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

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended: **September 30, 2023**

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

Commission File Number: **000-52140**

**Imperalis Holding Corp.**

*(Exact name of registrant as specified in its charter)*

**Nevada**

(State or other jurisdiction of incorporation or organization)

**20-5648820**

(I.R.S. Employer Identification Number)

**1421 McCarthy Blvd, Milpitas, CA**

(Address of principal executive offices)

**95035**

(Zip Code)

**(510) 657-2635**

(Registrant's telephone number, including area code)

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

Securities registered pursuant to Section 12(g) of the Act: Common Stock, \$0.001 par value

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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

Non-accelerated Filer

Accelerated Filer

Smaller reporting company

Emerging growth company

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

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

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 183,940,142 shares of common stock as of November 13, 2023.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

IMPERALIS HOLDING CORP. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Unaudited)

	September 30, 2023	December 31, 2022
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 35,000	\$ 95,000
Accounts receivable	696,000	1,022,000
Inventories	1,873,000	2,595,000
Prepaid expenses	672,000	684,000
<b>TOTAL CURRENT ASSETS</b>	<b>3,276,000</b>	<b>4,396,000</b>
Property and equipment, net	369,000	326,000
Right-of-use assets	1,269,000	1,661,000
Other noncurrent assets	270,000	270,000
<b>TOTAL ASSETS</b>	<b>\$ 5,184,000</b>	<b>\$ 6,653,000</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>		
<b>CURRENT LIABILITIES</b>		
Preferred stock series A	\$ 25,000,000	\$ -
Accounts payable	1,178,000	1,147,000
Dividends payable	2,156,000	639,000
Accrued legal contingencies	1,066,000	681,000
Accrued expenses and other current liabilities	1,012,000	651,000
Operating lease liability, current	611,000	561,000
Related party notes and advances payable	1,437,000	52,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>32,460,000</b>	<b>3,731,000</b>
<b>LONG TERM LIABILITIES</b>		
Operating lease liability, non-current	785,000	1,251,000
Other long term liabilities	72,000	59,000
<b>TOTAL LIABILITIES</b>	<b>33,317,000</b>	<b>5,041,000</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>REDEEMABLE CONVERTIBLE PREFERRED STOCK</b>		
Preferred stock series A subject to possible redemption, 50,000,000 shares authorized: 25,000 issued and outstanding at stated redemption value of \$1,000 per share as of December 31, 2022	-	25,000,000
<b>SHAREHOLDERS' DEFICIT:</b>		
Common Stock, par value \$0.001 a share; 2,000,000,000 shares authorized as of September 30, 2023 and 750,000,000 as of December 31, 2022: 183,937,832 shares issued and outstanding at September 30, 2023 and 172,694,837 as of December 31, 2022, respectively	184,000	173,000
Additional paid-in capital	13,504,000	12,691,000
Accumulated deficit	(41,821,000)	(36,252,000)
<b>TOTAL SHAREHOLDERS' DEFICIT</b>	<b>(28,133,000)</b>	<b>(23,388,000)</b>
<b>TOTAL LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND SHAREHOLDERS' DEFICIT</b>	<b>\$ 5,184,000</b>	<b>\$ 6,653,000</b>

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

**IMPERALIS HOLDING CORP. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue	\$ 1,166,000	\$ 1,827,000	\$ 2,766,000	\$ 4,018,000
Cost of revenue	1,138,000	931,000	2,430,000	2,269,000
Gross profit	<u>28,000</u>	<u>896,000</u>	<u>336,000</u>	<u>1,749,000</u>
Operating expenses:				
Research and development	97,000	71,000	304,000	581,000
Selling and marketing	339,000	542,000	1,151,000	1,202,000
General and administration	766,000	766,000	2,819,000	2,386,000
Total operating expenses	<u>1,202,000</u>	<u>1,379,000</u>	<u>4,274,000</u>	<u>4,169,000</u>
Operating loss	<u>(1,174,000)</u>	<u>(483,000)</u>	<u>(3,938,000)</u>	<u>(2,420,000)</u>
Other expense:				
Interest	(25,000)	(3,000)	(114,000)	(3,000)
Total other expense	<u>(25,000)</u>	<u>(3,000)</u>	<u>(114,000)</u>	<u>(3,000)</u>
Net loss	<u>(1,199,000)</u>	<u>(486,000)</u>	<u>(4,052,000)</u>	<u>(2,423,000)</u>
Preferred Dividends	(511,000)	(139,000)	(1,517,000)	(139,000)
Net loss available to common shareholders	<u>\$ (1,710,000)</u>	<u>\$ (625,000)</u>	<u>\$ (5,569,000)</u>	<u>\$ (2,562,000)</u>
Net loss per common share basic and diluted:	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>	<u>\$ (0.17)</u>
Weighted average common shares, basic and diluted	<u>180,759,511</u>	<u>43,941,493</u>	<u>175,412,602</u>	<u>14,808,122</u>

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

**IMPERALIS HOLDING CORP. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIT**  
(Unaudited)

**Three Months Ended September 30, 2023**

	Common Stock		Additional Paid in Capital	Accumulated Deficit	Total Shareholders' Deficit
	Shares	Amount			
Balance, July 1, 2023	172,694,837	173,000	13,460,000	(40,111,000)	(26,478,000)
Common stock issued upon conversion of convertible notes	11,241,370	11,000	44,000	-	55,000
Issuance of common stock upon exercise of warrants	1,625	-	-	-	-
Preferred dividends	-	-	-	(511,000)	(511,000)
Net loss	-	-	-	(1,199,000)	(1,199,000)
Balance, September 30, 2023	183,937,832	\$ 184,000	\$ 13,504,000	\$ (41,821,000)	\$ (28,133,000)

**Three Months Ended September 30, 2022**

	Common Stock		Additional Paid in Capital	Accumulated Deficit	Total Shareholders' Deficit
	Shares	Amount			
Balance, July 1, 2022	-	\$ -	\$ 11,643,000	\$ (33,330,000)	\$ (21,687,000)
Contribution from Parent	-	-	409,000	-	409,000
Common stock assumed upon acquisition of net assets	161,704,695	162,000	-	-	162,000
Preferred dividends	-	-	-	(139,000)	(139,000)
Net loss	-	-	-	(486,000)	(486,000)
Balance, September 30, 2022	161,704,695	\$ 162,000	\$ 12,052,000	\$ (33,955,000)	\$ (21,741,000)

**IMPERALIS HOLDING CORP. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIT**  
(Unaudited)

**Nine Months Ended September 30, 2023**

	Common Stock		Additional Paid in Capital	Accumulated Deficit	Total Shareholders' Deficit
	Shares	Amount			
Balance, January 1, 2023	172,694,837	\$ 173,000	\$ 12,691,000	\$ (36,252,000)	\$ (23,388,000)
Contribution from Parent	-	-	730,000	-	730,000
Fair value of warrants at issuance	-	-	39,000	-	39,000
Common stock issued upon conversion of convertible notes	11,241,370	11,000	44,000	-	55,000
Common stock issued upon exercise of warrants	1,625	-	-	-	-
Preferred dividends	-	-	-	(1,517,000)	(1,517,000)
Net loss	-	-	-	(4,052,000)	(4,052,000)
Balance, September 30, 2023	<u>183,937,832</u>	<u>\$ 184,000</u>	<u>\$ 13,504,000</u>	<u>\$ (41,821,000)</u>	<u>\$ (28,133,000)</u>

**Nine Months Ended September 30, 2022**

	Common Stock		Additional Paid in Capital	Accumulated Deficit	Total Shareholders' Deficit
	Shares	Amount			
Balance, January 1, 2022	-	\$ -	\$ 9,383,000	\$ (31,393,000)	\$ (22,010,000)
Contribution from Parent	-	-	2,669,000	-	2,669,000
Common stock assumed on acquisition of net assets	161,704,695	162,000	-	-	162,000
Preferred dividends	-	-	-	(139,000)	(139,000)
Net loss	-	-	-	(2,423,000)	(2,423,000)
Balance, September 30, 2022	<u>161,704,695</u>	<u>\$ 162,000</u>	<u>\$ 12,052,000</u>	<u>\$ (33,955,000)</u>	<u>\$ (21,741,000)</u>

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

**IMPERALIS HOLDING CORP. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
(Unaudited)

	For the Nine Months Ended September 30,	
	2023	2022
<b>Cash flows from operating activities:</b>		
Net loss	\$ (5,569,000)	\$ (2,562,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	68,000	40,000
Amortization of right-of-use assets	392,000	363,000
Amortization of debt discount	89,000	-
Inventory adjustment	743,000	-
Allocation of parent company overhead	153,000	240,000
Changes in operating assets and liabilities		
Accounts receivable	326,000	(462,000)
Prepaid expenses and other assets	(71,000)	1,044,000
Inventory	(21,000)	(1,538,000)
Accounts payable	31,000	253,000
Accrued expenses and other current liabilities	501,000	148,000
Dividends payable	1,517,000	139,000
Operating lease liabilities	(403,000)	(227,000)
<b>Net cash used in operating activities</b>	<b>(2,244,000)</b>	<b>(2,562,000)</b>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(28,000)	(177,000)
<b>Cash used in investing activities</b>	<b>(28,000)</b>	<b>(177,000)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from related party advances, net of payments	1,385,000	-
Proceeds from contribution from parent	577,000	2,591,000
Proceeds from issuance of warrants	39,000	-
Proceeds from note payable, net of discount	211,000	-
Proceeds from debt, net of payments	-	101,000
<b>Net cash provided by financing activities</b>	<b>2,212,000</b>	<b>2,692,000</b>
Net decrease in cash and cash equivalents	(60,000)	(47,000)
Cash at beginning of period	95,000	112,000
Cash at end of period	<b>\$ 35,000</b>	<b>\$ 65,000</b>
<b>Non-cash investing and financing activities</b>		
Recognition of new operating lease right-of-use assets and lease liabilities	\$ -	\$ 1,905,000
Acquisition of net assets	\$ -	\$ 162,000
Conversion of principal and interest on convertible note	\$ 56,000	\$ -

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

**IMPERALIS HOLDING CORP. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**1. DESCRIPTION OF BUSINESS**

*Overview*

Imperialis Holding Corp. d/b/a TurnOnGreen, Inc. (“IMHC” or “Imperialis”), through its wholly owned subsidiaries Digital Power Corporation (“Digital Power” or “DPC”) and TOG Technologies Inc. (collectively, the “Company”), is an emerging electric vehicle (“EV”) electrification infrastructure solutions and premium custom power products company. The Company designs, develops, manufactures and sells highly engineered, feature-rich, high-grade power conversion systems and power system solutions for mission-critical applications and processes electronic products as well as EV charging solutions to diverse industries, markets and sectors including e-Mobility, medical, military, telecommunications, and industrial.

IMHC was incorporated in Nevada on April 5, 2005 and is a subsidiary of Ault Alliance, Inc., a Delaware corporation (the “Parent” or “Ault”) and currently operates as a reporting segment of Ault.

**2. LIQUIDITY AND GOING CONCERN**

The accompanying condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has incurred recurring operating and net losses that have not provided sufficient cash flows. Management believes that the Company will continue to incur operating and net losses each quarter until at least the time it begins significant deliveries of its products. The Company’s inability to continue as a going concern could have a negative impact on the Company, including its ability to obtain needed financing. In view of these matters, there is substantial doubt about the Company’s ability to continue as a going concern.

The Company intends to finance its future development activities and its working capital needs largely through the sale of equity securities with some additional funding from other sources, including term notes until such time as funds provided by operations are sufficient to fund working capital requirements. Although management believes that such capital sources will be available, there can be no assurances that financing will be available to the Company when needed in order to allow the Company to continue its operations, or if available, on terms acceptable to the Company. The condensed consolidated financial statements of the Company do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern.

**3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation*

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”), the instructions to Form 10-Q and Regulation S-X and do not include all the information and disclosures required by GAAP. The Company has made estimates and judgments affecting the amounts reported in the Company’s condensed consolidated financial statements and the accompanying notes. The actual results experienced by the Company may differ materially from the Company’s estimates. The condensed consolidated financial information is unaudited and reflects all normal adjustments that are, in the opinion of management, necessary to provide a fair statement of results for interim periods presented. These condensed consolidated financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K filed with the SEC on April 5, 2023.

*Significant Accounting Policies*

Other than as noted below, there have been no material changes to the Company’s significant accounting policies previously disclosed in the Company’s Annual Report on Form 10-K filed with the SEC on April 5, 2023.

*New Accounting Guidance – Recently Adopted*

The FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326) in 2016. The new guidance replaces the incurred loss impairment approach in legacy U.S. GAAP with a methodology that reflects future credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. For trade and other receivables, loans and other financial instruments, the Company is required to use a forward-looking expected loss model rather than the incurred loss model for recognizing credit losses, which reflects losses that are probable. The guidance is effective for fiscal years beginning after December 15, 2019. In November 2019, the FASB issued ASU 2019-10, *Financial Instruments—Credit Losses* (Topic 326), *Derivatives and Hedging* (Topic 815), and *Leases* (Topic 842), which pushes back the effective date for public business entities that are smaller reporting companies, as defined by the SEC, to fiscal years beginning after December 15, 2022. The Company adopted ASU No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326) as of January 1, 2023, and the adoption had no impact on our condensed consolidated financial statements.

### Recent Accounting Pronouncements not yet Adopted

The Company does not expect that any recently issued accounting guidance will have a significant effect on its condensed consolidated financial statements.

### Accounting Policy on Redeemable Shares

The Company accounts for its preferred stock series A subject to possible redemption in accordance with the guidance in FASB ASC Topic 480 “Distinguishing Liabilities from Equity.” The Company’s series A preferred stock feature certain redemption rights that are considered to be outside of the Company’s control and no longer subject to the occurrence of certain future events. Accordingly, 25,000 shares of series A preferred stock subject to possible redemption are presented at redemption value as a current liability in the Company’s balance sheet.

### 4. REVENUE DISAGGREGATION

The Company’s disaggregated revenues consisted of the following:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Primary Geographical Markets</b>				
North America	\$ 1,076,000	\$ 1,593,000	\$ 2,402,000	\$ 3,427,000
Europe	66,000	32,000	77,000	79,000
Other <sup>(1)</sup>	24,000	202,000	287,000	512,000
Total Revenue	<u>\$ 1,166,000</u>	<u>\$ 1,827,000</u>	<u>\$ 2,766,000</u>	<u>\$ 4,018,000</u>
<b>Major Goods</b>				
Power supply units <sup>(1)</sup>	\$ 1,075,000	\$ 1,645,000	\$ 2,544,000	\$ 3,757,000
EV chargers	91,000	182,000	222,000	261,000
Total Revenue	<u>\$ 1,166,000</u>	<u>\$ 1,827,000</u>	<u>\$ 2,766,000</u>	<u>\$ 4,018,000</u>
<b>Timing of Revenue Recognition</b>				
Revenue recognized over time	\$ 4,000	\$ -	\$ 10,000	\$ -
Goods transferred at a point in time <sup>(1)</sup>	1,162,000	1,827,000	2,756,000	4,018,000
Total Revenue	<u>\$ 1,166,000</u>	<u>\$ 1,827,000</u>	<u>\$ 2,766,000</u>	<u>\$ 4,018,000</u>

- (1) The Company had related party sales during the three and nine months ended September 30, 2023 of \$1,000 and \$5,000, respectively, and \$2,000 for each of the three and nine months ended September 30, 2022.

The following table provides the percentage of total revenue attributable to a single customer from which 10% or more of total revenue was derived:

	For the Three Months Ended September 30, 2023		For the Nine Months Ended September 30, 2023	
	Total Revenue by Major Customers	Percentage of Total Company Revenue	Total Revenue by Major Customers	Percentage of Total Company Revenue
Customer A	\$ 386,000	33%	\$ 419,000	15%
Customer B	\$ 117,704	10%	\$ 359,000	13%
	For the Three Months Ended September 30, 2022		For the Nine Months Ended September 30, 2022	
	Total Revenue by Major Customers	Percentage of Total Company Revenue	Total Revenue by Major Customers	Percentage of Total Company Revenue
Customer A	\$ 300,000	16%	\$ 563,000	14%

## 5. TRADE RECEIVABLES

As of September 30, 2023 and December 31, 2022, the Company had related party receivables of \$0 and \$25,000, respectively.

The following table provides the percentage of total trade receivables attributable to a single customer that accounted for 10% or more of the Company's outstanding receivables:

	As of September 30, 2023	As of December 31, 2022
Customer A	40%	20%
Customer B	-%	11%
Customer C	-%	10%
Customer D	16%	17%

## 6. PROPERTY AND EQUIPMENT, NET

As of September 30, 2023 and December 31, 2022, property and equipment consisted of the following:

	September 30, 2023	December 31, 2022
Machinery and equipment	\$ 559,000	\$ 667,000
Computers and software	89,000	-
Leasehold improvements, furniture and equipment	208,000	207,000
EV chargers	136,000	115,000
Gross property and equipment	992,000	989,000
Less: accumulated depreciation and amortization	(623,000)	(663,000)
Property and equipment, net	\$ 369,000	\$ 326,000

Depreciation and amortization expense related to property and equipment was \$23,000 and \$10,000 for the three months ended September 30, 2023 and 2022, respectively. Depreciation and amortization expense related to property and equipment was \$68,000 and \$40,000 for the nine months ended September 30, 2023 and 2022, respectively.

## 7. INVENTORIES

As of September 30, 2023 and December 31, 2022, inventories consisted of:

	September 30, 2023	December 31, 2022
Raw materials, parts and supplies	\$ 754,000	\$ 788,000
Finished products	1,119,000	1,807,000
Total inventories	\$ 1,873,000	\$ 2,595,000

## 8. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

As of September 30, 2023 and December 31, 2022, accrued expenses and other current liabilities consisted of the following:

	September 30, 2023	December 31, 2022
Customer prepayments	\$ 343,000	\$ 276,000
Promissory note payable	300,000	54,000
Warranty liability, current	17,000	16,000
Other accrued liabilities	108,000	50,000
Accrued payroll and payroll taxes	244,000	255,000
Total accrued expenses and other current liabilities	\$ 1,012,000	\$ 651,000

## 9. LEASES

### *Office and Warehouse Leases and Sublease*

During the nine months ended September 30, 2023, the Company was a lessee as well as a sublessor for a certain office space lease. No residual value guarantees have been provided by the sublessee and the Company recognized \$61,000 of income related to the sublease. Fixed sublease payments received are recognized on a straight-line basis over the sublease term and netted against operating lease expenses.

The components of net operating lease expenses, recorded within operating expenses on the Company's condensed consolidated statements of operations for the three and nine months ended September 30, 2023, were as follows:

	<b>Three Months Ended September 30, 2023</b>	<b>Nine Months Ended September 30, 2023</b>
Operating lease cost	\$ 162,000	\$ 461,000
Short-term lease cost	-	-
Variable lease cost	-	-
Less: Sublease income	(25,000)	(61,000)
Total	<u>\$ 137,000</u>	<u>\$ 400,000</u>

## 10. RELATED PARTY TRANSACTIONS

The Company is a subsidiary of Ault Alliance, Inc. ("Ault" or "AAI"), and as a result AAI is deemed a related party.

### *Allocation of General Corporate Expenses*

Ault provides human resources, accounting, and other services to the Company. The Company obtains its business insurance under Ault. The accompanying financial statements include allocations of these expenses. The allocation method calculates the appropriate share of overhead costs to the Company by using the Company's revenue as a percentage of total revenue of Ault. The Company believes the allocation methodology used is reasonable and has been consistently applied, and results in an appropriate allocation of costs incurred. However, these allocations may not be indicative of the cost had the Company been a stand-alone entity or of future services. Ault allocated \$123,000 and \$346,000 of costs in the three and six month period ended September 30, 2023, respectively that have been included in related party notes payable (see below). Ault allocated \$153,000 of costs in the three month period ended March 31, 2023 that are recorded as additional paid-in capital. In the prior year period, Ault allocated \$90,000 and \$240,000 for the three and nine months ended September 30, 2022, respectively. These costs in the prior year period were treated as additional paid-in capital.

### *Contributions From Parent*

The Company previously received funding from Ault to cover any shortfalls on operating cash requirements. In addition to the allocation of general corporate expenses, the Company received \$.6 million for the three months ended March 31, 2023 and \$0.4 million and \$2.6 million for the three and nine months ended September 30, 2022, respectively all of which is reflected in additional paid-in capital.

### *Related Party Sales and Receivables*

The Company recognized related party sales revenue during the three and nine months ended September 30, 2023 of \$1,000, and \$5,000, respectively, and \$2,000 for each of the three and nine month periods ended September 30, 2022. As of September 30, 2023 and December 31, 2022, the Company had related party receivables of \$0 and \$25,000, respectively.

### *Related Party Notes and Advances Payable*

Related party notes and advances payable were used for working capital purposes and at September 30, 2023 and December 31, 2022, were comprised of the following:

	<b>Interest rate</b>	<b>Due date</b>	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Ault advance payable	-	-	\$ 1,369,000	\$ -
Chief executive officer March 2023 note payable	14%	April 10, 2023	26,000	-
Non-officer June and September 2023 advance payable	-	-	17,000	-
Chief executive officer December 2022 note payable	14%	March 9, 2023	25,000	25,000
Officer December 2022 advance payable	-	-	-	14,000
Non-officer December 2022 advance payable	-	-	-	13,000
Total related party notes and advances payable			<u>\$ 1,437,000</u>	<u>\$ 52,000</u>

During June, 2023, AAI and the Company's management determined that all allocations and capital funding provided to us by AAI beginning April 1, 2023, would be repaid and treated as a related party note payable. On August 15, 2023 the Company entered into a loan and security agreement (the "security agreement") with AAI in relation to the June 30, 2023 outstanding Ault advance payable of \$701,000. During the three months ended September 30, 2023, Ault advanced us \$545,000 and allocated \$123,000 of corporate overhead. During the six months ended September 30, 2023, Ault advanced us \$1,023,000, net of repayments of \$250,000, and allocated \$346,000 of corporate overhead. As of September 30, 2023 the total balance of \$1,369,000 was accruing interest of 10%, beginning August 15, 2023, had no fixed terms of repayment and is recorded as related party notes and advances payable.

The security agreement permits an aggregate loan amount of \$2 million and is due within 5 business days after written demand for payment is made. AAI shall have the right to terminate the security agreement to make credit extensions under this security agreement immediately and without notice upon the occurrence and during the continuance of an event of default. After December 31, 2023, AAI will not be obligated to make any further advances.

During the three and nine month period ended September 30, 2023, a non-officer employee of the Company advanced us \$3,000 and \$17,000, respectively. The advances are unsecured, interest-free and have no fixed terms of repayment.

During the three and nine months ended September 30, 2023, the Company incurred an interest expense of \$2,000 and \$6,000, respectively, in relation to the chief executive officers' notes issued.

## 11. COMMITMENTS AND CONTINGENCIES

### *Litigation Matters*

The Company is involved in litigation arising from other matters in the ordinary course of business. The Company is regularly subject to claims, suits, regulatory and government investigations, and other proceedings involving labor and employment, commercial disputes, and other matters. Such claims, suits, regulatory and government investigations, and other proceedings could result in fines, civil penalties, or other adverse consequences.

Certain of these outstanding matters include speculative, substantial or indeterminate monetary amounts. The Company records an undiscounted liability for contingent losses, including future legal costs, settlements and judgments, when the Company considers it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. If the Company determines that a loss is reasonably possible and the loss or range of loss can be estimated, the Company discloses the reasonably possible loss. The Company evaluates developments in its legal matters that could affect the amount of liability that has been previously accrued, and the matters and related reasonably possible losses disclosed, and makes adjustments as additional information becomes available. Significant judgment is required to determine both the likelihood of there being, and the estimated amount of a loss related to such matters.

### *Gordon v. Digital Power Corporation*

On or about November 21, 2019, the plaintiff-William Gordon, filed a complaint against defendant, DPC, alleging wrongful termination and disability discrimination. The arbitration was conducted during October 2022. Aside from the opening and responding trial briefs, the arbitrator requested additional briefing on two subjects, undisclosed principal liability, and disclosed principal liability, both of which were submitted. In May 2023 the arbitrator entered a final award against the Company and in favor of Mr. Gordon in the amount of \$1,065,621 inclusive of interest, legal fees, administrative fees and expenses. The award was based on Mr. Gordon's employment agreement with DPC, and Mr. Gordon's promissory note with Coolisys Technologies Corp. aka DPC. Mr. Gordon was deemed the prevailing party.

The Company has accrued \$1.1 million in connection with legal contingencies as of September 30, 2023 and \$681,000 as of December 31, 2022.

### *Non-cancelable Obligations*

In the normal course of business, the Company enters into non-cancelable obligations with certain parties to purchase services, such as technology equipment and subscription-based cloud service arrangements. As of September 30, 2023 and December 31, 2022, the Company had outstanding non-cancelable purchase obligations with terms of one year or longer aggregating \$30,000 and \$0, respectively.

## 12. LOSS PER SHARE

In accordance with ASC 260, *Earnings Per Share*, the basic loss per common share is computed by dividing the net loss available to common shareholders by the weighted average number of common shares outstanding. Diluted loss per common share is computed similar to basic loss per common share except that the denominator is increased to include the number of additional shares of common stock that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive.

The Company excluded the potential common stock equivalents outstanding from the calculation of diluted weighted average net loss per share for the three and nine months ended September 30, 2023 and 2022, which would be anti-dilutive due to the net loss from continuing operations in those periods.

Anti-dilutive securities, which are convertible into or exercisable for the Company's common stock, consisted of the following at September 30, 2023 and 2022:

	September 30,	
	2023	2022
Warrants	116,088,405	-
Convertible notes	-	21,478,923
Convertible preferred stock	25,000,000	25,000,000
Total	<u>141,088,405</u>	<u>46,478,923</u>

### 13. SHAREHOLDERS' DEFICIT

#### *Authorized Capital*

The Company is authorized to issue 2 billion (2,000,000,000) shares of common stock, par value \$0.001 per share and ten million (10,000,000) shares of preferred stock, par value \$0.001 per share, of which twenty-five thousand shares (25,000) have been designated as Series A Convertible Redeemable Preferred Stock, par value \$0.001 per share and the remaining authorized shares of preferred stock are "blank check" shares, which can be issued with various rights as determined by the Board. The number of authorized shares of any class or classes of stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of at least a majority of the voting power of the issued and outstanding shares of common stock of the Corporation, voting together as a single class. As of September 30, 2023 and December 31, 2022, there were 183,937,832 and 172,694,837 shares of common stock issued and outstanding, respectively, and as of each September 30, 2023 and December 31, 2022, there were 25,000 shares of Series A Convertible Redeemable Preferred Stock issued and outstanding.

#### *Common Stock*

The holders of the Company's common stock have equal ratable rights to dividends from funds legally available therefore, when, and if declared by the Company's board of directors. Holders of common stock are also entitled to share ratably in all of the Company's assets available for distribution to holders of common stock upon liquidation, dissolution or winding up of the Company's affairs.

Except as otherwise required by law or as may be provided by the resolutions of the Board of Directors authorizing the issuance of common stock, all rights to vote and all voting power shall be vested in the holders of common stock. Each share of common stock shall entitle the holder thereof to one vote.

Upon any liquidation, dissolution or winding-up of the corporation, whether voluntary or involuntary, the remaining net assets of the Company shall be distributed pro rata to the holders of the common stock.

### 14. STOCK BASED COMPENSATION

On June 27, 2023, the Company held a special meeting of shareholders and the shareholders voted and approved three proposals presented for a vote, including approving the Imperialis Holding Corp. 2023 Stock Incentive Plan which reserved 100,000,000 shares for issuance. As of September 30, 2023, no shares had been issued under the plan.

### 15. CONVERTIBLE NOTES PAYABLE

As of September 30, 2023 and December 31, 2022 the convertible notes payable at were:

	Conversion price per share	Interest rate	Due date	September 30, 2023	December 31, 2022
Opportunity fund convertible notes payable	\$ 0.005	10%	January 14, 2024	\$ -	\$ 45,000
Total convertible notes payable				<u>\$ -</u>	<u>\$ 45,000</u>

The Company had convertible promissory notes payable to Opportunity Fund, LLC in the principal amount of \$45,000 (the "Note"). The Note allowed for advances up to maximum amount of \$75,000. The principal, together with any accrued but unpaid interest on the amount of principal, was convertible upon request by the noteholder.

As of December 31, 2022, the convertible notes payable had accrued interest of \$9,000.

On July 12, 2023 the Company's convertible promissory notes payable to Opportunity Fund, LLC in the amount of \$45,000 of principal and accrued interest of \$11,000 were converted into 11,241,370 shares of common stock at the Opportunity Fund's option at a conversion price of \$0.005 per share.

## 16. NOTES PAYABLE

Notes payable at September 30, 2023 and December 31, 2022:

	Status	Default rate	September 30, 2023	December 31, 2022
Promissory note payable	In Default	3%	\$ 300,000	\$ -

The Company borrowed \$250,000 and issued a promissory note to FAR Holdings International, LLC (the "Investor") in the principal face amount of \$300,000. The Company also issued the Investor warrants (the "Warrants") to purchase an aggregate of 1,000,000 shares of common stock, par value of \$0.001 per share (the "Warrant Shares").

The promissory note was issued with an original issuance discount of \$50,000 and bears no interest. The Company is required to pay the Investor \$100,000 on May 6, 2023, June 6, 2023, and on the maturity date of July 6, 2023. The promissory note contains a single event of default if the Company fails to make payments within five business days when due.

As of September 30, 2023 the Company had not made any payments and therefore the promissory note was in default. As of September 30, 2023 the Company had accrued default fees of \$18,000 recorded within other accrued liabilities.

The Warrants entitle the holder to purchase shares of common stock for a period of five years from the date of issuance at an exercise price of \$0.044 per share, subject to adjustment and vested immediately. The exercise price of each Warrant is subject to adjustment for customary stock splits, stock dividends, combinations or similar events.

The proceeds from the sale of the promissory note and warrants of \$250,000, were allocated based on their relative stand-alone fair values. The fair value of the promissory note was \$289,000 and was estimated using the discounted cash flow method under the income approach on the date of issuance. The fair value of the Warrants was determined on a stand-alone basis as \$53,000 and was measured using the Black-Scholes option pricing model utilizing the assumptions in the table below. The \$39,000 allocated to the warrants was accounted for as paid in capital and debt discount amortized using the effective rate of interest over the life of the promissory note.

Term	5 years
Exercise Price	\$0.044
Volatility	270.6%
Risk-free interest rate	3.37%
Expected dividend yield	-

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

### Forward-Looking Statements

Certain statements in this Quarterly Report on Form 10-Q, contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These statements relate to future events or our future financial performance. We have attempted to identify forward-looking statements by terminology including “anticipates,” “believes,” “expects,” “can,” “continue,” “could,” “estimates,” “expects,” “intends,” “may,” “plans,” “potential,” “approximate,” “might,” “budget,” “forecast,” “shall,” “project,” “predict,” “should” or “will” or the negative of these terms or other comparable terminology. These statements are only predictions; uncertainties and other factors may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels or activity, performance or achievements expressed or implied by these forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, achievements, or our ability to successfully remediate the material weakness in our internal control over financial reporting in an appropriate and timely manner or at all, and the other factors described under “Item 1A. Risk Factors” and elsewhere in our Annual Report on Form 10-K filed with the SEC on April 5, 2023. Our expectations are as of the date this Quarterly Report is filed, and we do not intend to update any of the forward-looking statements after the date this Quarterly Report is filed to confirm these statements to actual results, unless required by law.

### Plan of Operations

We are an emerging electric vehicle (“EV”) electrification infrastructure solutions and premium custom power products company, through our wholly owned subsidiaries Digital Power Corporation (“DPC”) and TOG Technologies Inc. (“TOGT”), design, develop, manufacture and sell highly engineered, feature-rich, high-grade-power conversion and power system solutions to diverse industries and markets including e-Mobility, medical, military, telecommunications, and industrial as well as design and provide a line of advanced EV charging solutions. Through DPC, we provide solutions which leverage a combination of low leakage power emissions, very high-power density with power efficiency, flexible design leveraging customized firmware and short time to market. Our designed and manufactured, highly engineered, precision power conversion and control solutions serve mission-critical applications and processes. Through TOGT, we market and sell a line of scalable EV residential, commercial and ultra-fast charging products and comprehensive charging management software and network services. The business represents a natural outgrowth from our proprietary core power technologies to optimizing the design and performance of EV charging solutions.

Our strategy is to be the supplier of choice across numerous markets that require high-quality power system solutions where custom design, superior product, high quality, time to market and competitive prices are critical to business success. We believe that we provide advanced custom product design services to deliver high-grade products that reach a high level of efficiency and density and can meet rigorous environmental requirements. Our customers benefit from a direct relationship with us that supports all their needs for designing and manufacturing power solutions and products. By implementing our proprietary core technology, including process implementation in integrated circuits, we can provide cost reductions to our customers by replacing their existing power sources with our custom design cost-effective products.

On March 20, 2022, IMHC entered into a Securities Purchase Agreement (the “Agreement”) with TurnOnGreen, Inc., a Nevada corporation (“TOGI”), a then wholly owned subsidiary of Ault Alliance, Inc., a Delaware corporation (the “Parent” or “AAI”). Pursuant to the Agreement, at the Closing, which occurred on September 6, 2022, the Parent delivered to us all of the outstanding shares of common stock of TOGI held by the Parent, and in consideration for the issuance by IMHC to the Parent (the “Acquisition”) of an aggregate of 25,000 newly designated shares of Series A Preferred Stock (the “Series A Preferred Stock”), with each such share having a stated value of \$1,000. The Series A Preferred Stock has an aggregate liquidation preference of \$25 million, is convertible into shares of our common stock at the Parent’s option, is redeemable by the Parent, and entitles the Parent to vote with the common stock on an as-converted basis. Immediately following the Acquisition, TOGI became our wholly owned subsidiary, and subsequent thereto, TOGI was merged with and into our company, pursuant to which TOGI ceased to exist. TurnOnGreen continues to be led by its Chief Executive Officer, Amos Kohn and its President, Marcus Charuvastra.

## Results of Operations

### For the Three Months Ended September 30, 2023 and 2022:

	2023	2022	Change (\$)	Change (%)
Revenue	\$ 1,166,000	\$ 1,827,000	\$ (661,000)	-36%
Cost of revenue	1,138,000	931,000	207,000	22%
Gross (loss) profit	28,000	896,000	(868,000)	-97%
Operating expenses:				
Research and development	97,000	71,000	26,000	37%
Selling and marketing	766,000	542,000	224,000	41%
General and administrative	339,000	766,000	(427,000)	-56%
Total operating expenses	1,202,000	1,379,000	(177,000)	-13%
Operating loss	(1,174,000)	(483,000)	691,000	143%
Other expense:				
Interest	(25,000)	(3,000)	22,000	733%
Total other expense	(25,000)	(3,000)	22,000	733%
Net loss	(1,199,000)	(486,000)	713,000	147%
Preferred dividends	(511,000)	(139,000)	372,000	268%
Net loss available to common shareholders	\$ (1,710,000)	\$ (625,000)		

### Revenue and Gross (Loss) Profit

During the three month period ended September 30, 2023, we had decreased revenues of \$661,000 and decreased gross profits of \$868,000 compared to the three month period ended September 30, 2022, primarily due to our decreased sales in the three month period ended September 30, 2023, related to large projects which were discontinued in 2022, that drove increased production and deliveries in 2022. Additionally, our cost of revenue increased primarily due to a charge for excess and obsolete inventory of \$450,000 in the three month period ended September 30, 2023.

### Net Loss and Operating Expenses

During the three months ended September 30, 2023, our net loss increased by \$713,000 compared to the three month period ended September 30, 2022, primarily due to decreased gross profit coupled with increased investor relations, legal and overhead allocation expenses of \$138,000 partially offset by decreased marketing, consulting and audit fees of \$267,000.

### Net Loss Available to Common Shareholders

In September of 2022, IMHC was combined with certain entities under the common control of our Parent. As part of this transaction, we issued preferred stock that accrues a dividend, which has resulted in an increase in the net loss available to common shareholders compared to the prior year period of \$372,000 due to accruing the dividend for the full three month period ended September 30, 2023.

### For the Nine Months Ended September 30, 2023 and 2022:

	2023	2022	Change (\$)	Change (%)
Revenue	\$ 2,766,000	\$ 4,018,000	\$ (1,252,000)	-31%
Cost of revenue	2,430,000	2,269,000	161,000	7%
Gross profit	336,000	1,749,000	(1,413,000)	-81%
Operating expenses:				
Research and development	304,000	581,000	(277,000)	-48%
Selling and marketing	1,151,000	1,202,000	(51,000)	-4%
General and administrative	2,819,000	2,386,000	433,000	18%
Total operating expenses	4,274,000	4,169,000	105,000	3%
Operating loss	(3,938,000)	(2,420,000)	1,518,000	63%
Other expense:				
Interest	(114,000)	(3,000)	111,000	3700%
Total other expense	(114,000)	(3,000)	111,000	3700%
Net loss	(4,052,000)	(2,423,000)	1,629,000	67%
Preferred dividends	(1,517,000)	(139,000)	1,378,000	-991%
Net loss available to common shareholders	\$ (5,569,000)	\$ (2,562,000)		

### *Revenue and Gross Profit*

During the nine month period ended September 30, 2023, we had decreased revenues of \$1,252,000 and decreased gross profits of \$1,413,000 compared to the nine month period ended September 30, 2022, primarily due to our decreased sales in the nine month period ended September 30, 2023, related to a large project which was discontinued in 2022, that drove increased production and deliveries in 2022 coupled with a project delays related to the overall economy slow down during the period. Cost of revenues increased \$161,000 during the period due to increased charges related to excess and obsolete inventory of \$786,000 in the nine month period partially offset by decreased distribution and manufacturing services of \$402,000 and \$219,000, respectively.

### *Net Loss and Operating Expenses*

During the nine months ended September 30, 2023, our net loss increased by \$1,629,000 compared to the nine month period ended September 30, 2022, primarily due to decreased gross profit of \$1,413,000 coupled with increased overhead allocations, software and interest expenses increasing by \$259,000, \$120,000 and \$108,000, respectively. The increases were partially offset primarily by decreased safety fees of \$287,000.

### *Net Loss Available to Common Shareholders*

In September of 2022, IMHC was combined with certain entities under the common control of our Parent. As part of this transaction, we issued preferred stock that accrues a dividend, which has resulted in an increase in the net loss available to common shareholders of \$1.4 million for the nine month period ended September 30, 2023 compared to the prior year period.

### **Liquidity and Capital Resources**

On August 15, 2023 the Company entered into a loan and security agreement (the "security agreement") with AAI in relation to the June 30, 2023 outstanding Ault advance payable of \$701,000. The security agreement accrues interest at 10% per annum, permits an aggregate loan amount of \$2 million and is due within 5 business days after written demand for payment is made. As of September 30, 2023 we have an outstanding advance payable balance of \$1.4 million. AAI shall have the right to terminate the security agreement to make credit extensions under this security agreement immediately and without notice upon the occurrence and during the continuance of an event of default. After December 31, 2023, AAI will not be obligated to make any further advances.

The accompanying condensed consolidated financial statements have been prepared assuming that we will continue as a going concern. We have incurred recurring net losses and operations have not provided sufficient cash flows. We believe that we will continue to incur operating and net losses each quarter until at least the time we begin significant deliveries of our products. Our inability to continue as a going concern could have a negative impact on our company, including our ability to obtain needed financing. In view of these matters, there is substantial doubt about our ability to continue as a going concern. We intend to finance our future development activities and working capital needs largely through the sale of equity securities with some additional funding from other sources, including term notes until such time as funds provided by operations are sufficient to fund working capital requirements. Our condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classifications of liabilities that might be necessary should we be unable to continue as a going concern.

### **Critical Accounting Estimates**

Our condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The accounting principles we use require us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and amounts of income and expenses during the reporting periods presented. We believe in the quality and reasonableness of our critical accounting policies; however, materially different amounts may be reported under different conditions or using assumptions different from those that we have applied. The accounting policies that have been identified as critical to our business operations and to understanding the results of our operations pertain to valuation of inventories and accruals of certain liabilities.

### **Recently Issued Accounting Pronouncements**

Our management has considered all recent accounting pronouncements issued since the last audit of our financial statements. Our management believes that these recent pronouncements will not have a significant effect on our financial statements.

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

Because we are a smaller reporting company, this section is not applicable.

## ITEM 4. CONTROLS AND PROCEDURES.

### Evaluation of Disclosure Controls and Procedures

As of September 30, 2023, our management, with the participation and supervision of our principal executive officer and our principal financial officer, evaluated our disclosure controls and procedures (as defined in Rules 13a-15I and 15d-15(e) under the Exchange Act). The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost benefit relationship of possible controls and procedures. Based upon their evaluation, our principal executive officer and our principal financial officer concluded that, solely as a result of the material weaknesses identified by management and described below, our disclosure controls and procedures were not effective to ensure that material information relating to the Company required to be disclosed by the Company in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and to ensure that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

### Material Weaknesses

A material weakness is a deficiency, or a combination of deficiencies, within the meaning of Public Company Accounting Oversight Board (“PCAOB”) Audit Standard No. 5, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Management has identified the following material weaknesses, which have caused management to conclude that as of September 30, 2023, our internal control over financial reporting (“ICFR”) was not effective at the reasonable assurance level:

- We do not have sufficient resources in our accounting function, which restricts our ability to gather, analyze and properly review information related to financial reporting, including fair value estimates, in a timely manner. Due to our size and nature, segregation of all conflicting duties may not always be possible and may not be economically feasible. However, to the extent possible, the initiation of transactions, the custody of assets and the recording of transactions should be performed by separate individuals. The company’s primary user access controls to ensure appropriate authorization and segregation of duties that would adequately restrict user and privileged access to the financially relevant systems and data to appropriate personnel were not designed and/or implemented effectively;
- The insufficient resources in our accounting function also resulted in a deficiency over design and implementation of effective revenue recognition policies, procedures and controls with respect to the identification, timing and treatment of various new contracts with customers;
- Management also concluded that there was a deficiency in internal controls over financial reporting relating to the accounting treatment for complex financial instruments which resulted in the failure to properly account for such instruments, specifically with respect to the classification and proper accounting treatment of preferred shares; and
- Lastly, we did not design and maintain effective controls associated with related party transactions and disclosures. The controls in place were not designed at a sufficient level of precision or rigor to effectively prepare and review the complete customer listing in such manner as to identify and properly disclose the nature and financial data of all our related party relationships.

Management evaluated the impact of our failure to have segregation of duties and proper reviews, inadequacy in design of revenue recognition policies and procedures, failure to properly account for and provide adequate disclosures of complex financial instruments, fair value estimate procedures and reviews, and deficiency in identification and a disclosure of related party transactions and concluded that the multiple control deficiencies that resulted represented material weaknesses.

We have begun to implement the actions below (including appropriate staffing to execute such actions) in the following areas to strengthen our internal control over financial reporting in an effort to remediate the material weaknesses.

## **Remediation**

*Inventory.* We have enhanced the design of existing controls and implemented new controls over the accounting, processing and recording of inventory. Specifically, we have strengthened the design of the management review control over inventory-in-transit. We have implemented processes to ensure timely identification and evaluation of inventory cut-off, and we are requiring additional accountability from counterparties on the accuracy of incoming and outgoing shipment documentation. We have deployed information system enhancements and have made better use of current system capabilities in order to improve the accuracy of inventory cut-off, reporting and reconciliation. In addition, we have been creating an assembly bill of materials (“BOM”) in our business software to facilitate efficient and accurate manufacturing and provide proper recording of raw materials inventory. The BOM structure ultimately minimizes inventory inaccuracies and production delays, and we have been increasing cycle counting of inventory used in production to improve accuracy. Lastly, we have recently hired a material specialist whose responsibility is to maintain inventory records.

*Revenue Recognition.* We intend on enhancing the design of existing controls and implementing new controls over the review of the application and recording of revenue for customer contracts under the guidance outlined in ASC 606. We also intend on implementing more thorough reviews of contracts by evaluating contractual terms and determining whether certain contracts should be consolidated, involve related parties and the proper timing of revenue recognition. These reviews will include more comprehensive contractual analysis from our legal team while ensuring qualified resources are involved and adequate oversight is performed during the internal technical accounting review process.

*Accounts Receivable.* We intend on enhancing the design of existing controls and implementing new controls over the processing and review of accounts receivable billings. We plan to supplement our accounting staff with more experienced personnel. We will also evaluate information system capabilities in order to reduce the manual calculations within this business process.

*Complex Financial Instruments.* We will design and implement controls to properly identify and implement the proper accounting treatment and classifications of our complex financial instruments to ensure our equity accounting and treatment is in accordance with U.S. generally accepted accounting principles. We intend to accomplish this by implementing more thorough reviews of certain details regarding all rights, penalties, record holders and negative covenants of the financial instruments in order to apply the correct accounting guidance (liabilities vs. equity vs. temporary equity).

*Fair Value Estimates.* We will design and implement additional control activities to ensure controls related to fair value estimates (including controls that validate the reasonableness, completeness and accuracy of information, data and assumptions), are properly designed, implemented and documented.

While these actions and planned actions are subject to ongoing management evaluation and will require validation and testing of the design and operating effectiveness of internal controls over a sustained period of financial reporting cycles, we are committed to the continuous improvement of our internal control over financial reporting. We will continue to diligently review our internal control over financial reporting.

## **Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting during the quarter ended September 30, 2023, that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

## PART II—OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS.

The Company is currently involved in litigation arising from matters in the ordinary course of business. We are regularly subject to claims, suits, regulatory and government investigations, and other proceedings involving labor and employment, commercial disputes, and other matters. Such claims, suits, regulatory and government investigations, and other proceedings could result in fines, civil penalties, or other adverse consequences.

Certain of these outstanding matters include speculative or indeterminate monetary amounts. We record an undiscounted liability for contingent losses, including future legal costs, settlements and judgments, when we consider it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. If we determine that a loss is reasonably possible and the loss or range of loss can be estimated, we disclose the reasonably possible loss. We evaluate developments in our legal matters that could affect the amount of liability that has been previously accrued, and the matters and related reasonably possible losses disclosed, and make adjustments as appropriate. Significant judgment is required to determine both likelihood of there being a loss and the estimated amount of loss related to such matters.

With respect to our outstanding matters, based on our current knowledge, we believe that the amount or range of reasonably possible loss will not, either individually or in aggregate, have a material adverse effect on our business, consolidated financial position, results of operations, or cash flows. However, the outcome of such matters is inherently unpredictable and subject to significant uncertainties.

### ITEM 1A. RISK FACTORS.

Because we are a smaller reporting company, this section is not applicable.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES OR USE OF PROCEEDS.

Set forth below is information regarding the securities sold during the quarter ended September 30, 2023 that were not registered under the Securities Act:

Date of Sale	Title of Security	Number Sold	Consideration Received and Description of Underwriting or Other Discounts to Market Price or Convertible Security, Afforded to Purchasers	Exemption from Registration Claimed	If Option, Warrant or Convertible Security, terms of exercise or conversion
August 8, 2023	Common stock	40	Common stock for warrants	Section 4(a)(2) of the Securities act	\$0.10
September 20, 2023	Common stock	1,585	Common stock for warrants	Section 4(a)(2) of the Securities act	\$0.10

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

### ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

### ITEM 5. OTHER INFORMATION.

None.

**ITEM 6. EXHIBITS.**

<b>Exhibit No.</b>	<b>Exhibit Description</b>
3.1	<a href="#">Amended and Restated Articles of Incorporation. Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed August 31, 2023.</a>
3.2	<a href="#">By-Laws. Incorporated by reference to Exhibit 3.2 to the Registration Statement on Form 10 filed April 13, 2021.</a>
3.3	<a href="#">Certificate of Designations of Rights and Preferences of Series A Convertible Redeemable Preferred Stock. Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed September 6, 2022.</a>
10.1	<a href="#">Form of Loan and Security Agreement. Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed August 21, 2023.</a>
31.1*	<a href="#">Certification of Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a)</a>
31.2*	<a href="#">Certification of Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a)</a>
32.1**	<a href="#">Certification of Chief Executive and Financial Officer required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code</a>
101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

\*Filed herewith.

\*\* This certification will not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent specifically incorporated by reference into such filing.

## SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: November 14, 2023

IMPERALIS HOLDING CORP.

By: /s/ Amos Kohn

Amos Kohn

Chief Executive and Chief Financial Officer

## CERTIFICATIONS

I, Amos Kohn, certify that;

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 of Imperialis Holding Corp. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 14, 2023

/s/ Amos Kohn

By: Amos Kohn

Title: Chief Executive Officer

(Principal Executive Officer)

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## CERTIFICATIONS

I, Amos Kohn, certify that;

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 of Imperialis Holding Corp. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 14, 2023

/s/ Amos Kohn

By: Amos Kohn

Title: Chief Financial Officer

(Principal Financial and Accounting Officer)

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**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 Quarterly Report of Imperialis Holding Corp. (the "Company") on Form 10-Q for the quarter ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the consolidated financial condition and the consolidated result of operations of the Company.

By:     /s/ Amos Kohn    

Name: Amos Kohn

Title: Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial and Accounting Officer)

Date: November 14, 2023

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