these periods with that of AtlasClear Holdings's results for the six months ended June 30, 2024 and for the years ended December 31, 2023 and 2022.

The following table summarizes the unaudited pro forma financial information:

	June 30, 2024	December 31, 2023	December 31, 2022
Total revenue	$ 5,247,150	$ 8,258,254	$ 9,527,324
Net loss	(23,878,060)	$ (4,695,016)	$ (90,186,458)
Weighted average shares			
Basic and diluted	11,801,759	11,801,759	11,906,245
Net loss per shares:			
Basic and diluted	$ (2.02)	$ (0.40)	$ (8.87)

The unaudited pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition and the cost of financing the acquisition had taken place at the beginning of fiscal 2022. The financial information for the periods presented above includes pro forma adjustments as follows:

	June 30, 2024	December 31, 2023	December 31, 2022
Transaction cost	$ (9,008,053)	$ —	$ 9,008,053
Amortization of intangibles	$ —	$ 2,437,500	$ 2,437,500
Loss on AtlasClear acquisition	$ 86,392,769	$ —	$ (86,392,769)
Interest earned on investments held in trust	$ (256,279)	$ (3,090,086)	$ (3,087,315)

NOTE 12. ACQUISITION OF THE ASSETS OF ATLASCLEAR, INC

In connection with the Closing, and pursuant to the terms of the Business Combination Agreement, stockholders of AtlasClear (the "AtlasClear Stockholders") received merger consideration (the "Merger Consideration Shares") consisting of 4,440,000 shares of common stock of the Company, par value $0.0001 per share (the "Common Stock"). In addition, the AtlasClear Stockholders will receive up to 5,944,444 shares of Common Stock (the "Earn Out Shares") upon certain milestones (based on the achievement of certain price targets of Common Stock following the Closing). In the event such milestones are not met within the first 18 months following the Closing, the Earn Out Shares will not be issued. Atlas FinTech will also receive up to $20 million of shares of Common Stock ("Software Products Earn Out Shares"), which will be issued to Atlas FinTech upon certain milestones based on the achievement of certain revenue targets of software products contributed to AtlasClear by Atlas FinTech and Atlas Financial Technologies Corp. following the Closing. The revenue targets will be measured yearly for five years following Closing, with no catch-up between the years.

To reflect the purchase of Developed Technology identified under the Assignment and Assumption Agreement and Bill of Sale (the "Contribution Agreement") between AtlasClear, Atlas FinTech and Atlas Financial Technologies Corp., pursuant to which Atlas FinTech and Atlas Financial Technologies Corp. contributed to AtlasClear all rights, title and interest in certain intellectual property, among other things. There are no historical revenues for the Developed Technology and AtlasClear's management determined the fair

value based on their experience and expectations from running similar models in previous companies. The value was derived based on the purchase price allocation as follows: (the table below is expressed in thousands)

Total Purchase Price(a)	$	44,400,000
Fair value of Software Product Earn Out Shares(b)		10,963,000
Fair value of Earn Out Shares(c)		31,347,000
Purchase price allocated to Contribution Agreement	$	86,710,000
SURFACExchange	$	381,461
Bond Quantum		32,284
Atlas		7,749,299
Rubicon		10,000,000
Total Developed Technology acquired(d)	$	18,163,044
Transaction cost(e)	$	68,546,956
Technology acquired	$	18,163,044
Amortization recognized		(317,231)
Carrying balance of Technology acquired written off		17,845,813
Total loss on AtlasClear technology acquired	$	86,392,769

(a) The closing consideration of $44.40 million is to be delivered in common stock. As such 4,400,000 were delivered based on $10 per share presumed value of common stock.

(b) Atlas FinTech will receive up to $20.00 million of Common Stock ("Software Products Earn Out Shares"), which will be issued to Atlas FinTech upon certain milestones (based on the achievement of certain revenue targets of software products contributed to AtlasClear by Atlas FinTech and Atlas Financial Technologies Corp. following the Closing). The revenue targets will be measured yearly for the five years following Closing, with no catch-up between the years. The value was determined based on projected revenue based on a discount factor. The Earn Out provision was analyzed under ASC 480 and ASC 815. the Software Products Earn Out Shares Payments in this transaction are within the scope of ASC 480 and therefore will be accounted for as a liability and included in the purchase price consideration. The revenue earnout was estimated using a Monte Carlo simulation to determine if and when the revenue hurdles would be achieved. The revenue volatility and revenue to equity correlation was based upon the same guideline public companies. The Monte Carlo simulation was performed simultaneously on both the share price and revenue to account for the correlation between revenue and equity.

(c) Atlas FinTech will receive up to 5,944,444 shares of Common Stock (the "Earn Out Shares"). The Earn Out Shares will be issued to AtlasClear Stockholders upon certain milestones (based on the achievement of certain price targets of Common Stock following the Closing). In the event such milestones are not met within the first 18 months following the Closing, the Earn Out Shares will be cancelled. The Earn Out provision was analyzed under ASC 480 and ASC 815. The earnout provision was deemed to be indexed to the Company's own stock and therefore equity classified. The share based earnout was estimated using a Monte Carlo simulation to determine if and when the stock price hurdles would be achieved. The expected stock price volatility was based upon guideline public companies.

(d) Under SAB topic 5G transfers of nonmonetary assets for stock prior to an initial offering should be recorded at predecessor cost in accordance with GAAP. As such the value of the Developed Technology was based on the carrying value of Atlas FinTech of $18.16 million. The estimated useful life was determined to be eight years. There are no historical revenues for the Developed Technology and AtlasClear's management determined the fair value based on their experience and expectations from running similar models in previous companies.

(e) ASC 350 prohibits the recognition of goodwill in an asset purchase. As such the difference between the purchase price of $86.98 million was charged as transactions and recorded under accumulated deficit of $68.55 million.

Pursuant to the Contribution Agreement, Atlas FinTech and Atlas Financial Technologies Corp. contributed to AtlasClear all their rights, title and interest to the above stated software products and intellectual property assets upon the closing of the Business Combination (the "FinTech Assets"). At present, none of the FinTech assets are in production. Further, due to limited capital contributions from the Quantum's trust account, management views timelines for revenue recognition from the FinTech Assets to be unknowable and therefore has decided to write down the assets.

NOTE 13. INTANGIBLE ASSETS

Pacsquare Purchase Agreement

Pursuant to the transactions contemplated by a letter of intent, on February 16, 2024, AtlasClear and Pacsquare entered into a Source Code Purchase Agreement and Master Services Agreement (the "Pacsquare Purchase Agreement"), pursuant to which AtlasClear acquired the AtlasClear Platform. Pursuant to the Pacsquare Purchase Agreement, Pacsquare will develop, implement and launch the AtlasClear Platform and provide maintenance and support services as described in the agreement. The Pacsquare Purchase Agreement provides that Pacsquare will develop and deliver to AtlasClear the Level 1 equities trading platform and that it will develop and deliver all modules of the clearing platform within 12 months of signing the Pacsquare Purchase Agreement. AtlasClear owns all the intellectual property relating to the AtlasClear Platform, including the software and source code. The Pacsquare Purchase Agreement also granted AtlasClear a right of first refusal to any products or services that relate to trading, settlement, clearance or any other business of AtlasClear that Pacsquare proposes to offer to other persons. The purchase price for the assets was $4.8 million as follows: (i) $1.9 million, consisting of (A) $100,000 payable in a cash upon delivery of the source code and execution of the Pacsquare Purchase Agreement; (B) $850,000 payable in shares of Common Stock at a price of $6.00 per share; and (C) $950,000 to be paid in four monthly installments of $237,500, payable in shares of Common Stock at the price per share on the day of issuance and (ii) $2.7 million to be paid ratably on a module-by-module basis upon delivery and acceptance of each of the AtlasClear Platform modules. AtlasClear has sole discretion to determine whether any of the foregoing payments will be made in cash or shares of Common Stock. As of June 30, 2024, the Company has issued 336,000 shares of Common Stock 141,667 valued at $6 per share as per agreed upon terms and 194,333 valued at $1.50 per share based on the fair value of common stock on March 12, 2024 date share were issued to Pacsquare pursuant to the terms of the Pacsquare Purchase Agreement and paid $500,000 in cash and accrued $85,000 in accounts payable for total carrying value of $1,726,500. The AtlasClear platform is not yet in use as such amortization has not yet commenced.

Intangible Assets of the company at June 30, 2024 are summarized as follows:

		June 30, 2024			
	Est useful life	Cost	Accumulated Amortization	Impairment of Asset	Net
Goodwill	Indefinite	$ 6,142,525	$ —	$ —	$ 6,142,525
Pacsquare assets – Proprietary Software	10 years	1,726,500	—	—	1,726,500
Technology acquired	zero years	18,163,044	(317,231)	(17,845,813)	—
Customer Lists	12 years	14,625,000	(474,144)	—	14,150,856
Intangible Assets		$ 40,657,069	$ (791,375)	$ (17,845,813)	$ 22,019,881

Below is a summary of the amortization of intangible assets for the next five years:

Year	Amount
June 30, 2025	$ 1,218,750
June 30, 2026	1,391,400
June 30, 2027	1,391,400
June 30, 2028	1,394,739
June 30, 2029	1,391,400
Thereafter	9,089,667

NOTE 14. DEPOSIT ON ACQUISITION OF COMMERCIAL BANCORP

Amendment to Bank Acquisition Agreement

On February 26, 2024, AtlasClear and Commercial Bancorp entered into an amendment (the "Amendment") to the Amended and Restated Agreement and Plan of Merger, dated as of November 16, 2022, by and between AtlasClear and Commercial Bancorp (the "Bank Acquisition Agreement"), pursuant to which, among other things, Commercial Bancorp is expected to merge with and into a subsidiary of AtlasClear. Pursuant to the Amendment Commercial Bancorp received 40,000 shares of Common Stock in lieu of a nonrefundable escrow deposit valued at $2.28 based on the fair value of common stock on February 26, 2024 date of the amended agreement.

NOTE 15. LEASES

The Company has operating lease obligations for office space at its headquarters location and two branch offices.

The various leases have the following characteristics:

The Company renewed a three-year operating lease for office space in February 2024, which will expire January 31, 2027. The terms of the agreement call for an annual 3% escalation in rents and one three-year renewal option at market rates.

In December 2023, the Company renewed a 12-month operating lease for office space. The lease commenced January 1, 2024. The terms of the agreement call for a fixed rent payment of $1,100 per month.

The Company entered into a 63-month operating lease for office space in April 2020, which will expire May 31, 2025. The terms of the agreement call for specific annual escalation in rents and two five-year renewal options at market rates. Rent expense under the three operating agreements totaling $203,227 was charged to operations during the fiscal year ended June 30, 2024. The future minimum payments required by the office lease agreements in effect at June 30, 2024:

2025	$	164,271
2026		118,597
2027		70,377
Total minimum lease payments		353,245
Less interest factor		(21,017)
Total operating lease liability		332,228
Less operating lease liability - current portion		(149,499)
Operating lease liability - long term portion	$	182,729

As disclosed in Note 1, the Company adopted ASU No. 2016-02, Leases (Topic 842), which requires leases with durations greater than 12 months to be recognized on the statement of financial condition. The Company uses its estimated cost-of-capital at lease commencement as its interest rate, as the operating leases do not provide readily determinable implicit interest rates.

The following table presents the Company's lease-related assets and liabilities as of June 30, 2024:

		June 30, 2024
Operating lease ROU Asset - February 9, 2024	$	395,063
Increase		—
Decrease		(68,727)
Operating lease ROU Asset - Ending Balance	$	326,336
Operating lease liability - Short Term	$	149,499
Operating lease liability - Long Term		182,729
Operating lease liability - Total	$	332,228

The following table presents the weighted-average remaining lease term and weighted-average discount rates related to the Company's operating leases as of June 30, 2024:

	June 30, 2024
Weighted average remaining lease term	2.35 years
Weighted average discount rate	4.97 %

The future minimum payments required by the lease agreements in effect at June 30, 2024 are as follows:

NOTE 16. STOCKHOLDERS' EQUITY (DEFICIT)

Preferred Stock — The Company is authorized to issue 1,000,000 shares of preferred stock with a par value of $0.0001 per share with such designations, voting and other rights and preferences as may be determined from time to time by the Company's board of directors. At June 30, 2024, December 31, 2023 and 2022, there were no shares of preferred stock issued or outstanding.

Common stock — The Company is authorized to issue 100,000,000 shares of common stock with a par value of $0.0001 per share. Holders of the Company's common stock are entitled to one vote for each share. At June 30, 2024 and December 31, 2023 and 2022, there were 12,277,759 and 5,031,250, respectively.

In connection with the Closing, each share of Quantum's common stock ("Quantum Common Stock" or "Public Shares") that was outstanding and had not been redeemed was converted into one share of Common Stock. Each outstanding public warrant to purchase Quantum Common Stock became a warrant to purchase one-half of a share of Common Stock. Each outstanding warrant to purchase Quantum Common Stock initially issued in a private placement in connection with Quantum's initial public offering became a warrant to purchase one share of Common Stock.

In connection with the stockholder vote to approve the Business Combination Agreement and the Business Combination, holders of an aggregate of 4,940,885 shares of Quantum Common Stock properly exercised their right to have their shares redeemed for a full pro rata portion of the Trust Account holding the proceeds from the IPO, which was approximately $10.92 per share, or $53,947,064 in the aggregate. The remaining balance of the Trust Account immediately prior to the Closing of approximately $1.2 million was used to partially fund the Business Combination. As a result of such redemptions, a total of 109,499 Public Shares remained outstanding at the Closing. After giving effect to the Business Combination, the redemption of the Public Shares described above, the separation of the Quantum Units and the issuance of Merger Consideration Shares and the issuance of shares of Common Stock pursuant to Expense Settlements (described below), as of the Closing Date, there were 12,277,759 shares of Common Stock issued and outstanding.

In connection with the Closing, the Company instructed Continental Stock Transfer & Trust Company ("CST"), as escrow agent under the Stock Escrow Agreement, dated as of February 4, 2021 (the "Stock Escrow Agreement"), between the Company and CST, to release from escrow 4,000,000 of the Founder Shares that were held in escrow pursuant to the terms of the Stock Escrow Agreement (consisting of 949,084 shares owned by Chardan Quantum, LLC and 3,050,916 shares owned by the Sponsor; as contemplated by the previously-disclosed amendment to the Stock Escrow Agreement entered into on October 31, 2023.)

The Common Stock commenced trading on the NYSE American LLC ("NYSE") under the symbol "ATCH" on February 12, 2024. AtlasClear Holdings' warrants commenced trading on the over-the-counter market (the "OTC") under the symbol "ATCH WS" on February 12, 2024.

NOTE 17. WARRANTS

As of June 30, 2024 and December 31, 2023, there are 20,125,000 Public Warrants outstanding, each Public Warrant entitles the holder to purchase one-half of one share of common stock at an exercise price of $11.50 per whole share, that are classified and accounted for as equity instruments. The Public Warrants are now exercisable. No Public Warrants will be exercisable for cash unless the Company has an effective and current registration statement covering the shares of common stock issuable upon exercise of the warrants and a current prospectus relating to such shares of common stock. Notwithstanding the foregoing, if a registration statement covering the shares of common stock issuable upon exercise of the Public Warrants is not effective within 120 days from the closing of a Business Combination, warrant holders may, until such time as there is an effective registration statement and during any period when the Company shall have failed to maintain an effective registration statement, exercise warrants on a cashless basis pursuant to an available exemption from registration under the Securities Act. The Public Warrants will expire five years after the completion of a Business Combination or earlier upon redemption or liquidation.

Once the warrants become exercisable, the Company may redeem the Public Warrants:

- in whole and not in part;
- at a price of $0.01 per warrant;
- at any time after the warrants become exercisable;
- upon not less than 30 days' prior written notice of redemption;

- if, and only if, the reported last sale price of the shares of common stock equals or exceeds $16.50 per share (as adjusted for stock splits, stock dividends, reorganizations and recapitalizations), for any 20 trading days within a 30 trading day period ending on the third business day prior to the notice of redemption to warrant holders; and
- if, and only if, there is a current registration statement in effect with respect to the shares of common stock underlying the warrants at the time of redemption and for the entire 30-day trading period referred to above and continuing each day thereafter until the date of redemption.

If the Company calls the Public Warrants for redemption, management will have the option to require all holders that wish to exercise the Public Warrants to do so on a "cashless basis," as described in the warrant agreement. The exercise price and number of shares of common stock issuable upon exercise of the warrants may be adjusted in certain circumstances including in the event of a stock dividend, or recapitalization, reorganization, merger or consolidation. However, except as described below, the warrants will not be adjusted for issuance of common stock at a price below its exercise price. Additionally, in no event will the Company be required to net cash settle the warrants.

In addition, if (x) the Company issues additional common stock or equity-linked securities for capital raising purposes in connection with the closing of a Business Combination at an issue price or effective issue price of less than $9.20 per share of common stock (with such issue price or effective issue price to be determined in good faith by the Company's board of directors and, in the case of any such issuance to the initial stockholders or their affiliates, without taking into account any Founder Shares or Private Warrants held by the initial stockholders or their affiliates, as applicable, prior to such issuance) (the "Newly Issued Price"), (y) the aggregate gross proceeds from such issuances represent more than 60% of the total equity proceeds, and income thereon, available for the funding of a Business Combination on the date of the consummation of a Business Combination (net of redemptions), and (z) the volume weighted average trading price of its common stock during the 20 trading day period starting on the trading day prior to the day on which the Company consummates its Business Combination (such price, the "Market Value") is below $9.50 per share, the exercise price of the warrants will be adjusted (to the nearest cent) to be equal to 115% of the higher of the Market Value and Newly Issued Price, and the $16.50 per share redemption trigger price will be adjusted (to the nearest cent) to be equal to 165% of the higher of the Market Value and the Newly Issued Price.

As of June 30, 2024 and December 31, 2023, there are 6,153,125 Private Warrants to purchase an equal number of common shares that are outstanding that are classified and accounted for as derivative liabilities. Under this accounting treatment, the Company is required to measure the fair value of the Private Warrants at the end of each reporting period as well as re-evaluate the treatment of the Private Warrants and recognize changes in the fair value from the prior period in the Company's operating results for the current period. The Private Warrants are identical to the Public Warrants underlying the Units sold in the Initial Public Offering, except that (i) each private warrant is exercisable for one share of common stock at an exercise price of $11.50 per share, and (ii) the Private Warrants will be non-redeemable and may be exercised on a cashless basis, in each case so long as they continue to be held by the initial purchasers or their permitted transferees. Additionally, the Private Warrants will be exercisable for cash or on a cashless basis, at the holder's option, and will be non-redeemable so long as they are held by the initial purchasers or their permitted transferees. If the Private Warrants are held by someone other than the initial purchasers or their permitted transferees, the Private Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants.

On the Closing Date, the Company, AtlasClear Holdings and CST entered into that certain Assignment, Assumption and Amendment Agreement (the "New Warrant Agreement"). The New Warrant Agreement amends that certain Warrant Agreement, dated as of February 4, 2021, by and between the Company and CST (the "Existing Warrant Agreement"), to provide for the assignment by the Company of all its rights, title and interest in the warrants of the Company to AtlasClear Holdings. Pursuant to the New Warrant Agreement, all Company warrants under the Existing Warrant Agreement will no longer be exercisable for shares of Quantum Common Stock, but instead will be exercisable for shares of Common Stock.

NOTE 18. INCOME TAX

The Company accounts for income taxes using an asset and liability approach. Under this method, the tax provision includes taxes currently due plus the net change in deferred tax assets and liabilities. Deferred tax assets and liabilities arise from temporary differences between the tax basis of an asset or liability and its reported amount in the consolidated financial statements, as well as from net operating loss and tax credit carryforwards. Deferred tax amounts are determined by using the tax rates expected to be in effect when the taxes will actually be paid or refund received, as provided for under currently enacted tax law. A valuation allowance is provided for the amount of deferred tax assets that, based on available evidence, is not expected to be realized.

The benefit (provision) for income taxes consisted of the following for the periods indicated:

	June 30, 2024	December 31, 2023	December 31, 2022
Current Tax:			
Federal	$ —	$ 726,038	$ 536,853
State	3,170	—	—
Total current	3,170	726,038	536,853
Deferred Tax:			
Federal	(546,276)	—	—
State	(26,630)	—	—
Total deferred	(572,906)	—	—
Total provision for income taxes	$ (569,736)	$ 726,038	$ 536,853

The benefit from or provision for income taxes differs from the amount computed by applying the federal statutory income tax rate to the Company's loss or income before income taxes as follows for the periods indicated:

	June 30, 2024	Rate
Tax at Statutory rate (21%)	$ (25,376,496)	21.00 %
Permanent Differences:		
Change in fair value of NRA liability	$ 34,571	(0.03)%
Meals	1,769	0.00 %
Entertainment	161	0.00 %
Nondeductible transaction Costs	1,891,691	(1.57)%
Change in fair value of Long-Term and Short-Term Investor Notes	2,353,692	(1.95)%
Change in fair value of Secured Convertible Note	753,039	(0.62)%
Change in fair value of Earnout Liability	280,350	(0.23)%
Change in fair value of Subscription Agreement	8,147	(0.01)%
Change in fair value of Stock Payable	(206,865)	0.17 %
Loss on AtlasClear acquisition	18,142,481	(15.01)%
Stock Compensation Expense	307,157	(0.25)%
Extinguishment of Accrued Liabilities	(184,689)	0.15 %
Change in fair value of WDCO Share payable	683,941	(0.57)%
Return To Provision	(477,461)	0.40 %
State Tax – Net of Federal Benefit	(220,234)	0.18 %
State Minimum Tax – Net of Federal Benefit	2,504	0.00 %
Chang in Valuation Allowance – State	499,331	(0.41)%
Chang in Valuation Allowance - Federal	937,175	(0.78)%
Total	$ (569,736)	0.47 %

A reconciliation of the federal income tax rate to the Company's effective tax rate at December 31, 2023 and 2022 is as follows, as restated:

	December 31, 2023	December 31, 2022
Statutory federal income tax rate	21.0 %	21.0 %
Business combination expenses	15.27 %	(0.51)%
Change in fair value of warrant liability	1.70 %	(12.61)%
Change in fair value of PIPE derivative liability	(6.07)%	(8.28)%
Transaction costs - warrants	0.0 %	0.0 %
Penalties & Interest	0.08 %	0.07 %
Valuation allowance	15.73 %	4.97 %
Income tax provision	47.71 %	4.64 %

The change in the Company's effective tax rate in the current year, as compared to the prior year, was primarily due to the addition of the state tax provision.

Deferred income taxes reflect the net tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities were as follows for the periods indicated:

	June 30, 2024	December 31, 2023	December 31, 2022
Deferred Tax Assets:			
Fixed Assets	$ 261	$ —	$ —
Business Combination Expenses	530,560	437,530	427,319
IRC Sec. 195 Start-Up Costs	956,768	974,835	745,713
Allowance for Bad Debt	3,820	—	—
Accrued Contingent Liability	25,465	—	—
Lease Liability (ASC 842)	84,602	—	—
IRC Sec. 1231 Losses	1,774	—	—
Net Operating Loss	1,361,541	—	—
Total Deferred Tax Asset	2,964,791	1,412,365	1,173,032
Deferred Tax Liabilities:			
Intangible Assets	5,167,729	—	—
ROU Lease Asset (ASC 842)	83,102	—	—
State Tax - Current	526	—	—
State Tax - Deferred	110,452	—	—
Total Deferred Tax Liability	5,361,809	—	—
Net Deferred Tax Asset/(Liability) before Valuation allowance	(2,397,018)	1,412,365	1,173,032
Valuation Allowance	(2,848,868)	(1,412,365)	(1,173,032)
Net Deferred Tax Asset/(Liability)	$ (5,245,886)	$ —	$ —

Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets ("DTA"). Under ASC 740, the guidance requires an analysis of deferred tax assets to determine the realizability of deferred tax assets. Deferred tax assets require a valuation allowance if its more-likely-than-not, greater than 50% likelihood that some portion, or all, of the deferred tax assets will not be realized in the near future. The analysis is based on the weight of all available evidence, both positive and negative evidence. Management has considered all available positive and negative evidence in performing an assessment as to the need for a deferred tax asset valuation allowance.

The negative evidence considered included:

- Tax net operating loss carryforwards generated in the current year.
- The Company has deemed to begin business operations in the current year and is no longer considered a startup company pursuant to IRC Sec. 195. As a result, the company is eligible to start amortizing previously capitalized startup costs for income tax purposes, which will generate current and future tax deductions.

The positive evidence considered included:

- The company has had taxable income in the most recent previous tax years.

On the basis of this evaluation, as of June 30, 2024, a valuation allowance of $1.36 million has been recorded because management has concluded that it is more likely than not that such DTA will ultimately not be realized in the near future. The amount of the DTA considered realizable, however, could be adjusted in future years if estimates of future taxable income during the carryforward period are reduced or increased, or if objective negative evidence in the form of cumulative losses is no longer present and additional weight is given to subjective evidence such as projections for growth.

The Company's policy is to record interest and penalties related to unrecognized tax benefits in general and administrative expenses. The Company has not recorded any unrecognized tax benefits, or related interest and penalties, as of the period ended June 30, 2024.

Per discussions with the management, there are no significant fines/penalties for the period ended June 30, 2024 and there are no new audits or any open audits as of June, 30 2024.

For financial statement disclosure of tax positions taken or expected to be taken on a tax return, the impact of an uncertain income tax position on the income tax return is recognized at the largest amount that is more-likely than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. There was no recognition of uncertain tax positions required for the period ended June 30, 2024. Based upon review of the federal and state return for the open years and review of the draft financial statements for the period ended June 30, 2024, there are no material uncertain tax positions that require financial statement disclosure. The Company has federal income tax net operating loss ("NOL") carryforwards of $5.38 million as of June 30, 2024. The net operating losses can be carried forward indefinitely. The Company also has various state NOL carryforwards of $5.37 million as of June 30, 2024 which are expected to expire beginning in 2044. The Company's NOLs may be limited under Section 382 of the Internal Revenue Code ("IRC"). NOLs are limited when there is a significant ownership change as defined by the IRC Section 382. The Company has not yet determined whether an ownership change has occurred that could limit the availability of its net operating loss carryforwards into 2025.

NOTE 19. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received for sale of an asset or paid for transfer of a liability, in an orderly transaction between market participants at the measurement date. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). These tiers include:

- Level 1, defined as observable inputs such as quoted prices (unadjusted) for identical instruments in active markets;
- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

In some circumstances, the inputs used to measure fair value might be categorized within different levels of the fair value hierarchy. In those instances, the fair value measurement is categorized in its entirety in the fair value hierarchy based on the lowest level input that is significant to the fair value measurement.

The following table presents information about the Company's assets and liabilities that are measured at fair value on a recurring basis at June 30, 2024, December 31, 2023 and 2022, and indicates the fair value hierarchy of the valuation inputs the Company utilized to determine such fair value:

Description	Level	June 30, 2024	December 31, 2023	December 31, 2022
Assets:				
Marketable securities held in Trust Account	1	$ —	$ 54,799,478	$ 204,044,469
Liabilities:				
Subscription agreement	3	$ 2,084,691	$ —	$ —
Contingent Guarantee	3	$ 3,256,863	$ —	$ —
Warrant liability – Private Warrants	3	$ 307,656	$ 307,656	$ 184,594
Non-redemption agreement liability	3	$ —	$ 1,441,653	$ —
Convertible notes derivative	3	$ 16,462,690	$ —	$ —
Earnout liability	3	$ 12,298,000	$ —	$ —

Subscription Agreement

On February 9, 2024, the Registrant entered into a Subscription Agreement and Discharge Agreement with Winston & Strawn LLP ("Winston") Calculator New Pubco, Inc. and Quantum, as described in Note 1. The Company has concluded that such liabilities are no longer an obligation of the Company and therefore qualify for extinguishment.

The Subscription Agreement is considered a variable-share obligation under ASC Topic 480 ("Distinguishing Liabilities from Equity"). The Subscription Agreement meets the requirements for classification under ASC 480 and as a result is required to be accounted for as a liability under ASC 480 and is presented as such on the Consolidated Balance Sheets. The Company will record a change in fair value on each reporting period until settlement in its Consolidated Statement of Operations. See note 10 for further discussion.

The key inputs into the Monte Carlo model for the Subscription Agreement were as follows:

Input	June 30, 2024	February 9, 2024 (initial measurement)
Market price of public shares	$ 1.04	$ 10.26
Equity volatility	26.2 %	29.8 %
Risk-free rate	5.05 %	4.67 %

Contingent Guarantee

In connection with the acquisition of Wilson-Davis, Founder shares were transferred to cover a cash deficit of $6,000,000. The share have a make-whole provision that require to be accounted for under ASC 480. The Company has valued the obligation as of June 30, 2024 of $3,256,863 based on the cash value that would need to be renumerated by the Company. The value of the cash that would be paid was deemed to be the fair value of the contingent guarantee. The company analyzed the public sales of the shares transferred to determine the amount of cash recovered less the $4,000,000 contingent guarantee resulting in a liability due of $3,256,863. As of February 9, 2024 the 885,010 shares transferred by the Founder were valued at $8,850,100 which was greater than the $4,000,000 guaranteed value as such the value of the guarantee was deemed to be zero on February 9, 2024. As a result of the decrease in stock prices through June 30, 2024 the Sellers have recovered $743,137 in cash through sales of the shares transferred resulting in the value of the liability as of June 30, 2024 to be $3,256,863.

Warrant liability

The Private Warrants were accounted for as liabilities in accordance with ASC 815-40 and are presented within warrant liabilities on the consolidated balance sheets. The warrant liabilities are measured at fair value at inception and on a recurring basis, with changes in fair value presented within change in fair value of warrant liability in the consolidated statements of operations. See note 17 for further discussion.

The Private Placement Warrants were, initially and as of the end of each subsequent reporting period, valued using a lattice model, specifically a Black-Scholes model, which is considered to be a Level 3 fair value measurement. The primary unobservable input utilized in determining the fair value of the Private Placement Warrants is the expected volatility of the Company's common stock. The expected volatility of the Company's common stock was determined based on the implied volatility of the publicly traded Public Warrants.

The key inputs into the Black-Scholes model for the Private Warrants were as follows:

Input	June 30, 2024	December 31, 2023	December 31, 2022
Market price of public shares	$ 1.04	$ 6.20	$ 10.05
Risk-free rate	4.27 %	3.77 %	3.91 %
Dividend yield	0.00 %	0.00 %	0.00 %
Volatility	58.7 %	12.0 %	2.6 %
Probability of a business combination	100 %	100 %	4.5 %
Exercise price	$ 11.50	$ 11.50	$ 11.50
Effective expiration date	February 29	February 29	February 29

Non-Redemption Agreement

The non-redemption agreement liability was measured at fair value at inception and on a recurring basis, with changes in fair value presented within change in fair value of non-redemption agreement liability in the consolidated statements of operations.

The non-redemption agreement liability is comprised of 235,180 shares of non-redeemable common stock and 235,180 Private Placement Warrants. The non-redeemable common stock was valued using a Monte Carlo model, which is considered to be a Level 3

fair value measurement. The primary unobservable input utilized in determining the fair value of the non-redeemable common stock is equity volatility, probability of acquisition, the discount for marketability and discount for expected forfeiture. As of February 9, 2024, the shares and warrants were transferred and valued based on the trading prices of the stock and warrants and reclassified as permanent equity at total value of $1,606,279.

The key inputs into the Monte Carlo model for the non-redeemable common stock were as follows:

Input	December 31, 2023	August 1, 2023
Market price of public shares	$ 6.20	$ 10.57
Probability of acquisition	100.0 %	82.0 %
Equity volatility	12.0 %	19.9 %
Discount for lack of marketability	8.0 %	3.0 %
Discount for expected forfeiture	5.10 %	5.10 %

Earnout Liability

The Earnout liability was, initially and as of February 9, 2024, valued using a Monte Carlo simulation to determine if and when the revenue hurdles would be achieved. The revenue volatility and revenue to equity correlation was based upon the same guideline public companies. The Monte Carlo simulation was performed simultaneously on both the share price and revenue to account for the correlation between revenue and equity.

The key inputs into the Monte Carlo model for the Earnout liability were as follows:

Input	June 30, 2024	February 9, 2024 (initial measurement)
Market price of public shares	$ 1.04	$ 10.26
Revenue volatility	15.00 %	15.00 %
Discount factor for revenue	96.9 %	99.5 %

Convertible Note Derivatives

The Conversion derivative, associated with Short-term notes, Long-Term notes, and the Chardan Note was accounted for as a liability in accordance with ASC 815-40. The Conversion derivative liability was measured at fair value at inception and on a recurring basis, with changes in fair value presented within change in fair value of Conversion derivative liability in the consolidated statements of operations. The Convertible note derivative is made up of the fair value of the embedded conversion option included in the Short-term notes, Long-Term notes, and the Chardan Note with a fair value as of June 30, 2024 of $4,807,692, $7,664,613 and $3,990,385, respectively.

On February 9, 2024, the Company issued short-term notes to the former officers and directors of Wilson-Davis. The short-term notes have a conversion feature that qualifies for derivative treatment in accordance with ASC 815-40. On February 9, 2024, and June 30, 2024, the Company valued the derivatives using a Black-Scholes model which is considered to be a Level 3 fair value measurement. The conversion feature is deemed to include an embedded derivative that requires bifurcation and separate account. As such, the Company ascertained the value of the conversion option as if separate from the convertible issuance and appropriately recorded that value as a derivative liability with the offset being a discount to the note. The discount will be amortized as interest expense over the term of the short-term note(s). The derivative liability will be revalued at each reporting period with the change being charged to the income statement. The original derivative liability – for the short term note notes was valued at $487,329. On June 30, 2024, a Black-Scholes calculation was performed (see above chart) and the value of the fair value of the derivative liability – convertible notes increased $4,320,3630 to $4,807,692. The original $487,929 discount was amortized over the 90-day maturity. As of June 30, 2024, the company did not repay the short-term notes as such has incurred penalty interest from 9% to 13% until the note is repaid. No notice of default has been received. See note 10 for additional information.

The key inputs into the Black-Scholes model for the Conversion derivative were as follows:

Input	June 30, 2024	February 9, 2024 (initial measurement)
Market price of public shares	$ 1.04	$ 10.26
Risk-free rate	5.49 %	5.44 %
Dividend yield	0.00 %	0.00 %
Volatility	14,643.0 %	4,120.0 %
Exercise price	$ 0.99	$ 7.27
Effective expiration date	May 2024	May 2024

On February 9, 2024, the Company issued long-term notes to the former officers and directors of Wilson-Davis. The long-term notes have a conversion feature that qualifies for derivative treatment in accordance with ASC 815-40. On February 9, 2024 and June 30, 2024, the Company valued the derivatives using a Black-Scholes model which is considered to be a Level 3 fair value measurement.

The conversion feature is deemed to include an embedded derivative that required bifurcation and separate accounting. As such, the Company ascertained the value of the conversion option as if separate from the convertible issuance and appropriately recorded that value as a derivative liability with the offset being a discount to the notes. The discount will be amortized as interest expense over the term of the notes. The derivative liability will be revalued at each reporting period with the change being charged to Derivative liability – convertible notes. The original derivative liability – for the long term note notes was valued at $776,919. On June 30, 2024, a Black-Scholes calculation was performed (see above chart) and the value of the fair value of the derivative liability – convertible notes increased $6,887,694 to $7,664,613. The original $776,919 discount will be amortized over the maturity. See note 10 for additional information.

The key inputs into the Black-Scholes model for the Conversion derivative were as follows:

Input	June 30, 2024	February 9, 2024 (initial measurement)
Market price of public shares	$ 1.04	$ 10.26
Risk-free rate	4.90 %	4.48 %
Dividend yield	0.00 %	0.00 %
Volatility	14,461 %	41,200 %
Exercise price	$ 0.99	$ 7.27
Effective expiration date	February 2026	February 2026

In connection with the Closing, AtlasClear Holdings and Chardan agreed that the fee, in the amount of $7,043,750, payable by Quantum to Chardan upon the Closing pursuant to the terms of the business combination marketing agreement entered into in connection with Quantum's IPO, would be waived in exchange for the issuance by AtlasClear Holdings to Chardan of a convertible promissory note in the aggregate principal amount of $4,150,000. The Chardan Note was issued by AtlasClear Holdings at the Closing. The Chardan Note has a stated maturity date of February 9, 2028. Interest accrues at a rate per annum equal to 13%, and is payable quarterly on the first day of each calendar quarter. On each interest payment date, the accrued and unpaid interest shall, at the election of AtlasClear Holdings, be either paid in cash or, subject to the satisfaction of certain conditions, in shares of Common Stock, at a rate equal to 85% of the VWAP for the trading day immediately prior to the applicable interest payment date.

The Chardan Note qualifies for derivative treatment in accordance with ASC 815-40. On February 9, 2024, the Company valued the derivatives using a Black-Scholes model which is considered to be a Level 3 fair value measurement. The original derivative liability – for the Chardan convertible note was valued at $404,483. On June 30, 2024, a Black-Scholes calculation was performed (see below chart) and the value of the fair value of the derivative liability – convertible notes increased $3,585,901 to $3,990,385. The original $404,483 discount will be amortized over the maturity. See note 10 for additional information.

In addition, on each conversion date AtlasClear Holdings is required to pay to Chardan in cash (or, at AtlasClear Holding's option and subject to certain conditions, a combination of cash and Common Stock) all accrued interest on the Chardan Note and all interest that would otherwise accrue on the amount of the Note being converted if such converted amount would be held to three years after the applicable conversion date. The first quarterly interest payment due on the Chardan Note has not been paid as of the date of this filing.

The key inputs into the Black-Scholes model for the conversion derivative are as follows:

Input	June 30, 2024	February 9, 2024 (initial measurement)
Market price of public shares	$ 1.04	$ 10.26
Risk-free rate	4.52 %	4.48 %
Dividend yield	0.00 %	0.00 %
Volatility	166,681.0 %	4,120.0 %
Exercise price	$ 0.84	$ 10.26
Effective expiration date	February 2028	February 2028

On February 9, 2024, the Company issued a long-term note to Interest Solutions in the amount of $275,000. The Company also issued a long-term note to JonesTrading Institutional Services for $375,000. Both of the notes accrue interest at 13% per annum. The outstanding principal, together with any then unpaid and accrued interest and other amounts payable, shall be due and payable at the earlier of (i) when requested by the note holder on or after February 9, 2026, or (ii) when, upon the occurrence and during the continuance of an event of default. The conversion feature in the notes do not qualify for derivative treatment.

The following table presents the changes in the fair value of the following:

	Private Placement Warrants	Non-Redemption Agreement Liability
Fair value as of December 31, 2021	$ 7,137,930	$ —
Change in valuation inputs or other assumptions	(6,953,336)	1,881,440
Fair value as of December 31, 2022	$ 184,594	$ —
Initial measurement as of August 1, 2023	—	1,881,440
Fair value as of August 8, 2023, Inception of Non-Redemption Agreement Liability	123,062	(439,787)
Fair value as of December 31, 2023	$ 307,656	$ 1,441,653
Change in valuation inputs or other assumptions	—	164,626
Transferred to equity	—	(1,606,279)
Fair value as of June 30, 2024	$ 307,656	$ —

	Conversion Derivative	Earnout Liability
Fair value as of December 31, 2023	$ —	$ —
Initial measurement as of February 9, 2024	1,668,731	10,963,000
Change in valuation inputs or other assumptions	14,793,959	1,335,000
Fair value as of June 30, 2024	$ 16,462,690	$ 12,298,000

	Subscription Agreement	Merger Financing Liability
Fair value as of December 31, 2023	$ —	$ —
Initial measurement as of February 9, 2024	2,386,851	—
Change in valuation inputs or other assumptions	38,796	3,256,863
Fair value (asset) liability as of June 30, 2024	$ 2,425,647	$ 3,256,863

There were no transfers between levels during the year ended and period ended June 30, 2024 and December 31, 2023 and 2022.

NOTE 20. TRANSITION PERIOD COMPARATIVE DATA

On August 9, 2024, the board of directors of AtlasClear Holdings, Inc. (the "Company") determined to change the Company's fiscal year end from December 31 to June 30. Below is a summary of financial statements for the six-month transition period from January 1, 2024 to June 30, 2024 compared to the six month period ended June 30, 2023.

1. Consolidated Balance Sheets

	June 30, 2024	June 30, 2023
ASSETS		**(Unaudited)**
Current assets		
Cash and cash equivalents	$ 6,558,176	$ 1,132,900
Cash segregated - customers	20,548,972	—
Cash segregated - PAB	200,738	—
Receivables - broker-dealers and clearing organizations	1,333,306	—
Receivables - customers, net	823,784	—
Other receivables	64,842	—
Prepaid expenses	67,967	29,458
Trading securities, market value, net	55	—
Due from Atlas Clear	—	49,806
Total Current Assets	29,597,840	1,212,164
Operating lease right to use lease asset	326,336	—
Property and equipment, net	16,080	—
Customer list, net	14,150,856	—
Goodwill	7,706,725	—
Pacsquare asset purchase	1,726,500	—
Bank acquisition deposit	91,200	—
Cash deposits - broker-dealers and clearing organizations	3,515,000	—
Other assets	336,017	—
Marketable securities held in Trust Account	—	57,409,747
TOTAL ASSETS	**$ 57,466,554**	**$ 58,621,911**
LIABILITIES, REDEEMABLE COMMON STOCK AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Payables to customers	$ 20,162,973	$ —
Accounts and payables to officers/directors	686,579	—
Accounts payable and accrued expenses	5,393,912	5,181,488
Payables - broker-dealers and clearing organizations	4,915	—
Commissions, payroll and payroll taxes	273,386	—
Current portion of lease liability	149,499	—
Stock payable	259,893	—
Convertible notes, net	3,783,437	—
Secured convertible note, net	6,857,101	—
Promissory notes	852,968	—
Short-term merger financing, net	5,092,083	—
Contingent gurantee	3,256,863	
Subscription agreement	2,425,647	—
Excise tax payable	2,067,572	—
Excise taxes payable	—	1,485,236
Stock payable - related party	55,087	—
Advance from related parties	—	1,968,116
Promissory note – related party	—	480,000
Total Current Liabilities	51,321,915	9,114,840
Accrued contingent liability	100,000	—
Long-term merger financing, net	7,606,561	—
Derivative liability - convertible notes	16,462,690	—
Derivative liability - warrants	307,656	307,656
Earnout - liability	12,298,000	—
Deferred income tax liability	5,245,886	—
Subordinated borrowings	1,950,000	—
Trading account deposit	100,000	—
Long-term lease liability	182,729	—
Total Liabilities	**95,575,437**	**9,422,496**
Commitments and Contingencies (Note 10)		
Common stock subject to possible redemption	—	57,113,761
Stockholders' Deficit		
Preferred stock, $0.0001 par value;	—	—
Common stock, $0.0001 par value;	1,246	503
Additional paid-in capital	110,164,676	—
Accumulated deficit	(148,274,805)	(7,914,849)
Total Stockholders' Deficit	**(38,108,883)**	**(7,914,346)**
TOTAL LIABILITIES, REDEEMABLE COMMON STOCK AND STOCKHOLDERS' DEFICIT	**$ 57,466,554**	**$ 58,621,911**

2. Statements of consolidated Net Income (loss)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
REVENUES				
Commissions	$ 1,750,159	$ —	$ 2,679,673	$ —
Vetting fees	340,050	—	499,125	—
Clearing fees	624,550	—	756,393	—
Net gain/(loss) on firm trading accounts	6,390	—	10,046	—
Other revenue	9,650		56,246	
TOTAL REVENUES	**2,730,799**	**—**	**4,001,483**	**—**
EXPENSES				
Compensation, payroll taxes and benefits	1,355,058	—	2,386,837	—
Data processing and clearing costs	843,824	—	1,299,527	—
Regulatory, professional fees and related expenses	112,216	—	11,649,470	—
Stock compensation - founder share transfer	—	—	1,462,650	—
Communications	172,018	—	254,608	—
Occupancy and equipment	54,765	—	76,324	—
Transfer fees	54,807	—	75,425	—
Bank charges	52,077	—	88,253	—
Intangible assets amortization	337,911	—	791,375	—
Other	147,042	—	185,840	—
Operating and formation costs	—	577,313	—	1,485,122
TOTAL EXPENSES	3,129,718	577,313	18,270,309	1,485,122
LOSS FROM OPERATIONS	(398,919)	(577,313)	(14,268,826)	(1,485,122)
OTHER INCOME/(EXPENSE)				
Interest income	587,637	8,458	938,802	8,458
Interest earned on marketable securities held in Trust Account	—	727,468	256,279	2,028,921
Gain on sale of assets	146,706	—	146,706	—
Net gain on settlement	—	829,853	—	829,853
Loss on AtlasClear asset acquisition	(17,845,813)	—	(86,392,769)	—
Change in fair value of warrant liability derivative	307,656	(184,594)	—	(123,062)
Change in fair value, convertible note derivative	(992,152)	—	(3,585,902)	—
Change in fair value, long-term and short-term note derivative	(3,101,057)	—	(11,208,055)	—
Change in fair value of non-redemption agreement	—	—	(164,626)	—
Change in fair value of Contingent guarantee	(3,256,863)	—	(3,256,863)	—
Change in fair value of earnout liability	(1,115,000)	—	(1,335,000)	—
Change in fair value of subscription agreement	(4,413,946)	—	(38,796)	—
Extinguishment of stock payable	985,072	—	985,072	—
Extinguishment of accrued expenses	114,199	—	879,473	—
Interest expense	(3,210,786)	—	(3,732,178)	—
TOTAL OTHER INCOME/(EXPENSE)	(31,794,347)	1,381,185	(106,507,857)	2,744,170
Income before provision for income taxes	(32,193,266)	803,872	(120,776,683)	1,259,048
Provision for income taxes	563,736	(318,313)	569,736	(581,118)
Net income	**$ (31,629,530)**	**$ 485,559**	**$ (120,206,947)**	**$ 677,930**

3. Statements of consolidated cash flow

	Six Months Ended June 30,	
	2024	2023
Cash Flows from Operating Activities:		
Net income (loss)	$ (120,206,947)	$ 677,930
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Change in fair value of warrant liability derivative	—	123,062
Change in fair value of non-redemption agreement	164,626	—
Loss on AtlsClear asset acquisition	86,392,769	—
Change in fair value, convertible note derivative	3,585,904	—
Change in fair value, long-term and short-term note derivative	11,208,055	—
Interest expense on convertible notes	1,896,714	—
Transaction costs paid with stock	1,401,937	—
Stock based compensation	1,462,650	—
Change in fair value, earnout liability	1,335,000	—
Fee on Secured convertible note	1,500,000	—
Change in operating lease expense	68,727	—
Change in fair value, contingent guarantee	3,256,863	—
Interest earned on marketable securities held in Trust Account	(251,569)	(2,028,921)
Change in fair value, subscription agreement	38,796	—
Depreciation expense	7,565	—
Amortization of intangibles	791,375	—
Bad debt expense	2,474	—
Changes in operating assets and liabilities:		
Due from Atlas Clear	—	(49,806)
Income taxes payable	—	44,118
Marketable securities	6,820	—
Receivables from brokers & dealers	2,203,271	—
Receivables from customers	(303,486)	—
Receivables from others	(59,043)	—
Advances and Prepaid expenses	133,158	4,194
Cash deposits with clearing organization & other B/Ds	21,664	—
Change in operating lease right-of-use assets	(11,713)	—
Other assets	49,041	—
Payables to customers	(5,124,740)	—
Payables to officers & directors	98,048	—
Payable to brokers & dealers	(12,903)	—
Deferred tax liability	(43,484)	—
Accounts payable and accrued expenses	(1,066,430)	443,812
Commissions and payroll taxes payable	39,638	—
Stock Loan	259,893	—
Change in operatin lease right-of-use asset	(56,900)	—
Receivables from brokers & dealers	—	—
Receivables from customers	—	—
Net cash provided by (used in) operating activities	**(11,212,227)**	**(785,611)**
Cash Flows from Investing Activities:		
Cash withdrawn from Trust Account to pay franchise and income taxes	68,418	—
Investment of cash into Trust Account	(160,000)	(875,000)
Cash withdrawn from Trust Account in connection with redemption	53,947,064	1,015,001
Cash paid for purchase of Pacsquare	(500,000)	—
Cash received from acquisition of Wilson-Davis	33,333,876	—
Cash withdrawn from Trust Account for working capital purposes	1,195,565	148,523,642
Cash paid to Wilson Davis shareholders	(8,092,568)	—
Net cash provided by (used in) investing activities	79,792,355	148,663,643
Cash Flows from Financing Activities:		
Proceeds from secured convertible note	6,000,000	—
Transaction costs financed	5,002,968	—
Repayment of advances from related party	—	(300,000)
Advances from related party	1,052,300	1,948,950
Redemption of common stock	(53,947,064)	(148,523,642)
Net cash provided by (used in) financing activities	**(41,891,796)**	**(146,874,692)**
Net Change in Cash	**26,688,332**	**1,003,340**
Cash – Beginning	619,554	129,560
Cash – Ending	**$ 27,307,886**	**$ 1,132,900**
Supplementary cash flow information:		
Cash paid for income taxes	$ —	$ 537,000
Supplemental disclosure of non-cash investing and financing activities:		
Shares issued to settled advances from related party and notes payable related party	$ 4,577,569	$ —
Transaction cost settled with subscription payable	$ 2,386,851	$ —
Fair value of equity treated earnout in AtlasClear, Inc asset acquisition	$ 31,347,000	$ —
Fair value of shares issued in AtlasClear, Inc asset acquisition	$ 44,400,000	$ —
Fair value of liability treated earnout in AtlasClear, Inc asset acquisition	$ 10,963,000	$ —
Fair value of shares transferred to Wilson Davis shareholders	$ 6,000,000	$ —
Short term notes issued to Wilson Davis shareholders	$ 5,000,000	$ —
Long term notes issued to Wilson Davis shareholders	$ 7,971,197	$ —
Common stock issued to settled vendor obligations	$ 64,376	$ —
Fair value of shares transferred to Secured convertible note holders	$ 1,250,698	$ —
Redeemable shares transferred to permanent equity	$ 1,195,566	$ —
Non-redemption agreement re-classed to permanent equity	$ 1,606,279	$ —
Shares issued to purchase Pacsquare	$ 1,226,500	$ —
Shares issued as deposit for Commercial bank acquisition	$ 91,200	$ —
Initial Classification of derivative liability – convertible notes	$ 1,668,731	$ —
Interes settled with shares	$ 210,550	$ —
Interest settled with shares transferred by related party	$ 48,750	$ —
Cancellation of admin fees	$ —	$ 120,000
Excise tax related to redemptions	$ 539,471	$ 1,485,236
Accretion of common stock subject to possible redemption	$ 592,577	$ 2,217,201

NOTE 21. SUBSEQUENT EVENTS

The Company evaluated subsequent events and transactions that occurred after the balance sheet date up to the date that the consolidated financial statements were issued. Based upon this review, other than described below, the Company did not identify any subsequent events that would have required adjustment or disclosure in the consolidated financial statements, other than as described below.

On July 5, 2024 pursuant to the transactions contemplated by a letter of intent, between AtlasClear and Pacsquare for the Source Code Purchase Agreement and Master Services Agreement, the Company issued and additional 500,000 shares to Pacsquare.

In accordance with the Chardan Convertible Note agreement, the note holder converted $725,000 in principle and received 2,263,031 shares on various dates subsequent to June 30, 2024, 493,909 of the shares were transferred by Atlas Fintech, Co-Sponsor. In addition, interest for the quarter ended March 31, 2024 and June 30, 2024 was paid with shares transferred by a Atlas Fintech on behalf of the Company for a total of 198,196 shares.

Subsequent to June 30, 2024, Quantum Venture, Co-Sponsor and Atlas Fintech, Co-Sponsor transferred 1,558,923 and 1,183,629 shares respectively as payment of interest under various Note obligations such as the Promissory notes, Secured Convertible notes and the Short and long term notes due to sellers.

On July 31, 2024, the Company and Tau entered into the ELOC Agreement. Pursuant to the ELOC Agreement, upon the terms thereof and subject to the satisfaction of certain conditions, the Company has the right from time to time at the Company's option to direct Tau to purchase up to a specified maximum amount of shares of our Common Stock, up to a maximum aggregate purchase price of $10 million (the "Aggregate Limit"), over the 24-month term of the ELOC Agreement. The Company may request, individual advances up to the greater of 100,000 shares or such amount as is equal to 50% of the average daily volume traded of the Common Stock during the 30 trading days immediately prior to the date the request of each advance, subject to the Aggregate Limit. Any such advance will reduce amounts that the Company can request for future advances and draw downs. The purchase price payable for the shares sold pursuant to any advance will be equal to 97% of the lowest VWAP of the Common Stock during a pricing period of three consecutive trading days following Tau's receipt of the applicable advance notice. Tau's obligation to purchase the shares the Company request to sell pursuant to any advance is conditioned upon, in addition to certain other customary closing conditions, the continued effectiveness of a registration statement pursuant to which Tau may freely sell the shares to be received. 10,000,000 of the shares of Common Stock that may be issuable to Tau pursuant to the ELOC Agreement are being registered hereby. Tau is an underwriter within the meaning of Section 2(a)(11) of the Securities Act. The registration of the shares hereunder does not mean that Tau will actually purchase or that the Company will actually issue and sell all or any of the 10,000,000 shares of our Common Stock being registered for potential issuance to Tau pursuant to this registration statement. The Company has issued 2,475,000 shares under the ELOC.

On August 9, 2024, the Company entered into a Satisfaction of Discharge of indebtedness agreement with Atlas Fintech Holdings Corporation. In the agreement the Company agreed to issue 2,788,276 shares in satisfaction of $803,860 included in accounts payable. In addition the Company issued 1,337,500 shares as reimbursement for 1,183,629 shares that were transferred by Atlas Fintech Holdings Corporation to satisfy the Company requirements to pay interest on various loans with unrestricted shares. The company agreed to compensate the Atlas Fintech Holding Corporation 13% fee. As such a total of 4,125,776 Common Stock shares were transferred.

On August 28, 2024, the Company issued an additional 1,055,448 shares to the Wilson-Davis selling shareholders as payment of interest under the short term and long term note and as consideration for the Merger Consideration paid in stock.

On August 29, 2024, the Company issued 12,000 shares of Common Stock to Lead Nectar in lieu of payment for internet marketing services in the amount of $20,000, at a price per share of $1.66.

On July 10, 2024 and August 29, 2024, the Company issued 1,602,994 and 882,668 shares, respectively as partial conversion and payments of interest on the Short- and Long term Sellers Notes, the July distribution included share transfer from counders to cover the contingent guarantee made to the sellets.

Prior to the maturity date of October 13, 2024, FINRA approved a one-year extension for $1,280,000 in Subordinated notes. The interest rate on the subordinated notes increased from 5% to 8% and the notes mature on October 13, 2025. One of the notes, $20,000, was not renewed and will not be included in the Net Capital calculations. The note will be treated as debt.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls are procedures that are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized, and reported within the time period specified in the SEC's rules and forms. Disclosure controls are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including the chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

As required by Rules 13a-15 and 15d-15 under the Exchange Act, our Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2024. Based upon their evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were not effective, due solely to the control deficiencies in the internal control over financial reporting related to the accounting for complex financial instruments and as described below.

Our management determined that our disclosure controls and procedures were not effective as of June 30, 2024 due to the Company's control deficiencies previously reported with respect to compiling information to prepare our interim and annual financial statements in accordance with U.S. GAAP. The control deficiencies were due to the analysis and full disclosure of the Merger Agreement, the impact of the Merger Agreement on our going concern assessment and the impact of the Merger Agreement as it relates to the classification of our complex financial instruments, and related financial disclosures.

As a result, we performed additional analysis as deemed necessary to ensure that our financial statements were prepared in accordance with GAAP. Accordingly, management believes that the financial statements included in this Transition Report present fairly in all material respects our financial position, results of operations and cash flows for the period presented.

Management's Transition Report on Internal Control Over Financial Reporting

As required by SEC rules and regulations implementing Section 404 of the Sarbanes-Oxley Act, our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with GAAP. Our internal control over financial reporting includes those policies and procedures that:

(1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of our company,
(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors, and
(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect errors or misstatements in our financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree or compliance with the policies or procedures may deteriorate. Management assessed the effectiveness of our internal control over financial reporting at June 30, 2024. In making these assessments, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control — Integrated Framework (2013). Based on our assessments and those criteria, management determined that we did not maintain effective internal control over financial reporting as of June 30, 2024.

Management has implemented remediation steps to improve our internal control over financial reporting. Specifically, we expanded and improved our review process for complex securities and related accounting standards and to improve our internal control over financial reporting. We plan to further improve this process by enhancing access to accounting literature, identification of third-party professionals with whom to consult regarding complex accounting applications and consideration of additional staff with the requisite experience and training to supplement existing accounting professionals.

This Transition Report does not include an attestation report of our independent registered public accounting firm due to our status as an emerging growth company under the JOBS Act.

Changes in Internal Control Over Financial Reporting

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

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdiction that Prevents Inspections

Not applicable.

PART III - OTHER INFORMATION

Item 10. Directors, Executive Officers and Corporate Governance

Management and Board of Directors

The board of directors of AtlasClear Holdings is currently comprised of the six directors listed below. Each director will hold office until his term expires at the next annual meeting of stockholders in the year following the year of such director's election or until his or her death, resignation, removal or the earlier termination of his term of office. In August 2024, Messrs. Carlson and Tabacchi each resigned from their positions as our directors. In October 2024, Mr. Smith joined our board of directors.

Name	Age	Position(s)
Directors		
John Schaible	53	Executive Chairman
Robert McBey	59	Chief Executive Officer and Director
Craig Ridenhour	52	President and Director
Thomas J. Hammond	66	Director
Sandip I. Patel	57	Director
Mark S. Smith	55	Director
Executive Officers		
Robert McBey	59	Chief Executive Officer
Richard Barber	76	Chief Financial Officer
Craig Ridenhour	52	President and Director

Robert G. McBey, 59, has served as our Chief Executive Officer since February 2023. From February 2023 to May 2024, he also served as Chairman of our Board. Mr. McBey has worked in the securities industry since 1986 and has served as the President and Chief Executive Officer of Wilson-Davis since 2021. Before becoming President of our subsidiary, Wilson-Davis, he served as Wilson-Davis' Chief Administrative Officer beginning in 2018. Since August 2022, he has also served as Chairman and Chief Executive Officer of our subsidiary, AtlasClear. He was the co-founder and Managing Director of Business Development for Potamus Trading LLC, a Massachusetts broker-dealer specializing in algorithmic trading and dealer services from 2012 to 2017. Earlier, from 2010 to 2012, he served as the Executive Vice President and Head of Clearing Services for Penson Financial Services, a global execution and clearing firm with over $10.0 billion in assets. From 2008 to 2010, Mr. McBey served as the interim CEO of Penson's Canadian and United Kingdom subsidiaries. From 2002 to 2008, he served as the Chief Operating Officer and Director of Securities Lending for Southwest Securities, Inc., where he previously served as the Senior Vice President, Compliance Officer, and Director of Internal Audit from 1998 to 2000. From 1997 to 1998, Mr. McBey served as the Senior Vice President, Senior Registered Option Principal, and Branch Manager of Principal Financial Securities, Inc. From 1992 to 1997, he served as the Vice President and Manager of Audit and Compliance for Sutro & Company Inc. From 1986 to 1992, he served as an Internal Auditor for Prudential-Bache Securities, Inc. Mr. McBey is graduate of York University in Toronto, Ontario.

Craig Ridenhour, 52, has served as our President since May 2024. Previously, he served as our Chief Business Development Officer and a member of our board from February 2023 to May 2024. Mr. Ridenhour has served as co-founder and Executive Vice President of Business Development for Atlas FinTech, a position that he has held since 2016. Since August 2022, he has also served as Chief Business Development Officer and a director of our subsidiary, AtlasClear. He sits on the board of directors of Atlas FinTech. Mr. Ridenhour is co-founder of AtlasBanc Holdings and EVP of Business Development, a position he has held since 2012. Mr. Ridenhour has been a licensed representative of Buckman, Buckman & Reid, Inc., a registered broker-dealer, since 2017. Mr. Ridenhour was the Managing Director of Wealth Management for Anderen Capital, a subsidiary of Anderen Financial, a FDIC-chartered financial institution and bank holding company regulated by the Federal Reserve Board, respectively, from 2008 until the acquisition of Anderen by First United Bank in 2012. Mr. Ridenhour has been securities licensed with FINRA since 1994 and held various positions throughout his career including acting in executive and principal capacities within brokerage firms. Mr. Ridenhour is a graduate of the University of Florida.

Thomas J. Hammond, 66, has served as a member of our board since February 2024. Previously, he served as a member of the Quantum Board from February 2021 to February 2024. Mr. Hammond was the President of ICE Clear U.S., a wholly owned clearing house of Intercontinental Exchange, Inc. (NYSE: ICE) from 2007 until his retirement in 2017. In that role, Mr. Hammond oversaw all technology, operations and financial functions at the clearing house. Prior to joining ICE, Mr. Hammond was Managing Director,

Trading Operations at the Chicago Board of Trade (later the CME Group) where he played a leadership role in the successful transition to the Common Clearing Link. Before joining the CME Group in 2003, for a 17-year period, Mr. Hammond served as Chief Executive Officer, Executive Vice President and Chief Operating Officer of the Board of Trade Clearing Corporation (BOTCC), where he successfully managed the development and implementation of integrated over the counter (OTC) clearing systems. Mr. Hammond served on the boards of the Financial Services Division and the Chicago Operations Division of the Futures Industry Association, and participated in the Chicago Federal Reserve Bank's Working Group on Financial Markets. Mr. Hammond earned a Bachelor of Science degree in Business Administration from Lewis University in Romeoville, IL.

Sandip I. Patel, 57, has served as a member of our board since February 2024. Previously, he served as a member of the Quantum Board from October 2020 to February 2024. Mr. Patel has been an attorney and corporate business consultant at Sandip I. Patel, P.A., a law firm founded by Mr. Patel in 2000. Since 2017, Mr. Patel has also served as Chief Legal Counsel of Channel Investments, LLC, a medical device company. Mr. Patel has been involved in the formation, acquisition, development, growth, and liquidity events related to companies in the healthcare, insurance and financial services fields. Mr. Patel currently holds public and private investments in a wide range of industries with a focus on medical devices, biotechnology, healthcare services and related technologies, as well as FinTech and related services. Mr. Patel is also a co-founding stockholder of AtlasBanc Holdings, and was a co-founding stockholder and board member of Anderen Bank. Mr. Patel was the Founder, President and Chief Executive Officer of the Orion group of companies, a full-service real estate development company. Previously, Mr. Patel served as Head of the New Business Development and M&A team to national health insurance companies. Mr. Patel oversaw all legal, regulatory and governmental affairs on behalf of WellCare, while serving as the General Counsel and a partner in the company. Since September 2021, Mr. Patel previously served as a director of Monterey Bio Acquisition Corporation, a former special purpose acquisition company (Nasdaq: MTRY). Mr. Patel received his JD degree from the Stetson University College of Law, and a B.B.A in Finance from the University of Georgia.

Mark S. Smith, 55, has served as a member of our board since October 2024. Mr. Smith has been operating, advising, or managing regulated FinTech organization for over 30 years. Since 2006, Mr. Smith is the founder and president of ZibTech Consulting, Inc., an electronic trading and digital asset consulting firm that focuses on providing business development, M&A and other services to companies with proprietary disruptive technology in the financial services industry and start-up companies. Previously, from September 2013 through December 2022, Mr. Smith was co-founder, chief executive officer and director of Symbiont.io,Inc., a provider of blockchain and digital asset financial technology. Early in his career, Mr. Smith contributed to the development of capital markets products, including algorithmic trading tools and global ATS platforms. Mr. Smith received his Bachelor of Science in Finance and Economics from the University of South Carolina.

Richard Barber, 76, has served as our Chief Financial Officer since February 2023. Mr. Barber has been making various personal investments since 2017. Mr. Barber started his financial career in Finance at Ernst & Young. Mr. Barber has over 30 years' experience in the Securities industry working at various institutions. Most notably, Mr. Barber served as the Chief Financial Officer of Bank of America's brokerage business where he gave advice to the CEO on how to grow revenue and reduce costs. Mr. Barber holds a Bachelor of Arts degree from the University of Notre Dame and a Master of Business Administration from the Columbia School of Business and has passed the CPA exam.

John Schaible, 53, has served as our Executive Chairman since May 2024. Previously, he served as our Chief Strategy Officer and a member of our board from February 2024 to May 2024. Prior to that, he served as Chairman and Chief Executive Officer of Quantum from October 2020 to February 2024. Mr. Schaible is a co-founder, Chairman and Chief Executive Officer of AtlasBanc Holdings since 2010 and of Atlas FinTech, an affiliate of AtlasBanc, since 2016. Mr. Schaible also co-founded Anderen Bank and was Chief Operating Officer of Anderen Financial, a FDIC-chartered financial institution and bank holding company regulated by the Federal Reserve Board, respectively, from 2007 until the acquisition of Anderen by First United Bank in 2012, each affiliates of Atlas Banc. Mr. Schaible also founded and served as Chief Executive Officer of NexTrade, which created an electronic communications network (ECN) in 1994 that was sold to Citigroup in 2006. Mr. Schaible has a degree in business management from Colorado State University. Mr. Schaible has also served on the board of Colorado State University's General Leadership Council and Center for Entrepreneurship.

Atlas Bank (Panama), S.A.

In September 2023, the Superintendency of Banks of Panama took control of Atlas Bank (Panama), SA ("Atlas Bank"). Such action was at the voluntary request of Atlas Bank, in connection with allegations that a major custody counterparty potentially committed fraud against Atlas Bank. John Schaible is co-founder of Atlas Bank, and CEO of AtlasBanc Holdings, which through Atlas FinTech has an economic interest in, but does not control, Atlas Bank. Craig Ridenhour is a co-founder and EVP of Business Development for AtlasBanc Holdings and a member of the board of directors of Atlas FinTech.

Board Committees

The Board has established an audit committee, a compensation committee and a nominating and corporate governance committee, each of which has the composition and the responsibilities described below. Each of these committees operates under a written charter that was approved by the Board satisfies the applicable listing standards of NYSE, copies of which will be made available on the investor relations portion of our website. Members will serve on these committees until their resignation or until otherwise determined by the Board. The Board may establish other committees as it deems necessary or appropriate from time to time.

Audit Committee

Our audit committee consists of Thomas J. Hammond, Sandip I. Patel and Mark S. Smith, with Mr. Patel serving as chair. Rule 10A-3 of the Exchange Act and the NYSE American listing standards require that our audit committee be composed entirely of independent members. The Board has determined that each of Messrs. Hammond, Patel and Smith meets the definition of "independent director" for purposes of serving on the audit committee under Rule 10A-3 of the Exchange Act and the NYSE listing standards and each also meets the financial literacy requirements of the NYSE American listing standards. In addition, the Board has determined that each of Messrs. Patel and Smith qualifies as an "audit committee financial expert" within the meaning of the SEC regulations.

The primary purpose of the audit committee is to discharge the responsibilities of the Board with respect to our corporate accounting and financial reporting processes, systems of internal control and financial statement audits and to oversee our independent registered public accounting firm. The principal functions of the audit committee are expected to include, among other things:

- helping the Board oversee our corporate accounting and financial reporting processes;
- managing the selection, engagement, qualifications, independence, and performance of a qualified firm to serve as the independent registered public accounting firm to audit our financial statements;
- reviewing and discussing the scope and results of the audit with the independent registered public accounting firm, and reviewing, with management and the independent accountants, our interim and year-end operating results;
- obtaining and reviewing a report by the independent registered public accounting firm at least annually that describes our internal quality control procedures, any material issues with such procedures and any steps taken to deal with such issues when required by applicable law;
- establishing procedures for employees to submit concerns anonymously about questionable accounting or audit matters;
- overseeing our policies on risk assessment and risk management, including cybersecurity risks;
- overseeing compliance with our code of business conduct and ethics;
- reviewing related person transactions; and
- approving or, as required, pre-approving audit and permissible non-audit services to be performed by the independent registered public accounting firm.

Compensation Committee

Our compensation committee currently consists of Thomas J. Hammond and Mark S. Smith. The Board has determined that each of Messrs. Hammond and Smith meets the definition of "independent director" for purposes of serving on the compensation committee under the NYSE American listing standards, including the heightened independence standards for members of a compensation committee.

The primary purpose of our compensation committee will be to discharge the responsibilities of the Board in overseeing our compensation policies, plans and programs and to review and determine the compensation to be paid to our executive officers, directors and other senior management, as appropriate. The principal functions of the compensation committee are expected to include, among other things:

- reviewing, approving and determining, or making recommendations to the Board regarding, the compensation of our chief executive officer, other executive officers and senior management;
- reviewing, evaluating and recommending to the Board succession plans for our executive officers;
- reviewing and recommending to the Board the compensation paid to our non-employee directors;
- administering our equity incentive plans and other benefit programs;
- reviewing, adopting, amending and terminating incentive compensation and equity plans, severance agreements, profit sharing plans, bonus plans, change-of-control protections and any other compensatory arrangements for our executive officers and other senior management; and
- reviewing and establishing general policies relating to compensation and benefits of our employees, including our overall compensation philosophy.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee consists of Thomas J. Hammond, Sandip I. Patel and Mark S. Smith, with Mr. Patel serving as chair. The Board has determined that each of Messrs. Hammond, Patel and Smith meets the definition of "independent director" under the NYSE listing standards.

Our nominating and corporate governance committee will be responsible for, among other things:

- identifying and evaluating candidates, including the nomination of incumbent directors for reelection and nominees recommended by stockholders, to serve on the Board;
- considering and making recommendations to the Board regarding the composition and chairmanship of the committees of the Board;
- instituting plans or programs for the continuing education of the Board and the orientation of new directors;
- developing and making recommendations to the Board regarding corporate governance guidelines and matters;
- overseeing our corporate governance practices;
- overseeing periodic evaluations of the Board's performance, including committees of the Board; and
- contributing to succession planning.

Code of Business Conduct and Ethics & Insider Trading Policy

We adopted a written code of business conduct and ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of the code is available on the investor relations portion of our website. In addition, we intend to post on our website all disclosures that are required by law or the NYSE American listing standards concerning any amendments to, or waivers from, any provision of the code.

Our board of directors adopted an Insider Trading Policy that applies to our officers, directors, and employees. A copy of our Insider Trading Policy is filed as Exhibit 19.1 to this report.

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act requires our officers, directors, and beneficial owners of more than 10% of our equity securities to timely file certain reports regarding ownership of and transactions in our securities with the SEC. Section 16(a) compliance was required during the transition period ended June 30, 2024. To our knowledge, during the transition period ended June 30, 2024, all Section 16(a) filing requirements applicable to our officers, directors and greater than 10% beneficial owners were complied with, except for the following late filings: (1) Form 3s required to be filed by Messrs. McBey, Schaible, Barber, Carlson, Hammond, Patel, Ridenhour and Tabacchi, and Quantum Ventures and Atlas FinTech following the closing of the Business Combination and (2) Form 4s required to be filed by: (i) Mr. McBey and Atlas FinTech to report their acquisition of shares of Common Stock as merger consideration in the Business Combination, (ii) Quantum Ventures to report a certain acquisition of shares of Common Stock and a distribution of shares of Common Stock to its members, in each case following the closing of the Business Combination and (iii) Messrs. McBey, Schaible, Barber, Carlson, Hammond and Patel to report the acquisition of shares of Common Stock and Private Warrants that were distributed by Quantum Ventures to its members following the closing of the Business Combination.

Item 11. Executive Compensation

Prior to the consummation of the Business Combination, none of the officers or directors of AtlasClear or Quantum received any cash compensation for services rendered. Robert McBey received compensation as the President and CEO of Wilson-Davis.

Summary Compensation Table

The following table sets forth, for the Company's last completed fiscal year, the dollar value of all cash and noncash compensation earned by Robert McBey, the Company's Chief Executive Officer. Other than as set forth herein, no executive officer's total compensation exceeded $100,000 in any of the applicable years.

Name and Principal Position	Year Ended June 30	Salary ($)[1]	Bonus ($)[2]	Total ($)
Robert McBey	2024	538,509	100,000	638,509
Chief Executive Officer	2023	408,879	—	408,879

(1) Consists of salary of $250,000 in each year and commissions of $288,509 and $158,879 earned in the fiscal years ended June 30, 2024 and 2023, respectively.

(2) Represents a cash bonus received by Mr. McBey upon closing of the Business Combination. See "Prior Employment Agreement" below.

Prior Employment Agreement

Mr. McBey entered into an employment agreement with Wilson-Davis, effective as of March 1, 2020, which terminated prior to the closing of the Business Combination. Mr. McBey's employment agreement provided for him to receive a bonus upon Wilson-Davis' completion of the Business Combination. The bonus was to be determined in part based upon the defined "Transaction Goodwill," which was set forth in the Broker-Dealer Acquisition Agreement as $20,000,000. That bonus would have included $100,000 plus an amount equal to 2% of the first $1,750,000 of the amount of Transaction Goodwill, 3% of the Transaction Goodwill in excess of $1,750,000 up to $4,000,000, 4% of the amount of Transaction Goodwill in excess of $4,000,000 up to $6,000,000, and 5% of the amount of Transaction Goodwill in excess of $6,000,000. Under the foregoing formula, Mr. McBey would have received a bonus of $732,500 upon the Wilson-Davis Closing. Upon the closing of the Business Combination, Mr. McBey received a $100,000 cash bonus.

Equity Incentive Plan

In connection with the Business Combination, the Board adopted and the stockholders approved the AtlasClear Holdings, Inc. 2024 Equity Incentive Plan (the "Incentive Plan"), which allows the compensation committee to provide cash incentive awards to selected officers and key employees, including our executive officers, based upon performance goals established by the compensation committee.

The purpose of the Incentive Plan is to enhance the Company's ability to attract, retain and incentivize employees, independent contractors and directors and promote the success of its business. The Board anticipates that equity compensation will be a vital element of the Company's compensation program and believes the Incentive Plan is critical in enabling the Company to grant stock awards as

an incentive and retention tool as the Company continues to compete for talent. The Incentive Plan permits the grant of incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock, restricted stock units and stock bonus awards. No awards have been granted under the Incentive Plan as of the date of this Form 10-KT.

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

The following table sets forth information known to the Company regarding the beneficial ownership of shares of Common Stock as of October 7, 2024:

- each person who is the beneficial owner of more than 5% of the outstanding shares of Common Stock;
- the Company's executive officers and directors; and
- all of the Company's executive officers and directors as a group.

Beneficial ownership is determined according to the rules of the SEC, which generally provide that a person has beneficial ownership of a security if he, she or it possesses sole or shared voting or investment power over that security, including warrants that are currently exercisable or exercisable within 60 days. In computing the number of shares of Common Stock beneficially owned by a person and the percentage ownership, the Company deemed outstanding shares of Common Stock subject to warrants held by that person that are currently exercisable or exercisable within 60 days of the Closing Date. The Company did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person.

Unless otherwise indicated, the Company believes that all persons named in the table have sole voting and investment power with respect to all shares of Common Stock beneficially owned by them.

Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o AtlasClear Holdings, Inc., 2203 Lois Avenue, Suite 814, Tampa, FL 33607.

The percentage ownership of Common Stock is based on 23,275,171 shares of Common Stock outstanding as of October 7, 2024.

Name and Address of Beneficial Owner[1]	Number of Shares Beneficially Owned	Approximate Percentage of Outstanding Shares of Common Stock
Directors and executive officers of AtlasClear Holdings:		
Robert McBey(2)	977,454	4.2 %
Thomas J. Hammond(3)	122,402	*
Sandip I. Patel(4)	597,282	2.6 %
Craig Ridenhour	—	—
John Schaible(5)	1,135,874	4.9 %
Mark S. Smith	—	—
Richard Barber(6)	65,000	*
All directors and executive officers as a group (7 individuals)	2,898,012	12.5 %
Five Percent Holders:		
Atlas FinTech Holdings Corp.(7)	6,278,276	27.0 %
Quantum Ventures LLC(8)	1,614,998	6.9 %
Chardan Quantum LLC(9)	1,202,284	5.2 %
Funicular Funds, LP(10)	1,176,997	5.1 %
Dark Forest Capital Management LP(11)	1,348,563	5.8 %

* Less than 1%.

(1) Unless otherwise noted, the business address of each of the following entities or individuals is c/o AtlasClear Holdings, Inc., 2203 Lois Avenue, Suite 814, Tampa, FL 33607.

(2) Consists of (i) 950,000 Merger Consideration Shares received in the Business Combination and (ii) interest payments on Mr. McBey's Seller Notes in the form of shares of Common Stock.

(3) Consists of (i) 42,348 shares of Common Stock and (ii) Private Warrants to purchase 80,054 shares of Common Stock that are currently exercisable.

(4) Consists of (i) 243,194 shares of Common Stock and (ii) Private Warrants to purchase 354,088 shares of Common Stock that are currently exercisable.

(5) Consists of (i) 432,734 shares of Common Stock and (ii) Private Warrants to purchase 703,140 shares of Common Stock that are currently exercisable.

(6) Consists of (i) 25,000 shares of Common Stock and (ii) Private Warrants to purchase 40,000 shares of Common Stock that are currently exercisable.

(7) Consists of (i) 3,490,000 Merger Consideration Shares received in the Business Combination and (ii) 2,788,276 shares of Common Stock issued to Atlas FinTech in satisfaction of certain fees owed by the Company to Atlas FinTech. AtlasBanc holds a 37.3% ownership interest in AtlasFinech but has sole power to vote or direct the vote of 64% or 2,233,600 of the shares of Common Stock. The remaining voting interests of AtlasBanc are held by individual investors, none of which holds more than a 2.5% voting interest in Atlas Fintech. AtlasBanc has three board members, including John Schaible, our Executive Chairman and Craig Ridenhour, our President and director. Any action by AtlasBanc with respect to the shares of Common Stock held by it, including voting and dispositive decisions, requires a majority vote of the board of directors. Accordingly, under the so-called "rule of three," because voting and dispositive decisions are made by a majority of the AtlasBanc's board of directors, none of AtlasBanc's directors is deemed to be a beneficial owner of Atlas FinTech's securities, even those in which such director holds a pecuniary interest. Accordingly, neither Mr. Schaible nor Mr. Ridenhour is deemed to have or share beneficial ownership of the shares of Common Stock held by Atlas Fintech.

(8) Consists of (i) 1,614,996 shares of Common Stock and (ii) Private Warrants to purchase two shares of Common Stock that are currently exercisable. The shares reported above are held in the name of Quantum Ventures LLC. Messrs. Schaible and Patel are two of the three managers of Quantum Ventures LLC. Any action by Quantum Ventures LLC with respect to the Founder Shares held by it, including voting and dispositive decisions, requires a majority vote of the board of managers. Accordingly, under the so-called "rule of three," because voting and dispositive decisions are made by a majority of Quantum Ventures LLC's managers, none of the managers of Quantum Ventures LLC is deemed to be a beneficial owner of Quantum Ventures LLC's securities, even those in which such manager holds a pecuniary interest. Accordingly, none of such individuals is deemed to have or share beneficial ownership of the shares held by Quantum Ventures LLC.

(9) According to a Schedule 13G filed with the SEC on February 26, 2024, by Chardan Quantum LLC, Chardan Capital Markets LLC, Jonas Grossman, Steven Urbach, and Kerry Propper (collectively, the "Chardan Reporting Persons") with respect to the shares beneficially owned and held by the Chardan Reporting Persons. The shares reported in this Schedule 13G consist of (i) 949,084 shares of Common Stock held by Chardan Quantum LLC, (ii) 253,200 of the shares of Common Stock issuable upon exercise of Private Warrants and (iii) 253,200 of the shares of Common Stock issuable upon conversion of the Chardan Note. The Private Warrants and Chardan Note are currently exercisable/convertible, but contain provisions preventing their exercise or conversion to the extent that such exercise or conversion would result in the holder (together with its affiliates) obtaining greater than 9.99% of the Common Stock outstanding immediately after giving effect to such exercise or conversion. The amounts reported below represent the number of shares of Common Stock that would be issuable upon exercise/conversion of the Private Warrants and Chardan Note giving effect to these blocking provisions, and do not include additional shares underlying the Private Warrants and Chardan Note. The Chardan Note is convertible at the election of the holder at a conversion price equal to 90% of the VWAP of the Common Stock for the trading day immediately preceding the applicable conversion date. Mr. Grossman, as managing member of Chardan Quantum, may be deemed to beneficially own the shares (including shares underlying Private Warrants) held directly by Chardan Quantum, representing 9.99% of the Issuer's Common Stock outstanding immediately after giving effect to such exercise. Each of Mr. Grossman, Mr. Urbach and Mr. Propper, as the members of CCM, may be deemed to beneficially own the shares underlying the Chardan Note held directly by CCM, representing approximately 2.1% of the Common Stock outstanding immediately after giving effect to such conversion. The business address of Chardan Quantum LLC is 17 State Street, New York, NY 10004.

(10) According to a Schedule 13G filed with the SEC on February 16, 2024 by Funicular Funds, LP (the "Fund") with respect to the shares beneficially owned and held by the Fund. The General Partner of the Fund is Cable Car Capital LLC ("Cable Car"). Jacob Ma-Weaver is the Managing Member of Cable Car and the ultimate individual responsible for directing the voting and disposition of shares held by the Fund. Cable Car, as the General Partner of the Fund, may be deemed the beneficial owner of all the shares owned by the Fund. Mr. Ma-Weaver, as the Managing Member of Cable Car, may be deemed the beneficial owner of all the shares owned by the Fund. The number of shares held by Funicular Funds, LP is reported as of February 16, 2024, as stated in the Schedule 13G. In addition, pursuant to the Funicular Purchase Agreement, at the Closing the Sponsor transferred 600,000 Founder Shares and 600,000 Private Warrants to the Fund. The address for the Fund and Cable Car is 2261 Market Street #4307, San Francisco, CA 94114.

(11) According to a Schedule 13G filed with the SEC on November 8, 2021 by Dark Forest Capital Management LP, (the "Firm"), and Dark Forest Global Equity Master Fund LP ("Dark Forest Master"). The Firm and Dark Forest Master share voting and dispositive power with respect to all of the securities. The Firm, as the investment manager to Dark Forest Master, may be deemed to beneficially own these securities. Jacob Kline is the managing member of the general partner of the Firm and exercises investment discretion with respect to these securities. The number of shares held by Firm and Dark Forest Master is reported as of October 28, 2021, as stated in the Schedule 13G, which does not reflect any redemption of shares by Quantum in connection with extensions of the deadlines to complete its business combination or the business combination itself, or any other transactions after October 28, 2021. The address for the Firm and Dark Forest Master is 151 West Avenue, Darien, Connecticut 06820.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Pre-Business Combination Quantum Related Person Transactions

On October 23, 2020, Quantum Ventures purchased 4,312,500 founder shares from Quantum for $25,000, or $0.006 per share. In January 2021, Quantum Ventures sold 813,500 founder shares to Chardan Quantum and 35,000 founder shares to each of its directors, in each case at the original price per share, resulting in Quantum Ventures holding a balance of 3,254,000 founder shares. We refer to these shares held by Quantum Ventures, Chardan Quantum, and Quantum's officers and directors as "founder shares." On February 4, 2021, Quantum effected a stock dividend of 718,750 shares with respect to its common stock, resulting in its initial stockholders holding an aggregate of 5,031,250 founder shares.

On February 9, 2021, Quantum Ventures purchased from Quantum 4,450,000 Private Warrants and Chardan Quantum purchased from Quantum 1,112,500 Private Warrants, in each case, at a price of $1.00 per warrant, for an aggregate purchase price of $5,562,500 in a private placement that closed simultaneously with the closing of Quantum's IPO. Each Private Warrant is exercisable for one (1) share of Common Stock at an exercise price of $11.50 per share.

On February 12, 2021, the underwriters fully exercised their over-allotment option, resulting in Quantum Ventures purchasing an additional 472,500 Quantum Private Warrants from Quantum and Chardan Quantum purchasing an additional 118,125 Private Warrants from Quantum, in each case, at a price of $1.00 per warrant for an aggregate additional purchase price of $590,625. The Quantum Private Warrants are identical to the warrants sold as part of the public units in the IPO except that (i) each Private Warrant is exercisable for one share of Common Stock at an exercise price of $11.50 per share, and (ii) the Private Warrants are non-redeemable and may be exercised on a cashless basis, in each case so long as they continue to be held by the initial purchasers or their permitted transferees.

Commencing on February 4, 2021 through the completion of its initial business combination, Quantum had agreed to pay to Quantum Ventures a fee of $10,000 per month for providing Quantum with office space and certain office and secretarial services. Quantum cancelled this agreement effective May 9, 2023.

In order to meet its working capital needs, Quantum's initial stockholders, officers and directors and their respective affiliates may have, but were not obligated to, loan Quantum funds, from time to time or at any time, in whatever amount they deemed reasonable in their sole discretion. Each loan was evidenced by a promissory note. The notes would have either been paid upon consummation of an initial business combination, without interest, or, at the lender's discretion, up to $1,500,000 of the notes may have been converted upon consummation of Quantum's business combination into additional Private Warrants to purchase shares of Common Stock at a conversion price of $1.00 per Private Warrant.

In October 2021, Quantum Ventures committed to provide us up to $2,000,000 in Working Capital Loans. In February 2022, Quantum Ventures committed to provide us up to an additional $1,000,000 for a total of $3,000,000 in Working Capital Loans. Refer to Note 5 of our financial statements.

On March 14, 2022, Quantum issued an unsecured promissory note, effective as of January 3, 2022, in the amount of up to $480,000 to Quantum Ventures as evidence of the working capital loans. The note bore no interest and was payable in full upon the earlier (i) February 9, 2023 and (ii) the effective date of the consummation of Quantum's initial business combination. The note was required to be repaid in cash at the closing of the Business Combination and was not convertible into Private Warrants. A principal balance of $480,000 had been advanced under the note. On February 9, 2024, upon the closing of the Business Combination, the unsecured promissory note, amont other indebtedness, was settled with the issuance of 2,000,000 shares described below.

In connection with the closing of the Business Combination the Company issued 2,000,000 shares of Common Stock to Qvent, LLC, an affiliate of Quantum Ventures, in settlement of an aggregate of $4,577,569 advanced to Quantum through the closing date of the Business Combination.

The holders of founder shares, as well as the holders of the Private Warrants (and all underlying securities), were entitled to registration and stockholder rights pursuant to a registration and stockholder rights agreement. The holders of a majority of these securities were entitled to make up to two demands that Quantum register such securities. In addition, the holders had certain "piggy-back" registration rights with respect to registration statements filed subsequent to Quantum's consummation of a business combination. Notwithstanding the foregoing, Chardan Quantum may not exercise its demand and "piggyback" registration rights after February 4, 2026 and February 4, 2028, respectively, and may not exercise its demand rights on more than one occasion. We will bear the expenses incurred in connection with the filing of any such registration statements.

On October 1, 2020, we issued an unsecured promissory note to Quantum Ventures, pursuant to which we were entitled to borrow up to an aggregate principal amount of $200,000. The promissory note was non-interest bearing and payable on the earlier of (i) January 31, 2021 and (ii) the completion of the IPO. As of December 31, 2020, there was $130,100 in borrowings outstanding under the promissory note. The outstanding balance under the promissory note was repaid at the closing of the IPO on February 9, 2021.

We entered into indemnity agreements with each of our officers and directors. These agreements require us to indemnify these individuals to the fullest extent permitted under Delaware law and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified to the fullest extent permitted by applicable law and our amended and restated articles of incorporation.

We paid to Chardan an underwriting discount of $0.225 per unit purchased by it in our IPO. We also engaged Chardan as an advisor in connection with our business combination, pursuant to the Business Combination Marketing Agreement. We agreed to pay Chardan a marketing fee for such services upon the consummation of our initial business combination in an amount equal to, $7,043,750, or 3.5% of the gross proceeds of the IPO, including the proceeds from the full exercise of the underwriters' over-allotment option. In connection with the Closing, AtlasClear Holdings and Chardan agreed that the fee, in the amount of $7,043,750 would be waived in exchange for the issuance by AtlasClear Holdings to Chardan of a convertible promissory note in the aggregate principal amount of $4,150,000.

Pre-Business Combination Wilson-Davis and AtlasClear Related Party Transactions

Mr. McBey entered into an employment agreement with Wilson-Davis, effective as of March 1, 2020, which terminated prior to the Closing. Mr. McBey's employment agreement provided for him to receive a bonus upon Wilson-Davis' completion of the Business Combination. The bonus was to be determined in part based upon the defined "Transaction Goodwill," which was set forth in the Broker-Dealer Acquisition Agreement as $20,000,000. That bonus would have included $100,000 plus an amount equal to 2% of the first $1,750,000 of the amount of Transaction Goodwill, 3% of the Transaction Goodwill in excess of $1,750,000 up to $4,000,000, 4% of the amount of Transaction Goodwill in excess of $4,000,000 up to $6,000,000, and 5% of the amount of Transaction Goodwill in excess of $6,000,000. Under the foregoing formula, Mr. McBey would have received a bonus of $732,500 upon the Wilson-Davis Closing. Upon the closing of the Business Combination, Mr. McBey received a $100,000 cash bonus and $267,509 in Short Term Notes and $344,991 in Long Term Notes. The Short-Term Notes accrue interest at a rate of 9% per annum, payable quarterly in arrears, in shares of Common Stock at a rate equal to 90% of the trailing seven-trading day VWAP prior to payment (or, at the Company's option, cash), and are convertible at the option of the holder at any time during the continuance of an event of default, at a rate equal to 90% of the trailing seven-trading day VWAP prior to conversion. The Long-Term Notes accrue interest at a rate of 13% per annum, payable quarterly in arrears, in shares of Common Stock at a rate equal to 90% of the trailing seven-trading day VWAP prior to payment (or, at the Company's option, in cash), and are convertible at the option of the holder at any time commencing six months after the Closing

Date, at a rate equal to 90% of the trailing seven-trading day VWAP prior to conversion (or 85% if an event of default occurs and is continuing).

Between 2003 and 2008, Wilson-Davis entered into six subordinated loan agreements totaling $650,000, all of which is payable to current and former officers and directors of Wilson-Davis. The agreements renew annually and provide for interest at 5% per annum. Wilson-Davis anticipates that all notes will be renewed for additional one-year periods, unless circumstances or Wilson-Davis requirements change. The loan principal and interest are unsecured and subordinated in right of payment to all claims of present and future creditors of Wilson-Davis. These subordinated loans were not repaid upon Closing.

On November 16, 2022, AtlasClear, Atlas FinTech, and Atlas Financial Technologies, Corp., a subsidiary of Atlas FinTech, entered into the Contribution Agreement. Pursuant to the Contribution Agreement, Atlas FinTech and Atlas Financial Technologies, Corp. transferred to AtlasClear their right, title and interest in and to certain software products and intellectual property. Additionally, Atlas FinTech agreed to transfer its membership interests in Quantum Ventures and all of its right, title and interest in the underlying Founder Shares to AtlasClear.

In October 2023, certain investors provided an aggregate of $1,300,000 in subordinated demand notes which were funded on October 13, 2023. The investors included Mr. Schaible who funded $250,000 through a wholly-owned entity, Mr. Barber who funded $75,000 and other owners of Wilson-Davis. The demand notes are expected to mature on October 13, 2024 and have an interest rate of 5% per annum, payable quarterly.

Post-Business Combination Related Party Transactions

On February 16, 2024, AtlasClear and Pacsquare entered into the Pacsquare Purchase Agreement, pursuant to which certain technology assets were transferred to AtlasClear. The purchase price for the assets was $4.8 million as follows: (i) $1.9 million, consisting of (A) $100,000 payable in a cash upon delivery of the source code and execution of the Pacsquare Purchase Agreement; (B) $850,000 payable in shares of Common Stock at a price of $6.00 per share; and (C) $950,000 to be paid in four monthly installments of $237,500, payable in cash or shares of Common Stock at the price per share on the day of issuance provided the On-line Account Application and Level one Trading Platform have been delivered, and final payment for this part of the software is dependent on connectivity to FIS at the sole discretion of AtlasClear and (ii) $2.9 million to be paid ratably on a module-by-module basis upon delivery and acceptance of each of the AtlasClear Platform modules. Following the Closing, Mr. Schaible, Executive Chairman of AtlasClear and Mr. Ridenhour, President and a director of AtlasClear, each have a less than 10% ownership interest in Atlas FinTech which, prior to the Business Combination, owned 50% of AtlasClear. Mr. McBey, Chief Executive Officer of AtlasClear Holdings and AtlasClear, also had a 50% ownership interest in AtlasClear prior to the Business Combination.

On August 9, 2024, Atlas FinTech and the Company entered into the Atlas FinTech Agreement pursuant to which the Company issued to Atlas FinTech 2,788,276 shares of Common Stock in settlement of $803,860 of expenses that were paid by Atlas FinTech in connection with a previous proposed business combination of Quantum.

The Company entered into a Registration Rights and Lock-Up Agreement with AtlasClear's stockholders and Quantum Ventures, effective as of the closing of the Business Combination, pursuant to which the Company agreed, among other things, to provide the parties thereto customary demand, shelf and piggy-back rights on secondary offerings, subject to customary cut-back provisions and coordinated offerings. In connection therewith, the Company filed a resale shelf registration statement that was declared effective by the SEC (File No. 333-279390) and agreed to effect up to five underwritten offerings each expected to yield gross proceeds of more than $10 million.

Director Independence

The Board determined, based on information provided by each director concerning his background, employment and affiliations, that Thomas J. Hammond and Sandip I. Patel and Mark S. Smith, representing three of the Company's six directors, do not have material relationships with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company) that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is "independent" as that term is defined under the NYSE American listing standards and the rules of the SEC relating to director independence requirements. In making these determinations, the Board considered the current and prior relationships that each non-employee director has with the Company and all other facts and circumstances the Board deemed relevant in determining their independence, including the beneficial ownership of the Company's securities by non-employee directors and the transactions described above under the heading "Certain Relationships and Related Party Transactions" of this Transition Report.

Item 14. Principal Accountant Fees and Services

On February 15, 2024, Marcum LLP was dismissed as Quantum's independent registered public accounting firm, as AtlasClear Holdings engaged Wilson-Davis' auditor, Haynie & Company ("Haynie"), as its independent registered public accounting firm following the closing of the Business Combination. Since February 15, 2024, Haynie acts as our independent registered public accounting firm. The following is a summary of fees paid to Haynie for services rendered.

Audit Fees. Audit fees consist of fees billed for professional services rendered for the audit of (i) Quantum's financial statements for the year ended December 31, 2023 in the amount of $38,000, and (ii) the Company's financial statements for the six months ended June 30, 2024 in the amount of $115,213.

Audit-Related Fees. Audit-related services consist of fees billed for assurance and related services that are reasonably related to performance of the audit or review of our financial statements and are not reported under "Audit Fees." These services include attest services that are not required by statute or regulation and consultations concerning financial accounting and reporting standards. We did not pay Haynie for consultations concerning financial accounting and reporting standards for the year ended December 31, 2023 and for the six months ended June 30, 2024.

Tax Fees. We did not pay Haynie for tax planning and tax advice for the year ended December 31, 2023 and the six months ended June 30, 2024.

All Other Fees. We did not pay Haynie for other services for the year ended December 31, 2023 and the six months ended June 30, 2024.

Pre-Approval Policy

The audit committee has and will pre-approve all audit services and permitted non-audit services to be performed for us by our auditors, including the fees and terms thereof (subject to the *de minimis* exceptions for non-audit services described in the Exchange Act which are approved by the audit committee prior to the completion of the audit).

PART IV

Item 15. Exhibit and Financial Statement Schedules

(a) Documents filed as part of this report

(1) All financial statements

(2) Financial Statement Schedules

All financial statement schedules are omitted because they are either inapplicable or not required, or because the required information is included in the Consolidated Financial Statements or notes thereto contained in this Transition Report.

(3) Exhibits required by Item 601 of Regulation S-K

Exhibit No.	Description
2.1†	Business Combination Agreement, dated as of November 16, 2022, by and among Quantum FinTech Acquisition Corporation, Calculator New Pubco, Inc., Calculator Merger Sub 1, Inc., Calculator Merger Sub 2, Inc., AtlasClear, Inc., Atlas FinTech Holdings Corp. and Robert McBey (incorporated by reference to Exhibit 2.1 to Quantum's Current Report on Form 8-K (File No. 001-40009), filed with the SEC on November 17, 2022).
2.1(a)	Amendment No. 1 to Business Combination Agreement, dated as of April 28, 2023, by and between Quantum FinTech Acquisition Corporation and AtlasClear, Inc. (incorporated by reference to Exhibit 2.1 to Quantum's Current Report on Form 8-K (File No. 001-40009), filed with the SEC on May 2, 2023).
2.1(b)	Amendment No. 2 to Business Combination Agreement, dated as of August 8, 2023, by and between Quantum FinTech Acquisition Corporation and AtlasClear, Inc. (incorporated by reference to Exhibit 2.1 to Quantum's Current Report on Form 8-K (File No. 001-40009), filed with the SEC on August 10, 2023).
2.1(c)	Business Combination Agreement Waiver, dated as of October 19, 2023 by and between Quantum FinTech Acquisition Corporation and AtlasClear, Inc. (incorporated by reference to Exhibit 2.1 to Quantum's Current Report on Form 8-K (File No. 001-40009), filed with the SEC on October 20, 2023).
2.1(d)	Amendment No. 3 to Business Combination Agreement, dated as of November 6, 2023, by and between Quantum FinTech Acquisition Corporation and AtlasClear, Inc. (incorporated by reference to Exhibit 2.1 to Quantum's Current Report on Form 8-K (File No. 001-40009), filed with the SEC on November 6, 2023).
2.1(e)	Amendment No. 4 to Business Combination Agreement, dated as of November 22, 2023, by and between Quantum FinTech Acquisition Corporation and AtlasClear, Inc. (incorporated by reference to Exhibit 2.1 to Quantum's Current Report on Form 8-K (File No. 001-40009), filed with the SEC on November 24, 2023).
2.1(f)	Amendment No. 5 to Business Combination Agreement, dated as of December 14, 2023, by and between Quantum FinTech Acquisition Corporation and AtlasClear, Inc. (incorporated by reference to Exhibit 2.1 to Quantum's Current Report on Form 8-K (File No. 001-40009), filed with the SEC on December 15, 2023).
2.1(g)	Amendment No. 6 to Business Combination Agreement, dated as of January 8, 2024, by and between Quantum FinTech Acquisition Corporation and AtlasClear, Inc. (File No. 001-40009), filed with the SEC on January 9, 2024).
3.1	Amended and Restated Certificate of Incorporation of AtlasClear Holdings, Inc. (formerly Calculator New Pubco, Inc.) (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on February 15, 2024).
3.2	Amended and Restated By-Laws of AtlasClear Holdings, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on February 15, 2024).
4.1	Assignment, Assumption and Amendment Agreement, dated as of February 9, 2024, by and among Quantum FinTech Acquisition Corporation, Calculator New Pubco, Inc. and Continental Stock Transfer & Trust Company. (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on February 15, 2024).
4.2*	Description of Registrant's Securities.
10.1†	Securities Purchase Agreement, dated as of February 9, 2024, among Quantum FinTech Acquisition Corporation, AtlasClear Holdings, Inc. (formerly Calculator New Pubco, Inc.) and Funicular Funds, LP. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on February 15, 2024).
10.2†	Secured Convertible Promissory Note, dated as of February 9, 2024, between AtlasClear Holdings, Inc. and Funicular Funds, LP, in favor of Funicular Funds, LP. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on February 15, 2024).

10.3	Guaranty, dated as of February 9, 2024, by and among the Guarantors identified on the signature page thereto and each other Person that becomes a party hereto pursuant to Section 19, for the benefit of Funicular Funds, LP. (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on February 15, 2024).
10.4†	Security Agreement, dated as of February 9, 2024, by and among AtlasClear Holdings, Inc. and each other Grantor from time to time party thereto and Funicular Funds, LP. (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on February 15, 2024).
10.5	Registration Rights Agreement, dated as of February 9, 2024, by and among AtlasClear Holdings, Inc. (formerly Calculator New Pubco, Inc.) and Funicular Funds, LP. (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on February 15, 2024).
10.6	Convertible Promissory Note, dated as of February 9, 2024, in favor of Chardan Capital Markets, LLC. (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on February 15, 2024).
10.7	Registration Rights Agreement, dated as of February 9, 2024, by and between AtlasClear Holdings, Inc. and Chardan Capital Markets, LLC. (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on February 15, 2024).
10.8	Agreement and Plan of Merger, dated November 16, 2022, by and among AtlasClear, Inc. and Commercial Bancorp and, with respect to Section 6.16 only, AtlasClear Holdings, Inc. (formerly Calculator New Pubco, Inc.) (incorporated by reference to Exhibit 10.3 to Quantum's Current Report on Form 8-K, filed on November 17, 2022).
10.9	Assignment and Assumption Agreement and Bill of Sale, dated November 16, 2022, by and among AtlasClear, Atlas FinTech, and Atlas Financial Technologies, Corp. (incorporated by reference to Exhibit 10.9 to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on February 15, 2024).
10.10	Stock Purchase Agreement, dated April 15, 2022, by and among Wilson-Davis & Co., Inc., all of its Stockholders and AtlasClear, Inc. (inadvertently identified as "Atlas Clear Corp." in the Stock Purchase Agreement). (incorporated by reference to Exhibit 10.10 to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on February 15, 2024).
10.10(a)	Amendment to Stock Purchase Agreement, dated as of June 15, 2022, by and among Wilson-Davis & Co., Inc., the individuals and entities listed in Exhibit A thereto, and AtlasClear, Inc. (incorporated by reference to Exhibit 10.10(a) to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on February 15, 2024).
10.10(b)	Amendment No. 2 to Stock Purchase Agreement, dated as of November 15, 2022, by and among Wilson-Davis & Co. Inc., the individuals and entities listed in Exhibit A thereto and AtlasClear, Inc. (incorporated by reference to Exhibit 10.10(b) to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on February 15, 2024).
10.10(c)	Amendment No. 3 to Stock Purchase Agreement, dated as of May 30, 2023, by and among Wilson-Davis & Co. Inc., the individuals and entities listed in Exhibit A thereto and AtlasClear, Inc. (incorporated by reference to Exhibit 10.10(c) to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on February 15, 2024).
10.10(d)	Amendment No. 4 to Stock Purchase Agreement, dated as of August 8, 2023, by and among Wilson-Davis & Co. Inc., the individuals and entities listed in Exhibit A thereto and AtlasClear, Inc. (incorporated by reference to Exhibit 10.10(d) to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on February 15, 2024).
10.10(e)	Amendment No. 5 to Stock Purchase Agreement, dated as of November 6, 2023, by and among Wilson-Davis & Co. Inc., the individuals and entities listed in Exhibit A thereto and AtlasClear, Inc. (incorporated by reference to Exhibit 10.10(e) to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on February 15, 2024).

10.10(f)	Amendment No. 6 to Stock Purchase Agreement, dated as of November 22, 2023, by and among Wilson-Davis & Co. Inc., the individuals and entities listed in Exhibit A thereto and AtlasClear, Inc. (incorporated by reference to Exhibit 10.10(f) to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on February 15, 2024).
10.10(g)	Amendment No. 7 to Stock Purchase Agreement, dated as of December 14, 2023, by and among Wilson-Davis & Co. Inc., the individuals and entities listed in Exhibit A thereto and AtlasClear, Inc. (incorporated by reference to Exhibit 10.10(g) to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on February 15, 2024).
10.10(h) †	Amendment No. 8 to Stock Purchase Agreement, dated as of January 9, 2024, by and among Wilson-Davis & Co. Inc., the individuals and entities listed in Exhibit A thereto and AtlasClear, Inc. (incorporated by reference to Exhibit 10.10(h) to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on February 15, 2024).
10.10(i)	Amendment No. 9 to Stock Purchase Agreement, dated as of February 7, 2024, by and among Wilson-Davis & Co. Inc., the individuals and entities listed in Exhibit A thereto and AtlasClear, Inc. (incorporated by reference to Exhibit 10.10(i) to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on February 15, 2024).
10.11	Parent Guaranty and Registration Rights Agreement, dated as of January 9, 2024, by and among AtlasClear Holdings, Inc. and the persons listed on the signature pages thereto. (incorporated by reference to Exhibit 10.11 to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on February 15, 2024).
10.12#	AtlasClear Holdings, Inc. 2024 Equity Incentive Plan (incorporated by reference to Exhibit 10.12 to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on February 15, 2024).
10.13#	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.13 to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on February 15, 2024).
10.14	Source Code Purchase and Master Services Agreement, dated as of February 16, 2024, by and between Pacsquare Technologies LLC and AtlasClear, Inc. (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K (File No. 001-41956), filed with the SEC on April 16, 2024).
10.15	At-the-Market Agreement, dated as of July 31, 2024, between AtlasClear Holdings Corporation and Tau Investment Partners LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on August 2, 2024).
19*	Insider Trading Policy.
21.1	List of Subsidiaries. (incorporated by reference to Exhibit 21.1 to the Company's Current Report on Form 8-K (File No. 001-41956), filed with the SEC on February 15, 2024).
31.1*	Certification of the Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a).
31.2*	Certification of the Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a).
32.1**	Certification of the Chief Executive Officer and the Chief Financial Officer required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350.
97.1	Clawback Policy (incorporated by reference to Exhibit 97.1 to the Company's Annual Report on Form 10-K (File No. 001 41956), filed with the SEC on April 16, 2024).
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

* Filed herewith.

** Furnished herewith.

† Certain of the exhibits and schedules to this Exhibit have been omitted in accordance with Regulation S-K Item 601(a)(5). The registrant agrees to furnish a copy of all omitted exhibits and schedules to the SEC upon its request.

# Indicates management contract or compensatory plan, contract or arrangement.

Item 16. Form 10-K Summary

None.

SIGNATURES

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

AtlasClear Holdings, Inc.

Date: October 15, 2024

/s/ Robert McBey
Name: Robert McBey
Title: Chief Executive Officer
(Principal Executive Officer)

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

Signature	Title	Date
/s/ Robert McBey Robert McBey	Chief Executive Officer and Director (Principal Executive Officer)	October 15, 2024
/s/ Richard Barber Richard Barber	Chief Financial Officer (Principal Financial and Accounting Officer)	October 15, 2024
/s/ John Schaible John Schaible	Executive Chairman	October 15, 2024
/s/ Craig Ridenhour Craig Ridenhour	President and Director	October 15, 2024
/s/ Thomas J. Hammond Thomas J. Hammond	Director	October 15, 2024
/s/ Sandip I. Patel Sandip I. Patel	Director	October 15, 2024
/s/ Mark S. Smith Mark S. Smith	Director	October 15, 2024

Exhibit 4.2

ATLASCLEAR HOLDINGS, INC.
DESCRIPTION OF SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934

The following summary of the material terms of the securities of AtlasClear Holdings, Inc., a Delaware corporation ("we," "us," "our" or "the company"), is not intended to be a complete summary of the rights and preferences of such securities and is subject to and qualified by reference to our second amended and restated certificate of incorporation, as amended (the "Charter"), our amended and restated bylaws, as amended (the "Bylaws"), and the warrant agreement, dated as of February 4, 2021, between the Quantum FinTech Acquisition Corporation ("Quantum") and Continental Stock Transfer & Trust Company ("Continental"), as amended by the assignment, assumption and amendment agreement, dated February 9, 2024, among the company, Quantum and Continental (as amended, the "Warrant Agreement"), in each case incorporated by reference as exhibits to the company's Annual Report on Form 10-KT for the transition period ended June 30, 2024 (the "Report"), and applicable Delaware law, including the Delaware General Corporation Law (the "DGCL"). We urge you to read the Charter, the Bylaws and the Warrant Agreement in their entireties for a complete description of the rights and preferences of our securities.

General

We are authorized to issue 100,000,000 shares of common stock, par value $0.0001 per share, and 1,000,000 shares of preferred stock, par value $0.0001 per share. No shares of preferred stock are currently outstanding.

common stock

Voting Power

Our stockholders of record are entitled to one vote for each share held on all matters to be voted on by stockholders. Except as otherwise required by law or as otherwise provided in any certificate of designation for any series of preferred stock, the holders of our common stock possess all voting power for the election of our directors and all other matters requiring stockholder action. No holder of any series of preferred stock, as such, shall be entitled to any voting powers in respect thereof.

Liquidation, Dissolution and Winding Up

Subject to applicable law, and the rights, if any, of the holders of any outstanding series of the preferred stock, in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the company, after payment or provision for payment of the debts and other liabilities of the company, the holders our common stock shall be entitled to receive all the remaining assets of the company available for distribution to our stockholders, ratably in proportion to the number of shares of common stock held by them.

Election of Directors

Our board of directors is elected by a plurality of the votes cast at each annual meeting of stockholders. Each director will hold office until the next succeeding annual meeting and until his or her successor is elected and qualified, or until such director's earlier death, resignation, disqualification or removal. There is no cumulative voting with respect to the election of directors.

Conversion, Redemption and Preemptive Rights

Our stockholders have no conversion, preemptive or other subscription rights and there are no sinking fund or redemption provisions applicable to the shares of common stock.

Warrants

Our outstanding warrants consist of warrants initially sold in our initial public offering (the "public warrants") and warrants initially sold in a private placement concurrently with our initial public offering (the "private placement warrants" and, together with the public warrants, the "warrants") to our initial stockholders. The private placement warrants are identical to the public warrants, except that, for so long as they are held by the initial stockholders or their permitted transferees, the private placement warrants may be exercised for cash or on a "cashless basis" and are not redeemable by us.

The warrants are issued in registered (book-entry) form under a warrant agreement between us and Continental, as warrant agent. Pursuant to the warrant agreement, a holder may exercise its warrants only for a whole number of shares of common stock. This means that only a whole warrant may be exercised at any given time by a holder.

Each whole warrant entitles the registered holder to purchase one whole share of common stock at a price of $11.50 per share, subject to adjustment as discussed below, at any time commencing 30 days after February 9, 2024, the closing date of our initial business combination (the "Closing Date"), provided that a registration statement under the Securities Act of 1933, as amended (the "Securities Act") covering the shares of common stock issuable upon exercise of the warrants is then effective and a current prospectus relating thereto is available (or holders are permitted to exercise their warrants on a cashless basis under the circumstances specified in the warrant agreement) and such shares are registered, qualified or exempt from registration under the securities, or blue sky, laws of the state of residence of the holder. The warrants will expire at 5:00 p.m., New York City time, on February 9, 2029, which is the fifth anniversary of the Closing Date, or earlier upon redemption or liquidation.

Public Warrants

We are not be obligated to deliver any common stock pursuant to the exercise of a public warrant and have no obligation to settle such warrant exercise unless a registration statement under the Securities Act with respect to the common stock underlying the public warrants is then effective and a prospectus relating thereto is current, subject to us satisfying our obligations described below with respect to registration. No public warrant will be exercisable and we will not be obligated to issue a share of common stock upon exercise of a public warrant unless the share of common stock issuable upon such warrant exercise has been registered, qualified or deemed to be exempt under the securities laws of the state of residence of the registered holder of the public warrants. In the event that the conditions in the two immediately preceding sentences are not satisfied with respect to a public warrant, the holder of such warrant will not be entitled to exercise such warrant and such warrant may have no value and expire worthless. In no event will we be required to net cash settle any public warrant.

The shares issuable upon exercise of the public warrants were previously registered under the registration statement relating to our initial public offering. However, because the public warrants will be exercisable until their expiration date, in order to comply with the requirements of Section 10(a)(3) of the Securities Act following the consummation of our initial business combination, we have agreed pursuant to the warrant agreement that we will use our commercially reasonable efforts to file with the Securities and Exchange Commission (the "SEC") a post-effective amendment to the registration statement relating to the IPO, or a new registration statement, for the registration, under the Securities Act, of the common stock issuable upon exercise of the public warrants. We will use our commercially reasonable efforts to cause the same to become effective and to maintain the effectiveness of such registration statement, and a current prospectus relating thereto, until the expiration or redemption of the public warrants in accordance with the provisions of the warrant agreement. Holders of public warrants may, until such time as there is an effective registration statement and during any period when we will have failed to maintain an effective registration statement, exercise public warrants on a "cashless basis" in accordance with Section 3(a)(9) of the Securities Act or another exemption. Notwithstanding the above, if the common stock is at the time of any exercise of a public warrant not listed on a national securities exchange such that they satisfy the definition of a "covered security" under Section 18(b)(1) of the Securities Act, we may, at our option, require holders of public warrants who exercise their warrants to do so on a "cashless basis" in accordance with Section 3(a)(9) of the Securities Act and, in the event we so elect, we will not be required to maintain in effect a registration statement, and in the event we do not so elect, we will use our commercially reasonable efforts to register or qualify the shares under applicable blue sky laws to the extent an exemption is not available.

We may call the outstanding public warrants for redemption in whole and not in part, at a price of $0.01 per warrant:

- at any time while the warrants are exercisable;
- upon not less than 30 days' prior written notice of redemption to each warrant holder;
- if, and only if, the reported last sale price of the shares of common stock equals or exceeds $16.50 per share, for any 20 trading days within a 30-day trading period ending on the third business day prior to the notice of redemption to warrant holders; and
- if, and only if, there is a current registration statement in effect with respect to the shares of common stock underlying such warrants at the time of redemption and for the entire 30-day trading period referred to above and continuing each day thereafter until the date of redemption.

The right to exercise will be forfeited unless the public warrants are exercised prior to the date specified in the notice of redemption. On and after the redemption date, a record holder of a warrant will have no further rights except to receive the redemption price for such holder's warrant upon surrender of such warrant.

The redemption criteria for the public warrants have been established at a price which is intended to provide warrant holders a reasonable premium to the initial exercise price and provide a sufficient differential between the then-prevailing share price and the warrant exercise price so that if the share price declines as a result of the company's redemption call, the redemption will not cause the share price to drop below the exercise price of the warrants.

If the company calls the public warrants for redemption as described above, we will have the option to require all holders that wish to exercise warrants to do so on a "cashless basis." In such event, each holder would pay the exercise price by surrendering the public warrants for that number of shares of common stock equal to the quotient obtained by dividing (x) the product of the number of shares of common stock underlying the warrants, multiplied by the difference between the exercise price of the warrants and the "fair market value" by (y) the fair market value. The "fair market value" shall mean the average reported last sale price of our common stock for the 10 trading days ending on the third trading day prior to the date on which the notice of redemption is sent to the holders of warrants. Whether we will exercise our option to require all holders to exercise their warrants on a "cashless basis" will depend on a variety of factors including the price of common stock at the time the warrants are called for redemption, its cash needs at such time and concerns regarding dilutive share issuances.

The public warrants were issued in registered form under the Warrant Agreement between Continental, as warrant agent, and the company. You should review a copy of the Warrant Agreement for a complete description of the terms and conditions applicable to the public warrants. The Warrant Agreement provides that the terms of the warrants may be amended without the consent of any holder to cure any ambiguity or correct any defective provision, but requires the approval, by written consent or vote, of the holders of a majority of the then outstanding warrants in order to make any change that adversely affects the interests of the registered holders.

The exercise price and number of shares of common stock issuable on exercise of the public warrants may be adjusted in certain circumstances including in the event of a share dividend, extraordinary dividend or our recapitalization, reorganization, merger or consolidation.

The public warrants may be exercised upon surrender of the warrant certificate on or prior to the expiration date at the offices of the warrant agent, with the exercise form on the reverse side of the warrant certificate completed and executed as indicated, accompanied by full payment of the exercise price, by certified or official bank check payable to us, for the number of warrants being exercised. The warrant holders do not have the rights or privileges of holders of shares of common stock and any voting rights until they exercise their warrants and receive shares of common stock. After the issuance of shares of common stock upon exercise of the public warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by stockholders.

Except as described above, no common stock will be exercisable for cash, and the company will not be obligated to issue shares of common stock unless at the time a holder seeks to exercise such warrant, a prospectus relating to the shares of common stock issuable upon exercise of the warrants is current and the shares of common stock have been registered or qualified or deemed to be exempt under the securities laws of the state of residence of the holder of the warrants. Under the terms of the Warrant Agreement, the company has agreed to use its best efforts to meet these conditions and to maintain a current prospectus relating to the shares of common stock issuable upon exercise of the warrants until the expiration of the warrants. However, the company cannot assure you that it will be able to do so and, if the company does not maintain a current prospectus relating to the shares of common stock issuable upon exercise of the warrants, holders will be unable to exercise their warrants, and the company will not be required to settle any such warrant exercise. If the prospectus relating to the shares of common stock issuable upon the exercise of the warrants is not current or if the common stock is not qualified or exempt from qualification in the jurisdictions in which the holders of the warrants reside, the company will not be required to net cash settle or cash settle the warrant exercise, the warrants may have no value, the market for the warrants may be limited and the warrants may expire worthless.

A holder of public warrants may notify the company in writing in the event it elects to be subject to a requirement that such holder will not have the right to exercise such warrant, to the extent that after giving effect to such exercise, such person (together with such person's affiliates), to the warrant agent's actual knowledge, would beneficially own in excess of 4.99% or 9.99% (or such other amount as a holder may specify) of common stock outstanding.

No fractional shares will be issued upon exercise of the warrants. If, upon exercise of the warrants, a holder would be entitled to receive a fractional interest in a share, the company will, upon exercise, round down to the nearest whole number the number of shares of common stock to be issued to the warrant holder.

Private Placement Warrants

Except as described below, the private placement warrants have terms and provisions that are identical to those of the public warrants. The private placement warrants will not be redeemable by us so long as they are held by the initial stockholders or their permitted transferees, and the company will allow the holders to exercise such warrants on a cashless basis (even if a registration statement covering the shares of common stock issuable upon exercise of such warrants is not effective). However, once any of the private placement warrants are transferred from the initial stockholders or their affiliates, these arrangements will no longer apply. Furthermore, because the private placement warrants were issued in a private transaction, the holders and their transferees will be allowed to exercise the private placement warrants for cash even if a registration statement covering the shares of common stock issuable upon exercise of such warrants is not effective and receive unregistered shares of common stock.

Certain Anti-Takeover Provisions of Delaware Law and our Charter and Bylaws

Special Meeting of Stockholders

Our Bylaws provide that special meetings of our stockholders may be called only by a majority vote of our board of directors, by our Chief Executive Officer or by our Chairman, the lead independent director or the board, acting pursuant to a resolution adopted by a majority of the board. The Charter also provides that, subject to the rights of any series of preferred stock, stockholders may not take action by written consent, but may only take action at annual or special meetings of stockholders.

Advance Notice Requirements for Stockholder Proposals and Director Nominations

Our Bylaws provide that stockholders seeking to bring business before our annual meeting of stockholders, or to nominate candidates for election as directors at our annual meeting of stockholders, must provide timely notice of their intent in writing. To be timely, a stockholder's notice will need to be received by the company secretary at our principal executive offices not later than the close of business on the 90th day nor earlier than the open of business on the 120th day prior to the anniversary date of the immediately preceding annual meeting of stockholders. Pursuant to Rule 14a-8 of the Exchange Act, proposals seeking inclusion in our annual proxy statement must comply with the

notice periods contained therein. Our Bylaws also specify certain requirements as to the form and content of a stockholders' meeting. These provisions may preclude our stockholders from bringing matters before our annual meeting of stockholders or from making nominations for directors at our annual meeting of stockholders.

Authorized but Unissued Shares

Our authorized but unissued common stock and preferred stock are available for future issuances without stockholder approval and could be utilized for a variety of corporate purposes, including future offerings to raise additional capital, acquisitions and employee benefit plans. The existence of authorized but unissued and unreserved common stock and preferred stock could render more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

Supermajority Requirements for the Amendment of the Charter and Bylaws

Our Bylaws may be amended or repealed by the board or by the affirmative vote of the holders of at least two-thirds (2/3) of the voting power of all of the then-outstanding shares of the capital stock of the company entitled to vote in the election of directors, voting as one class. In addition, the affirmative vote of the holders of at least two-thirds (2/3) of the voting power of the then-outstanding shares of capital stock of the company entitled to vote generally in the election of directors, voting together as a single class, will be required to amend certain provisions, of the Charter, including provisions relating to the classified board, the size of the board, removal of directors, special meetings, actions by written consent, and designation of preferred stock.

Board Vacancies

Our Charter provides that, subject to the special rights of the holders of any series of preferred stock to elect directors, any vacancy on the board may be filled by the affirmative vote of a majority of the directors then in office, even if less than a quorum, or by a sole remaining director, and not by the stockholders, unless (a) the Board determines by resolution that any such vacancies or newly created directorships shall be filled by the stockholders or (b) as otherwise provided by law. Any director chosen to fill a vacancy will hold office until the expiration of the term of the class for which he or she was elected and until his or her successor is duly elected and qualified, or until his or her earlier death, resignation, disqualification or removal. In addition, the number of directors constituting the whole board is permitted to be set only by a resolution adopted by a majority of the whole board.

Exclusive Forum Selection

Our Charter requires, unless the company consents in writing to the selection of an alternative forum and to the fullest extent permitted by law, that the Court of Chancery of the State of Delaware (or, if and only if the Court of Chancery of the State of Delaware lacks subject matter jurisdiction, any state court located within the State of Delaware or, if and only if all such state courts lack subject matter jurisdiction, the federal district court for the District of Delaware) will be the sole and exclusive forum for the following types of actions or proceedings under Delaware statutory or common law: (i) any derivative action or proceeding brought on behalf of the company; (ii) any action or proceeding asserting a claim of breach of a fiduciary duty owed by or any wrongdoing by any current or former director, officer, employee or agent of the company or any stockholder to the company; (iii) any action or proceeding asserting a claim against the company or any current or former director, officer or other employee of the company or any stockholder in such stockholder's capacity as such arising out of or pursuant to any provision of the DGCL, the Charter or the Bylaws (as each may be amended from time to time); (iv) any action or proceeding to interpret, apply, enforce or determine the validity of the Charter or the Bylaws (including any right, obligation or remedy thereunder); (v) any action or proceeding as to which the DGCL confers jurisdiction to the Court of Chancery of the State of Delaware; and (vi) any action or proceeding asserting a claim governed by the internal affairs doctrine, in all cases to the fullest extent permitted by law and subject to the court's having personal jurisdiction over the indispensable parties named as defendants. However, such forum selection provisions will not apply to suits brought to enforce any liability or duty created by the Securities Act or the Exchange Act or any other claim for which the federal courts of the United States

have exclusive jurisdiction. The Charter will also provide that, unless the company consents in writing to the selection of an alternative forum, the federal district courts of the United States of America will be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act.

Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all claims brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. Accordingly, both state and federal courts have jurisdiction to entertain such claims. As noted above, the Charter provides that the federal district courts of the United States will have exclusive jurisdiction over any action asserting a cause of action arising under the Securities Act. Accordingly, there is uncertainty as to whether a court would enforce such provision. Our stockholders will not be deemed to have waived the company's compliance with the federal securities laws and the rules and regulations thereunder.

Section 27 of the Exchange Act creates exclusive federal jurisdiction over all claims brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. As noted above, the Charter will provide that the choice of forum provision does not apply to suits brought to enforce any duty or liability created by the Exchange Act. Accordingly, actions by our stockholders to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder must be brought in federal court. Our stockholders will not be deemed to have waived the company's compliance with the federal securities laws and the regulations promulgated thereunder.

Any person or entity purchasing or otherwise acquiring any interest in shares of the company's capital stock shall be deemed to have notice of and consented to the forum selection provisions in the Charter.

The choice of forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with the company or its directors, officers, or other employees, which may discourage such lawsuits against the company and its directors, officers, and other employees. Alternatively, if a court were to find the choice of forum provisions contained in the Charter to be inapplicable or unenforceable in an action, the company may incur additional costs associated with resolving such action in other jurisdictions, which could harm its business, results of operations, and financial condition.

Section 203 of the Delaware General Corporation Law

The company is subject to the provisions of Section 203 of the DGCL. In general, Section 203 prohibits a Delaware corporation that is listed on a national securities exchange or held of record by more than 2,000 stockholders from engaging in a "business combination" with an "interested stockholder" for a three-year period following the time that such stockholder becomes an interested stockholder, unless the business combination is approved in a prescribed manner as summarized below. A "business combination" includes, among other things, certain mergers, asset or stock sales or other transactions together resulting in a financial benefit to the interested stockholder. An "interested stockholder" is a person who, together with affiliates and associates, owns, or did own within three years prior to the determination of interested stockholder status, 15% or more of the corporation's outstanding voting stock. Under Section 203, a business combination between a corporation and an interested stockholder is prohibited unless it satisfies one of the following conditions:

- before the stockholder became an interested stockholder, the board of directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding those shares owned by persons who are directors and also officers, and employee stock plans, in some instances; or

- at or after the time the stockholder became an interested stockholder, the business combination was approved by the board of directors of the corporation and authorized at an annual or special meeting of the stockholders by the affirmative vote of at least 662⁄3% of the outstanding voting stock which is not owned by the interested stockholder.

Limitation on Liability and Indemnification of Directors and Officers

The Bylaws provide that the company's directors and officers will be indemnified and advanced expenses by the company to the fullest extent authorized or permitted by the DGCL as it now exists or may in the future be amended. In addition, the Charter provides that the company's directors will not be personally liable to the company or its stockholders for monetary damages for breaches of their fiduciary duty as directors to the fullest extent permitted by law. The Bylaws also permit the company to purchase and maintain insurance on behalf of any officer, director, employee or agent of the company for any liability arising out of his or her status as such, regardless of whether the DGCL would permit indemnification.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to the company directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

EXHIBIT 19

ATLASCLEAR HOLDINGS, INC.
INSIDER TRADING POLICY

Purpose

This Insider Trading Policy (the "Policy") provides guidelines with respect to transactions in the securities of AtlasClear Holdings, Inc. (the "Company") and the handling of confidential information about the Company and the companies with which the Company does business. The Company's Board of Directors has adopted this Policy to promote compliance with federal, state and foreign securities laws that prohibit certain persons who are aware of material nonpublic information about a company from: (i) trading in securities of that company; or (ii) providing material nonpublic information to other persons who may trade on the basis of that information.

Persons Subject to the Policy

This Policy applies to all officers of the Company and its subsidiaries, all members of the Company's Board of Directors and all employees of the Company and its subsidiaries. The Company may also determine that other persons should be subject to this Policy, such as contractors or consultants who have access to material nonpublic information. This Policy also applies to family members, other members of a person's household and entities controlled by a person covered by this Policy, as described below.

Transactions Subject to the Policy

This Policy applies to all transactions in the Company's securities (collectively referred to in this Policy as "Company Securities"), including the Company's common stock, warrants to purchase common stock, or any other type of securities that the Company may issue, including (but not limited to) preferred stock, convertible debentures and options, as well as derivative securities that are not issued by the Company, such as exchange-traded put or call options or swaps relating to the Company Securities.

Individual Responsibility

Persons subject to this Policy have ethical and legal obligations to maintain the confidentiality of information about the Company and to not engage in transactions in Company Securities while in possession of material nonpublic information. Persons subject to this policy must not engage in illegal trading and must avoid the appearance

of improper trading. Each individual is responsible for making sure that he or she complies with this Policy, and that any family member, household member or entity whose transactions are subject to this Policy, as discussed below, also comply with this Policy. In all cases, the responsibility for determining whether an individual is in possession of material nonpublic information rests with that individual, and any action on the part of the Company, the Compliance Officer or any other employee or director pursuant to this Policy (or otherwise) does not in any way constitute legal advice or insulate an individual from liability under applicable securities laws. You could be subject to severe legal penalties and disciplinary action by the Company for any conduct prohibited by this Policy or applicable securities laws, as described below in more detail under the heading "Consequences of Violations."

Administration of the Policy

The Executive Chairman, or such other person as shall be designated by the Board of Directors, shall serve as the Compliance Officer and shall be responsible for administration of this Policy and for carrying out the purposes of this Policy. The Compliance Officer may from time to time designate, in writing delivered to the Nominating and Corporate Governance Committee of the Board, another employee to assume the Compliance Officer's duties and responsibilities in his or her absence and/or with respect to a transaction involving the Executive Chairman. All determinations and interpretations by the Compliance Officer (or his or her designee in the absence of the Compliance Officer) shall be final and not subject to further review. The Compliance Officer shall not exercise any discretion with respect to any transaction to which he or she is a party, and such discretion and power shall be exercised by the person then serving as the designee of the Compliance Officer.

Statement of Policy

It is the policy of the Company that no director, officer or other employee of the Company (or any other person designated by this Policy or by the Compliance Officer as subject to this Policy) who is aware of material nonpublic information relating to the Company may, directly, or indirectly through family members or other persons or entities:

1. Engage in transactions in Company Securities, except as otherwise specified in this Policy under the headings "Transactions Under Company Plans," "Transactions Not Involving a Purchase or Sale" and "Rule 10b5-1 Plans;"

2. Recommend the purchase or sale of any Company Securities;

3. Disclose material nonpublic information to persons within the Company whose jobs do not require them to have that information, or outside of the Company to other persons, including, but not limited to, family, friends, business associates, investors and expert consulting firms, unless any such disclosure is made in accordance with the Company's policies regarding the protection or authorized external disclosure of information regarding the Company; or

4. Assist anyone engaged in the above activities.

In addition, it is the policy of the Company that no director, officer or other employee of the Company (or any other person designated as subject to this Policy) who, in the course of working for the Company, learns of material nonpublic information about a company with which the Company does business, including a customer or supplier of the Company, may trade in that company's securities until the information becomes public or is no longer material.

There are no exceptions to this Policy, except as specifically noted herein. Transactions that may be necessary or justifiable for independent reasons (such as the need to raise money for an emergency expenditure), or small transactions, are not excepted from this Policy. The securities laws do not recognize any mitigating circumstances, and, in any event, even the appearance of an improper transaction must be avoided to preserve the Company's reputation for adhering to the highest standards of conduct.

Definition of Material Nonpublic Information

Material Information. Information is considered "material" if a reasonable investor would consider that information important in making a decision to buy, hold or sell securities. Any information that could be expected to affect a Company's stock price, whether it is positive or negative, should be considered material. There is no bright-line standard for assessing materiality; rather, materiality is based on an assessment of all of the facts and circumstances and is often evaluated by enforcement authorities with the benefit of hindsight. While it is not possible to define all categories of material information, some examples of information that ordinarily would be regarded as material are:

- Projections of future earnings or losses, or other earnings guidance;
- Changes to previously announced earnings guidance, or the decision to suspend earnings guidance;
- A pending or proposed merger, acquisition or tender offer;

- A pending or proposed acquisition or disposition of a significant asset;
- A pending or proposed joint venture;
- A company restructuring;
- The cessation of business activities or closing of a division, either of which have produced a significant amount of revenue in recent periods;
- Significant related party transactions;
- A change in dividend policy, the declaration of a stock split, or an offering of additional securities;
- Bank borrowings or other financing transactions out of the ordinary course;
- The establishment of a repurchase program for Company Securities;
- A change in the Company's pricing or cost structure;
- Major marketing changes;
- A change in management;
- A change in auditors or notification that the auditor's reports may no longer be relied upon;
- Development of a significant new service offering, product, or process;
- Pending or threatened significant litigation, government investigation, or the resolution of such litigation;
- Impending bankruptcy or the existence of severe liquidity problems;
- The gain or loss of a significant customer;
- A significant cybersecurity incident, such as a data breach, or any other significant disruption in the company's operations or loss, potential loss, breach or unauthorized access of its property or assets, whether at its facilities or through its information technology infrastructure; or
- The imposition of an event-specific restriction on trading in company securities or the securities of another company or the extension or termination of such restriction.

When Information is Considered Public. Information that has not been disclosed to the public is considered to be nonpublic information. In order to establish that the information has been disclosed to the public, it may be necessary to demonstrate that the information has been widely disseminated. Information generally would be considered widely disseminated if it has been disclosed through the Dow Jones "broad

tape," newswire services, a broadcast on widely-available radio or television programs, publication in a widely-available newspaper, magazine or news website, or public disclosure documents filed with the SEC that are available on the SEC's website By contrast, information would likely not be considered widely disseminated if it is available only to the Company's employees, or if it is only available to a select group of analysts, brokers and institutional investors.

Once information is widely disseminated, it is still necessary to provide the investing public with sufficient time to absorb the information. As a general rule, information should not be considered fully absorbed by the marketplace until after the business day after the day on which the information is released. If, for example, the Company were to make an announcement on a Monday morning, you should not trade in Company Securities until Wednesday. Depending on the particular circumstances, the Company may determine that a longer or shorter period should apply to the release of specific material nonpublic information.

"Tipping" Information to Others

Because the Company is required by law to avoid the selective disclosure of material nonpublic information, the Company has established procedures for the release of material information in a manner designed to achieve broad public dissemination in a relatively short time, for example, through press releases.

Thus, it is inappropriate for a person in possession of material nonpublic information to provide other people with such information or to recommend that they buy or sell securities based upon that information. The penalties for insider trading apply whether or not you derive any profit or other benefit from another's activities. As a result, if you provide material nonpublic information about the Company to anyone (whether a friend, relative or complete stranger) and that person then buys or sells our securities, both you and the person that made the trade could be subject to the penalties under law.

When you have information about the Company or about another company (such as a business partner of the Company) that is obtained in the course of your employment or association with the Company that may be proprietary or could have an impact on the price of the Company's Securities or the securities of such other company, you must not pass the information on to any person who does not have a legitimate business reason to know such information, including family members and others living in your household or friends or casual acquaintances. Confidential material information should be disclosed only to key personnel and principal outsider advisors whose work for the Company requires that they have such information. All persons given access to such information should be advised of their insider status and told not to disclose the

information further except as absolutely necessary for corporate purposes.

Transactions by Family Members and Others

This Policy applies to your family members who reside with you (including a spouse, a child, a child away at college, stepchildren, grandchildren, parents, stepparents, grandparents, siblings and in-laws), anyone else who lives in your household, and any family members who do not live in your household but whose transactions in Company Securities are directed by you or are subject to your influence or control, such as parents or children who consult with you before they trade in Company Securities (collectively referred to as "Family Members"). You are responsible for the transactions of these other persons and therefore should make them aware of the need to confer with you before they trade in Company Securities, and you should treat all such transactions for the purposes of this Policy and applicable securities laws as if the transactions were for your own account. This Policy does not, however, apply to personal securities transactions of Family Members where the purchase or sale decision is made by a third party not controlled by, influenced by or related to you or your Family Members.

Transactions by Entities that You Influence or Control

This Policy applies to any entities that you influence or control, including any corporations, partnerships or trusts (collectively referred to as "Controlled Entities"), and transactions by these Controlled Entities should be treated for the purposes of this Policy and applicable securities laws as if they were for your own account.

Transactions Under Company Plans

This Policy will not apply in the case of the following transactions, except as specifically noted:

Stock Option Exercises. This Policy does not apply to the exercise of an employee stock option acquired pursuant to the Company's plans, or to the exercise of a tax withholding right pursuant to which a person has elected to have the Company withhold shares subject to an option to satisfy tax withholding requirements. This Policy does apply, however, to any sale of stock as part of a broker-assisted cashless exercise of an option, or any other market sale for the purpose of generating the cash needed to pay the exercise price of an option.

Restricted Stock Awards. This Policy does not apply to the vesting of restricted stock, or the exercise of a tax withholding right pursuant to which you elect to have the Company withhold shares of stock to satisfy tax withholding requirements upon the

vesting of any restricted stock. The Policy does apply, however, to any market sale of restricted stock.

Other Similar Transactions. The Company's Board of Directors may exempt other purchase of Company Securities from the Company or sales of Company Securities to the Company from this Policy.

Transactions Not Involving a Purchase or Sale

Bona fide gifts are not transactions subject to this Policy, unless the person making the gift has reason to believe that the recipient intends to sell the Company Securities while the officer, employee or director is aware of material nonpublic information, or the person making the gift is subject to the trading restrictions specified below under the heading "Additional Procedures" and the sales by the recipient of the Company Securities occur during a blackout period. Further, transactions in mutual funds that are invested in Company Securities are not transactions subject to this Policy.

Special and Prohibited Transactions

The Company has determined that there is a heightened legal risk and/or the appearance of improper or inappropriate conduct if certain persons subject to this Policy engage in certain types of transactions. It therefore is the Company's policy that the Chief Executive Officer, Chief Financial Officer, Chief Technology Officer, Executive Chairman, and any other person specifically designated in writing by the Company from time to time, may not engage in any of the following transactions, or should otherwise consider the Company's preferences as described below:

Short-Term Trading. Short-term trading of Company Securities may be distracting to the person and may unduly focus the person on the Company's short- term stock market performance instead of the Company's long-term business objectives. For these reasons, any director, officer or other employee of the Company who purchases Company Securities in the open market may not sell any Company Securities of the same class during the six months following the purchase (or vice versa). The prohibition applies only to purchases in the open market and would not apply to stock option exercises or other employee benefit plan transactions.

Short Sales. Short sales of Company Securities (*i.e.*, the sale of a security that the seller does not own) may evidence an expectation on the part of the seller that the securities will decline in value, and therefore have the potential to signal to the market that the seller lacks confidence in the Company's prospects. In addition, short sales may reduce a seller's incentive to seek to improve the Company's performance. For these reasons, short sales of Company Securities are prohibited. In addition, Section 16(c) of

the Exchange Act prohibits officers and directors from engaging in short sales. (Short sales arising from certain types of hedging transactions are governed by the paragraph below captioned "Hedging Transactions.")

Publicly Traded Options. Given the relatively short term of publicly traded options, transactions in options may create the appearance that a director, officer or employee is trading based on material nonpublic information and focus a director's, officer's or other employee's attention on short-term performance at the expense of the Company's long-term objectives. Accordingly, transactions in put options, call options or other derivative securities, on an exchange or in any other organized market, are prohibited by this Policy. (Option positions arising from certain types of hedging transactions are governed by the next paragraph below.)

Hedging Transactions. Hedging or monetization transactions can be accomplished through a number of possible mechanisms, including through the use of financial instruments such as prepaid variable forwards, equity swaps, collars and exchange funds. Such transactions may permit a director, officer or employee to continue to own Company Securities obtained through employee benefit plans or otherwise, but without the full risks and rewards of ownership. When that occurs, the director, officer or employee may no longer have the same objectives as the Company's other shareholders. Therefore, the Company prohibits its employees from engaging in such transactions. Any person wishing to enter into a transaction that might be deemed a hedging transaction as described above is required to first submit the proposed transaction for review by the Compliance Officer. Any request for such review of a hedging or similar arrangement must be submitted to the Compliance Officer at least two weeks prior to the proposed execution of documents evidencing the proposed transaction and must set forth a justification for the proposed transaction. The determination by the Compliance Officer as to whether or not the proposed transaction constitutes a prohibited hedging transaction is final and binding on the employee.

Margin Accounts and Pledged Securities. Securities held in a margin account as collateral for a margin loan may be sold by the broker without the customer's consent if the customer fails to meet a margin call. Because a margin sale may occur at a time when the borrower under the margin loan is aware of material nonpublic information or otherwise is not permitted to trade in Company Securities, directors, officers and other employees subject to this Policy are prohibited from holding Company Securities in a margin account. Similar risks may arise when Company Securities are pledged (or hypothecated) as collateral for a loan in that borrower may default on the loan and a foreclosure sale may occur at a time when the pledgor is aware of material nonpublic information. For that reason a director, officer or other employee subject to this Policy is prohibited from pledging Company Securities as collateral for a loan; provided, however that a Named Executive Officer (including a Named Executive Officer who is

also serving as a director) may pledge Company Securities if (a) there exists a written employment agreement between that person and the Company that has been approved by the Nominating and Corporate Governance Committee and that permits pledging transactions within limits specified by such employment agreement, (b) the proposed pledging transaction has first been submitted to the Compliance Officer at least two weeks prior to the proposed execution of documents evidencing the proposed pledging transaction, including a justification for the proposed transaction, and (c) the Compliance Officer has approved the proposed pledging transaction as being compliant with the terms of the employment agreement of such Named Executive Officer. The above restriction shall not apply to any pledge of the proceeds of Company Securities owned or controlled by such person, rather than the Company Securities themselves, if a default under the applicable loan agreement cannot result in the sale of any such Company Securities. (Pledges of Company Securities arising from certain types of hedging transactions are governed by the paragraph above captioned "Hedging Transactions.")

Standing and Limit Orders. Standing and limit orders (except standing and limit orders under approved Rule 10b5-1 Plans, as described below) create heightened risks for insider trading violations similar to the use of margin accounts. There is no control over the timing of purchases or sales that result from standing instructions to a broker, and as a result the broker could execute a transaction when a director, officer or other employee is in possession of material nonpublic information. The Company therefore discourages placing standing or limit orders on Company Securities. If a person subject to this Policy determines that they must use a standing order or limit order, the order should be limited to short duration and should otherwise comply with the restrictions and procedures outlined below under the heading "Additional Procedures."

Additional Procedures

The Company has established additional procedures in order to assist the Company in the administration of this Policy, to facilitate compliance with laws prohibiting insider trading while in possession of material nonpublic information, and to avoid the appearance of any impropriety. These additional procedures are applicable only to those individuals described below.

Pre-Clearance Procedures. The persons designated by the Compliance Officer as being subject to these procedures, as well as the Family Members and Controlled Entities of such persons, may not engage in any transaction in Company Securities without first obtaining pre-clearance of the transaction from the Compliance Officer. A request for pre-clearance should be submitted to the Compliance Officer at least two business days in advance of the proposed transaction. The Compliance Officer is under no obligation to approve a transaction submitted for pre-clearance and may determine

not to permit the transaction in his or her sole discretion. If a person seeks preclearance and permission to engage in the transaction is denied, then he or she should refrain from initiating any transaction in Company Securities and should not inform any other person of the restriction. If the preclearance transaction is approved, it must be effected within five (5) business days of receipt of preclearance approval, and any transaction not effected within five (5) business days of receipt of approval must obtain preclearance approval again. A person whose preclearance transaction is approved shall timely notify the Compliance Officer of completion or non-completion of the transaction.

When a request for pre-clearance is made, the requestor should carefully consider whether he or she may be aware of any material nonpublic information about the Company and should describe fully those circumstances to the Compliance Officer. The requestor should also indicate whether he or she has effected any non-exempt "opposite-way" transactions within the past six months, and should be prepared to report the proposed transaction on an appropriate Form 4 or Form 5. The requestor should also be prepared to comply with SEC Rule 144 and file Form 144, if necessary, at the time of any sale.

Quarterly Trading Restrictions. The persons designated by the Compliance Officer as subject to this restriction, as well as their Family Members or Controlled Entities, may not conduct any transactions involving the Company's Securities (other than as specified by this Policy), during a "Blackout Period" beginning thirty days prior to the end of each fiscal quarter and ending on the third business day following the date of the public release of the Company's earnings results for that quarter. In other words, these persons may only conduct transactions in Company Securities during the "Window Period" beginning on the second business day following the public release of the Company's quarterly earnings and ending thirty days prior to the close of the next fiscal quarter.

Under certain very limited circumstances, a person subject to this restriction may be permitted to trade during a Blackout Period, but only if the Compliance Officer concludes that the person does not in fact possess material nonpublic information. Persons wishing to trade during a Blackout Period must contact the Compliance Officer for approval at least five business days in advance of any proposed transaction involving Company Securities.

Event-Specific Trading Restriction Periods. From time to time, an event may occur that is material to the Company and is known by only a few directors, officers and/or employees. So long as the event remains material and nonpublic, the persons designated by the Compliance Officer may not trade Company Securities. In addition, the Company's financial results may be sufficiently material in a particular fiscal quarter that, in the judgment of the Compliance Officer, designated persons should refrain from

trading in Company Securities even sooner than the typical Blackout Period described above. In that situation, the Compliance Officer may notify these persons that they should not trade in the Company's Securities, without disclosing the reason for the restriction. The existence of an event-specific trading restriction period or extension of a Blackout Period will not be announced to the Company as a whole and should not be communicated to any other person. Even if the Compliance Officer has not designated you as a person who should not trade due to an event-specific restriction, you should not trade while aware of material nonpublic information. Exceptions will not be granted during an event-specific trading restriction period.

Exceptions. The quarterly trading restrictions and event-specific trading restrictions do not apply to those transactions to which this Policy does not apply, as described above under the headings "Transactions Under Company Plans" and "Transactions Not Involving a Purchase or Sale." Further, the requirement for pre- clearance, the quarterly trading restrictions and event-specific trading restrictions do not apply to transactions conducted pursuant to approved Rule 10b5-1 plans, described under the heading "Rule 10b5-1 Plans."

Rule 10b5-1 Plans

Rule 10b5-1 under the Exchange Act provides a defense from insider trading liability under Rule 10b-5. In order to be eligible to rely on this defense, a person subject to this Policy must enter into a Rule 10b5-1 plan for transactions in Company Securities that meets certain conditions specified in the Rule (a "Rule 10b5-1 Plan"). If the plan meets the requirements of Rule 10b5-1, Company Securities may be purchased or sold without regard to certain insider trading restrictions. To comply with the Policy, a Rule 10b5-1 Plan must be approved by the Compliance Officer and meet the requirements of Rule 10b5-1 and the Company's "Guidelines for Rule 10b5-1 Plans," which may be obtained from the Compliance Officer. In general, a Rule 10b5-1 Plan must be entered into at a time when the person entering into the plan is not aware of material nonpublic information. Once the plan is adopted, the person must not exercise any influence over the amount of securities to be traded, the price at which they are to be traded or the date of the trade. The plan must either specify the amount, pricing and timing of transactions in advance or delegate discretion on these matters to an independent third party.

Any Rule 10b5-1 Plan must be submitted for approval five business days prior to the entry into the Rule 10b5-1 Plan. No further pre-approval of transactions conducted pursuant to the Rule 10b5-1 Plan will be required.

Each director and each person designated as a Named Executive Officer by the Board shall maintain an approved Rule 10b5-1 Plan while serving in such capacity.

Post-Termination Transactions

This Policy continues to apply to transactions in Company Securities even after termination of service to the Company. If an individual is in possession of material nonpublic information when his or her service terminates, that individual may not trade in Company Securities until that information has become public or is no longer material. The pre-clearance procedures specified under the heading "Additional Procedures" above, however, will cease to apply to transactions in Company Securities upon the expiration of any Blackout Period or other Company-imposed trading restrictions applicable at the time of the termination of service.

Consequences of Violations

The purchase or sale of securities while aware of material nonpublic information, or the disclosure of material nonpublic information to others who then trade in the Company's Securities, is prohibited by the federal and state laws. Insider trading violations are pursued vigorously by the SEC, U.S. Attorneys and state enforcement authorities as well as the laws of foreign jurisdictions. Punishment for insider trading violations is severe and could include significant fines and imprisonment. While the regulatory authorities concentrate their efforts on the individuals who trade, or who tip inside information to others who trade, the federal securities laws also impose potential liability on companies and other "controlling persons" if they fail to take reasonable steps to prevent insider trading by company personnel.

In addition, an individual's failure to comply with this Policy may subject the individual to Company-imposed sanctions, including dismissal for cause, whether or not the employee's failure to comply results in a violation of law. Needless to say, a violation of law, or even an SEC investigation that does not result in prosecution, can tarnish a person's reputation and irreparably damage a career.

Company Assistance

Any person who has a question about this Policy or its application to any proposed transaction may obtain additional guidance from the Compliance Officer, who can be reached by telephone at (727) 446-6660 or by e-mail at jschaible@atlasclear.com.

Certification

All persons subject to this Policy must certify their understanding of, and intent to comply with, this Policy.

CERTIFICATION

I certify that:

1. I have read and understand the Company's Insider Trading Policy (the "Policy"). I understand that the Compliance Officer is available to answer any questions I have regarding the Policy.

2. Since October 15, 2024, or such shorter period of time that I have been an employee of the Company, I have complied with the Policy.

3. I will continue to comply with the Policy for as long as I am subject to the Policy.

Print name:
Signature:
Date:

EXHIBIT 31.1

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

I, Robert McBey, certify that:

1. I have reviewed this transition report on Form 10-KT of AtlasClear Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(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, 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: October 15, 2024

/s/ Robert McBey
Robert McBey
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

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

I, Richard Barber, certify that:

1. I have reviewed this transition report on Form 10-KT of AtlasClear Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(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, 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: October 15, 2024

/s/ Richard Barber
Richard Barber
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

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

In connection with the Transition Report of AtlasClear Holdings, Inc. (the "Company") on Form 10-KT for the period ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Robert McBey, the Chief Executive Officer of the Company, and Richard Barber, the Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as added by §906 of the Sarbanes-Oxley Act of 2002, that to the best of our knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

Dated: October 15, 2024

/s/ Robert McBey
Robert McBey
Chief Executive Officer
(Principal Executive Officer)

/s/ Richard Barber
Richard Barber
Chief Financial Officer
(Principal Financial Officer)