



NOL Protective Provisions Overview

June 28, 2024



Current Net Operating Losses (NOL) and Section 382 Limitation

- Federal Net Operating Losses (NOL) as of 12/31/23 were approx. \$238 million
- Our ability to use our NOLs could be substantially limited if we experience an “ownership change,” as defined under IRS Section 382
 - Under Section 382 of the Code, an “ownership change” occurs if, over a rolling three-year historical period, there has been an aggregate increase of 50 percentage points or more in the percentage of our common stock owned by one or more of our “5-percent stockholders”
- Based on our May 2024 internal analysis, the Company is nearing a potential 50% ownership change under IRS Section 382, which, if exceeded, would likely lead to a significant limitation on our ability to utilize our NOLs and other tax attributes in the future
- Assuming no additional stock acquisitions from our 5% stockholders, we expect our 3-year rolling calculation of Section 382 ownership change to decrease significantly by June 2025

NOL Rights Plan

- Plan Triggers

- When a non-5% stockholder acquires $> 4.9\%$ ownership in PRPL
- When a current “grandfathered” 5% stockholder acquires $> 0.5\%$ of PRPL outstanding stock greater than their current PRPL beneficial ownership percentage (“Grandfathered Cap”)
- Triggering of the NOL plan will result in significant dilution to triggering stockholder, thus deterring a Section 382 ownership change from occurring

- Expiration

- Plan sunsets on June 30, 2025 (approx. 1 year from inception)

NOL Protection Charter Amendment

- Adds additional layer of NOL protection
- Voids any PRPL stock acquisition in excess of 4.9% or Grandfathered Cap
- Excess shares required to be resold into market by our transfer agent
- Intentional violators can be held liable
- Amendment will be submitted for stockholder approval at special stockholder meeting (date TBD)