

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2025

OR

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

For the transition period from _____ to _____

Commission file number 000-21617

ProPhase Labs, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

23-2577138

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

**626 RXR Plaza, 6th Floor
Uniondale, New York**

(Address of principal executive offices)

11556

(Zip Code)

(516) 989-0763

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$0.0005 par value per share	PRPH	OTC Markets

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 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 (§229.405 of this chapter) during the preceding 12 months (or 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 definition 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 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 Act). Yes No

The aggregate market value of the registrant's voting and non-voting common stock held by non-affiliates was \$15,164,927 as of June 30, 2025, based on the closing price of the common stock on The Nasdaq Capital Market on such date.

As of May 29, 2026, there were 14,016,025 shares outstanding of the registrant's common stock, par value \$0.0005 per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement relating to its 2026 annual meeting of stockholders (the "2026 Proxy Statement") are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. The 2026 Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

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PART I

Item 1. Business

Overview

We are a growth oriented and diversified next generation biotech, genomics and consumer products company that develops and commercializes novel drugs, dietary supplements, and compounds, and human genomic testing.

We offer whole genome sequencing and related services through our wholly-owned subsidiary, Nebula Genomics, Inc. (“Nebula”) and DNA Complete, Inc. (“DNA Complete”).

Our wholly owned subsidiary, ProPhase BioPharma, Inc. (“PBIO”) is focused on the licensing, development and commercialization of novel drugs, dietary supplements, and compounds. We also develop and market dietary supplements under the TK Supplements® brand.

Previously we offered a broad array of COVID-19 related clinical diagnostic and testing services including polymerase chain reaction (“PCR”) testing for COVID-19 and Influenza A and B as well as rapid antigen testing for COVID-19 through our wholly-owned subsidiary, ProPhase Diagnostics, Inc. (“ProPhase Diagnostics”). ProPhase Diagnostics’ two CLIA (Clinical Laboratory Improvement Amendments) certified laboratories are located in Old Bridge, New Jersey and Garden City, New York, respectively.

BE-Smart Esophageal Pre-Cancer Diagnostics Screening Test

We own the exclusive rights to the BE-Smart Esophageal Pre-Cancer diagnostics screening test and related intellectual property assets. The BE-Smart test is aimed at early detection of progression from Barretts esophagus to esophageal adenocarcinoma. It remains under development but has already been tested by an independent test lab, mProbe, Inc. (“mProbe”), on over 200 human samples. Although further clinical tests are required, the available initial data demonstrates potential for early detection of esophageal cancer risk. mProbe, Inc., a precision health and medicine company utilizing clinical proteomics in the oncology space in conjunction with Dr. Christopher Hartley of the Mayo Clinic, has been utilizing a small sample of tissue collected during endoscopies to help us confirm and optimize the BE-Smart Test. The initial data appears to demonstrate accuracy and reproducibility as well as identification of potential biomarkers for therapeutic drug discovery to treat esophageal cancer. We are continuing to study and develop the BE-Smart test.

In March 2023, we announced a collaboration with mProbe and Dr. Christopher Hartley of Mayo Clinic for the continued development of our BE-Smart Esophageal Pre-Cancer diagnostic screening test. That collaboration has yielded a publication provided clinical evidence supporting BE-Smart, a novel, 8-protein, mass spectrometry-based assay developed through a collaborative research effort between the Company and the Mayo Clinic that stratifies the risk of progression from Barrett’s Esophagus (BE) to high-grade dysplasia. Currently, we plan to commercialize the BE-Smart test as a Laboratory Developed Test (“LDT”).

According to the National Institute of Health Chapter 24: Indications and Outcomes of Gastrointestinal Endoscopy, over 20 million endoscopies are performed every year in the United States; approximately seven million of these procedures are done on patients with higher risk for contracting Esophageal Adeno Carcinoma. Two million of these patients have Barrett’s Esophagus, which is a condition in which the flat pink lining of the swallowing tube that connects the mouth to the stomach (esophagus) becomes damaged by acid reflux, which causes the lining to thicken and become red. In patients with Barrett’s Esophagus, one in two hundred will develop esophageal adenocarcinoma. Esophageal cancer is highly lethal and deemed as the sixth cause of cancer death worldwide according to Cancer State Facts, with the overall five-year survival rate less than 20%. We estimate that the reimbursement rate for the test will range between \$1,000 to \$2,000 per test, giving it a total potential addressable market of \$7 billion to \$14 billion dollars per year.

The BE-Smart test is being developed to provide health care providers and patients with data to help determine treatment options, including whether patients not believed to be at risk for esophageal cancer should continue to be monitored or, alternatively, to provide patients who might otherwise have been undiagnosed early treatment before esophageal cells become cancerous. The goal of widespread adoption of the BE-Smart test would allow health care providers to initiate potentially lifesaving early treatment processes such as an ablation procedure to remove the precancerous cells. This diagnostic test, if validated and commercialized, may reduce the number of unnecessary endoscopic procedures.

DNA Complete

DNA Complete focuses on genomics testing technologies, a comprehensive method for analyzing entire genomes, including the genes and chromosomes in deoxyribonucleic acid (“DNA”). The data obtained from genomic sequencing may help to identify inherited disorders and tendencies, predict disease risk, identify expected drug response, and characterize genetic mutations, including those that drive cancer progression. We currently offer DNA Complete’s whole genome sequencing products direct-to-consumers online with plans to sell in food, drug and mass (“FDM”) retail stores and to provide testing for universities conducting genomic research. DNA Complete offers three tiers of DNA testing, Essential, Pro, and Elite, which differ in the amount of DNA analyzed (1x whole genome sequencing (“WGS”), 30x WGS, and 100x WGS, respectively), the level of accuracy, the number of reports per month that consumers would receive, and the total of personalized health reports included (more than 175 reports, more than 250 reports, and more than 350 reports, respectively). The DNA Complete tests include the first year of membership. The DNA Complete platform offers both ancestry and personalized health reports covering a number of health dispositions, such as longevity, mental health, cancer, and more. In addition, DNA Complete offers subscription services to ensure ongoing customer engagement by providing regular updates and new insights. DNA Complete sequences specimens at Nebula, a wholly owned subsidiary of ours, as well as at other laboratories.

DNA Complete also offers DNA Expand, a platform that allows consumers to upload their DNA data from previous DNA tests obtained from other service providers to discover 50x more data points derived from over 35 million genetic variants, and to obtain in-depth health and wellness reports that are based on the latest scientific discoveries. DNA Expand’s database was created from WGS tests that were obtained from 130 countries and are equivalent to roughly 150 million ancestry single nucleotide polymorphisms based tests.

ProPhase Diagnostics

Our wholly-owned subsidiary, ProPhase Diagnostics, which was formed in October 2020, and two indirectly wholly-owned subsidiaries, ProPhase Diagnostics NY, Inc. and ProPhase Diagnostics NJ, Inc. (collectively, the “Debtors”) offered a broad array of COVID-19 related clinical diagnostic and testing services including PCR testing for COVID-19 and Influenza A and B at its two Clinical Laboratory Improvement Amendments (“CLIA”) certified laboratories, located in Old Bridge, New Jersey and Garden City, New York. We also offered rapid antigen testing for COVID-19.

In March 2020, the CARES Act was enacted, providing for reimbursement to healthcare providers for COVID-19 tests provided to uninsured individuals, subject to continued available funding. On March 22, 2022, the Health Resources & Services Administrations (“HRSA”) uninsured program stopped accepting claims for COVID-19 testing and treatment due to the lack of sufficient funds. Despite requests from the Acting Director of the Office of Management and Budget and the White House Coordinator for COVID-19 Response for additional emergency funding for the uninsured program, emergency funding has not been allocated to the HRSA uninsured program. The expiration of the federal Public Health Emergency on May 11, 2023 changed regulatory guidelines around COVID-19 testing including billing codes and reimbursement rates of in and out of network laboratories.

Due to the significant decrease in demand and reimbursement rate for our diagnostic testing services, the Debtors have not provided diagnostic testing services since the fourth quarter of 2024. On September 22, 2025, the Debtors filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of New Jersey. The Debtors are pursuing reorganization, with the objectives of (i) the orderly collection, by their court-appointed special counsel, of accounts receivable arising from prior COVID-19 diagnostic testing services, and (ii) the operational reorganization of the Debtors’ CLIA-certified laboratory infrastructure to support additional diagnostic and testing opportunities as the cases progress. The Debtors’ plan of reorganization is under development and any plan will be subject to Bankruptcy Court approval. The Company has deconsolidated the Debtors as of September 22, 2025. See Note 18.

Nebula Genomics

Nebula focuses on genomics testing technologies, a comprehensive method for analyzing entire genomes, including the genes and chromosomes in deoxyribonucleic acid (“DNA”). The data obtained from genomic sequencing may help to identify inherited disorders and tendencies, help predict disease risk, help identify expected drug response, and characterize genetic mutations, including those that drive cancer progression. We currently offer Nebula whole genome sequencing products direct-to-consumers online with plans to sell in food, drug and mass (“FDM”) retail stores and to provide testing for universities conducting genomic research.

Nebula provides consumers access to affordable and secure whole genome sequencing. It also provides customers with access to over 300 personalized reports based on their genomic profile. These reports are created utilizing the latest scientific research and provide individual genetic commentary on a broad range of traits and characteristics. Customers can

access their reports via Nebula's secure online portal. As new scientific discoveries are made, customers receive new reports, as well as regular updates to their existing reports, through Nebula's subscription model. In addition to the personalized reports, Nebula provides customers with access to a suite of exploration tools including a gene browser and a gene analysis tool. These tools allow customers to browse their data, search for genetic variants, and analyze their genes.

Nebula's solution was initially powered by the innovations of George Church, Ph.D., Professor of Genetics at Harvard Medical School and Chairman of Nebula's Scientific Advisory Board. Dr. Church has pioneered the development of multiple DNA sequencing methods, including molecular multiplexing approaches that enable next generation sequencing as well as nanopore sequencing.

Nebula's whole genome sequencing DNA test decodes approximately 6.4 billion base pairs of the human genome, generating significant amounts of data, which exceeds the amount and quality of data widely offered by most competing services. Through the use of additional tools, the data that is generated can help identify rare genetic mutations and provide consumers other valuable insights into their genes and overall health and wellness. Nebula also provides consumers with weekly educational content to further their knowledge about the use of their genetic data.

Based on our internal research, Nebula was the first company to bring the cost of sequencing a human genome below \$300 and became one of the largest direct-to-consumer whole genome sequencing companies. Our goal is to increase Nebula's sales by decreasing price, decreasing turnaround times and increasing distribution to both businesses and consumers, including universities conducting genetic research. We plan to accomplish this by integrating Nebula's genomic sequencing into our CLIA-certified labs.

Linebacker (LB-1 and LB-2)

We have exclusive worldwide rights to develop and commercialize LB-1 and LB-2 for the treatment of cancer, inflammatory diseases or symptoms and memory-related syndromes, diseases or symptoms, including dementia and Alzheimer's disease, pursuant to a license agreement with Global BioLife.

LB-1 and LB-2 were initially developed by Global BioLife in partnership with Global Research and Development Group Sciences ("GRDG"). GRDG and Global BioLife created Linebacker, a multi-faceted therapeutic platform targeting metabolic, neurologic, cancer, and infectious diseases, to mirror the Panacea Project, a U.S. Defense Advanced Research Projects Agency program that provides novel, multi-target therapeutics for unmet physiological needs. Linebacker is a modified polyphenol. Linebacker compounds are modified Myricetin, which is a common plant-derived flavonoid. Myricetin exhibits a wide range of activities that include strong antioxidant, anticancer, antidiabetic and anti-inflammatory activities. It displays activities that are related to the central nervous system. Anecdotal evidence suggests that it may be beneficial to protect against diseases such as Parkinson's and Alzheimer's.

LB-1 is being developed as a potential co-therapy to down-regulate PIM (proviral integration site for moloney murine leukemia virus) kinase, which plays a key role as an oncogene in various cancers including myeloma, leukemia, prostate and breast cancers. In preclinical laboratory studies, LB-1 inhibited PIM, which could potentially slow the growth of the cancer and allow for better efficacy of the co-therapy drug or treatment being used.

Chemotherapy drugs alone, like TAXOL® (paclitaxel) injection, kill healthy cells alongside tumorous ones. LB-1 is being developed to focus directly on the PIM expressions potentially rendering the cancer cell transcription and replication significantly less effective, so that chemotherapy drugs such as paclitaxel can effectively kill the existing tumor cells. LB-1 may also be developed as a potential standalone post therapy to ensure cancer cells do not regenerate.

Our initial focus for LB-1 is as a potential co-therapy for the following four drugs:

- *Paclitaxel*: a drug used to treat breast, ovarian, lung, bladder, prostate, melanoma, esophageal, as well as other types of solid tumor cancers.
- *Doxorubicin*: a drug used to treat used to treat various forms of cancer, including breast cancer, bladder cancer, Kaposi's sarcoma, lymphoma, and acute lymphocytic leukemia.
- *Topotecan*: a drug used to treat ovarian cancer.
- *Cisplatin*: a drug used to treat testicular, ovarian, bladder, head and neck, lung and cervical cancer.

In vitro studies completed in the fourth quarter of 2023 from the initial LB-1 cell line demonstrated the following findings:

- *LB-1 Co-Therapy with Paclitaxel*
 - LB-1 alone inhibited cell proliferation at 69.94% at 100uM
 - TAXOL alone inhibited cell proliferation at 41.96% at 200nM
 - LB-1 and TAXOL combined inhibited cell proliferation at 75.5% (100uM of LB1 + 200nM Taxol)
- *LB-1 Co-Therapy with Doxorubicin*
 - LB-1 alone inhibited cell proliferation at 69.66% at 100uM
 - Doxorubicin alone inhibited cell proliferation at 51.6% at 2000nM
 - LB-1 and Doxorubicin combined inhibited cell proliferation at 86.95% (100uM of LB1 + 2000nM Doxorubicin)
- *LB-1 Co-Therapy with Topotecan*
 - LB-1 alone inhibited cell proliferation at 69.54% at 100uM
 - Topotecan alone inhibited cell proliferation at 58.27% at 2000nM
 - LB-1 and Topotecan combined inhibited cell proliferation at 97.18% (100uM of LB1 + 2000nM Topotecan)
- *LB-1 Co-Therapy with Cisplatin*
 - LB-1 alone inhibited cell proliferation at 72.33% at 100uM
 - Cisplatin alone inhibited cell proliferation at 22.74% at 30uM
 - LB-1 and Cisplatin combined inhibited cell proliferation at 82.48% (100uM of LB1 + 30uM Cisplatin)

In January 2023, REPROCELL completed an independent review of LB-1, which included testing of 25 cell lines with LB-1, and confirmed previous *in vitro* studies conducted by Charles River. These cell lines confirmed efficacy of LB-1 on ovarian, kidney, colon and lung adenocarcinoma/small cells.

In November 2022 PBIO entered into a two-year collaborative agreement with Dana-Farber Cancer Institute and Harvard Medical School to further the research LB-1. This collaboration provides for year 1 and year 2 research plans, which were initiated in the first and second quarter of 2023. The ongoing studies are focused on identifying the most effective combination of cancer cell lines and agents with LB-1. Initial focus areas include hepatic, colon and breast cancer, and initial therapy agents include Topotecan and Doxorubicin.

In August 2023, we teamed up with Certis oncology to use their proprietary CertisAI Predictive Oncology Intelligence to determine what, if any, cancers Linebacker would be most effective against. The outcome from the work with CertisAI will help aid in potential disease modifying treatments in the future.

TK Supplements

Our TK Supplements® product line is dedicated to supporting better health, energy and sexual vitality. Each of our herbal supplements is researched to determine the optimum blend of ingredients to ensure our customers receive premium quality products. To achieve this, we formulate with the highest quality ingredients derived from nature and ingredients enhanced by science. Our TK Supplements® product line includes Legendz XL®, a male sexual enhancement and Triple Edge XL®, an energy and stamina booster.

We also expect to launch our Equivir daily supplement that supports users' immune functions. We are currently awaiting the final results of the trials conducted in India and completed at the end of the third quarter of 2024. Vedic Lifesciences is currently preparing the statistical analysis report ("SAR") as well as a final report and a journal article to discuss the full results of the trial.

Discontinued Operations

Pharmaloz Contract Manufacturing ("PMI") is a full-service contract manufacturer and private label developer of a broad range of non-GMO, organic and natural-based cough drops and lozenges and OTC drug and dietary supplement products. PMI provides product development, pre-commercialization services, production, warehousing and distribution

services for its customers. Our manufacturing facility, which is located in Lebanon, Pennsylvania, is registered with the United States Food and Drug Administration (“FDA”) and is certified organic and kosher.

Effective January 16, 2025, we sold our PMI to JL Projects, Inc., (“JL Projects”). As a consequence of the sale of PMI, for the years ended December 31, 2024 and 2023, we have classified as discontinued operations (i) all income and expenses attributable to PMI, (ii) the gain from the sale of PMI, and (iii) the income tax expense attributed to the sale of PMI.

The company received \$2 million in cash as well as the extinguishment of approximately \$11 million in debt and accrued interest as a result of the sale. The Company also transferred approximately \$3 million in payables, \$1 million in capital leases and over \$3 million in the planned plant capital expenditures.

Fluctuations in our Business

Our diagnostic services revenues were subject to fluctuations in COVID-19 testing demand. The demand for COVID-19 tests was highly volatile, primarily driven by the emergence and severity of new variants. The demand for COVID-19 tests significantly decreased in 2023 and as a result, we have reduced the amount of diagnostic testing services that we provide since the second half of 2023. Due to the significant decrease in demand and reimbursement rate for our diagnostic testing service, we have not completed any diagnostic testing services that we provide since the fourth quarter of 2024.

Our personal genomics kit sales are impacted by seasonal holiday demand. We expect to generate greater revenues from this business during the first quarter of our fiscal year. While kits sales increase during the holiday season (fourth quarter), we will generally recognize revenue when the customer sends in their kit to our laboratory for processing and a genetic report is delivered, which we expect will occur in the following fiscal quarter.

Intellectual Property

We have been granted IP in conjunction with our BE Smart Esophageal Cancer Diagnostic. We maintain various trademarks for our TK Supplements[®] products including Legendz XL[®] and Triple Edge XL[®]. We maintain a trademark for our genomic testing, Nebula Genomics[®].

Licensing Agreements

Licensing Agreement with Global BioLife, Inc. for Equivir and Equivir G

We are party to a license agreement with Global BioLife, dated March 17, 2022 (“Equivir License Agreement”), pursuant to which we acquired from Global BioLife a worldwide exclusive right and license under certain patents identified in the license agreement and know-how (collectively, the “Equivir Licensed IP”) to exploit any product comprising or containing Equivir Licensed Compound (as defined in the license agreement) (“Equivir Licensed Products”) for all uses (the “Equivir Field”).

Under the terms of the Equivir License Agreement, Global BioLife reserves the right, solely for itself to use the Equivir Licensed IP to research and develop, including modify, enhance, improve, Equivir Licensed Products in the Equivir Field.

Subject to certain conditions set forth in the license agreement, we may grant sublicenses to our rights under the license agreement to any of our affiliates or any third party. We may assign our rights under the license agreement without consent (i) to our affiliates or (b) to an acquirer of all or substantially all of our assets to which this agreement relates. Under the terms of the license agreement, we or our affiliates have a fully-paid up, irrevocable, exclusive right of first refusal to obtain exclusive global rights to certain patents identified in the license agreement.

Licensing Agreement with BioLife, Inc. for Linebacker LB-1 and LB-2

We are also party to a license agreement with Global BioLife, dated July 19, 2022 (“Linebacker License Agreement”), pursuant to which we acquired from Global BioLife a worldwide exclusive right and license under certain patents identified in the License Agreement (the “Linebacker Licensed Patents”) and know-how (collectively, the “Linebacker Licensed IP”) to exploit any compound covered by the Linebacker Licensed Patents (the “Linebacker Licensed Compound”), including Linebacker LB-1 and LB-2, and any product comprising or containing a Linebacker Licensed Compound (“Linebacker Licensed Products”) in the treatment of cancer, inflammatory diseases or symptoms,

memory-related syndromes, diseases or symptoms including dementia and Alzheimer's Disease (the "Linebacker Field"). Under the terms of the Linebacker License Agreement, Global BioLife reserves the right, solely for itself and for GRDG Sciences, LLC to use the Linebacker Licensed Compound and Linebacker Licensed IP solely for research purposes inside the Linebacker Field and for any purpose outside the Linebacker Field.

Subject to certain conditions set forth in the license agreement, we may grant sublicenses (including the right to grant further sublicenses) to our rights under the license agreement to any of our affiliates or any third party with the prior written consent of Global BioLife, which consent may not be unreasonably withheld. Either party to the license agreement may assign its rights under the license agreement (i) in connection with the sale or transfer of all or substantially all of our assets to a third party, (b) in the event of a merger or consolidation with a third party or (iii) to an affiliate; in each case contingent upon the assignee assuming in writing all of the obligations of its assignor under the license agreement.

Under the terms of the Linebacker License Agreement, we were required to pay to Licensor a one-time upfront license fee of \$50,000 within 10 days of the effective date and must pay an additional \$900,000 following the achievement of a first Phase 3 study which may be required by the FDA for the first Linebacker Licensed Product and an additional \$1 million upon the receipt of regulatory approval of a New Drug Application ("NDA") for the first Licensed Product.

During the term of the Linebacker License Agreement, we are also required to pay to Global BioLife 3% royalties on Net Revenue (as defined in the license agreement) of each Linebacker Licensed Product, but no less than the minimum royalty of \$250,000 of net revenue per year minus any royalty payments for any required third party licenses.

Under the terms of the Linebacker License Agreement, the development of the Linebacker Licensed Compound and the first Linebacker Licensed Product for the United States will be governed by a clinical development plan, including anticipated timeline goals in connection with the clinical trials for the first Linebacker Licensed Product (the "Linebacker Development Plan"). The Linebacker Development Plan may be amended by the mutual written agreement of the parties to the Linebacker License Agreement based upon results of preclinical studies or clinical trials, including safety and effectiveness, guidance by the FDA, or upon the agreement of the parties.

The Linebacker License Agreement will expire automatically on a country-by-country basis upon the last to occur of the expiration of the last to expire Linebacker Licensed Patents (the "Term"). Following the expiration of the Term, and on a country-by-country basis, the license will become non-exclusive, perpetual, fully-paid, unrestricted, royalty-free and irrevocable.

The Linebacker License Agreement may be terminated by us for any reason or for convenience in our sole discretion: (i) on a Linebacker Licensed Product-by-Linebacker Licensed Product or a country-by-country basis or (ii) in its entirety, in either case ((i) or (ii)) for convenience upon 180 days prior written notice to Global BioLife. Global BioLife may terminate the license agreement solely for a material breach of the license agreement by us, which is not cured within 60 days' of written notice to us of such breach.

Government Regulation

Our business is subject to extensive governmental regulation by various federal, state, and local agencies as described below.

U.S. Food and Drug Administration

Diagnostic Testing Services

The FDA has regulatory responsibility for diagnostic testing instruments, test kits, reagents and other devices used by clinical laboratories. The FDA enforces laws and regulations that govern the development, testing, manufacturing, performance, labeling, advertising, marketing, distribution and surveillance of diagnostic products, including COVID-19 diagnostics authorized by the FDA under and Emergency Use Authorizations ("EUA"), and it regularly inspects and reviews the manufacturing processes and product performance of diagnostic products.

Since 2014, there have been ongoing discussions and advocacy between stakeholders, including the clinical laboratory industry, the FDA, and Congress, about potential FDA regulation of LDTs, which are assays developed and performed in-house by clinical laboratories that can be made available to the public without pre-market review by the FDA (although COVID-19 LDTs are currently subject to FDA pre-market requirements, as a consequence of the national health emergency). Various regulatory and legislative proposals are under consideration, including some that could increase

general FDA oversight of clinical laboratories and LDTs. The outcome and ultimate impact of such proposals on our business is difficult to predict at this time.

Pharmaceutical Regulation

The manufacturing and distribution of pharmaceutical products are subject to extensive regulation by the federal government, primarily through the FDA and the Drug Enforcement Administration, and to a lesser extent by state and local government agencies. The Food, Drug, and Cosmetic Act (“FDCA”) and other federal statutes and regulations govern or influence the manufacture, labeling, testing, storage, record keeping, approval, advertising and promotion of OTC pharmaceutical products.

Facilities used in the manufacture, packaging, labeling and repackaging of drug products, including OTC drug products, must be registered with the FDA and are subject to FDA inspection to ensure that drug products are manufactured in accordance with current Good Manufacturing Practice (“cGMPs”).

FDA approval is required before any “new drug” may be marketed, including new formulations, strengths, dosage forms and generic versions of previously approved drugs. Generally, to obtain FDA approval of a “new drug” a company must file a NDA or Abbreviated New Drug Application (“ANDA”).

Under the OTC monograph system, selected OTC drugs are generally recognized as safe and effective and do not require the submission and approval of an NDA or ANDA prior to marketing.

The FDA OTC monographs include well-known ingredients and specify requirements for permitted indications, required warnings and precautions, allowable combinations of ingredients and dosage levels. Drug products marketed under the OTC monograph system must conform to specific quality, formula and labeling requirements; however, these products can be developed and marketed without prior FDA approval unlike products requiring a submission and approval of an ANDA or NDA. In general, it is less costly to develop and bring to market a product regulated under the OTC monograph system. From time to time, adequate information may become available to the FDA regarding certain prescription drug products that will allow the reclassification of those products as no longer requiring the approval of an ANDA or NDA prior to marketing. For this reason, there may be increased competition and lower profitability related to a particular OTC-switch product should it be reclassified to the OTC monograph system.

Noncompliance with applicable requirements can result in product recalls, seizure of products, injunctions, suspension of production and/or distribution, refusal of the government or third parties to enter into contracts with us, withdrawal or suspension of the applicable regulator’s review of our drug applications, civil penalties and criminal fines, and disgorgement of profits.

Dietary Supplement Regulation

The FDA regulates dietary supplements under a different set of regulations than those covering “conventional” foods and drug products (prescription and OTC). Under the Dietary Supplement Health and Education Act (the “DSHEA”), which was passed in 1994, dietary supplements that were in commerce prior to 1994 are broadly presumed safe. For these supplements, manufacturers do not need to register their products with the FDA nor get FDA approval before producing or selling them. Manufacturers must make sure that product label information is truthful and not misleading. For these products, the FDA is responsible for taking action against any unsafe or misbranded dietary supplement product after it reaches the market. All new ingredients marketed within dietary supplements after 1994 that are not found in food must meet a stricter set of regulations and notification prior to release in the marketplace.

In June 2007, pursuant to the authority granted by the FDCA as amended by DSHEA, the FDA published detailed cGMP regulations that govern the manufacturing, packaging, labeling, and holding operations of dietary supplement manufacturers. The cGMP regulations, among other things, impose significant recordkeeping requirements on manufacturers. The cGMP requirements are in effect for all manufacturers, and the FDA is conducting inspections of dietary supplement manufacturers pursuant to these requirements. The failure of a manufacturing facility to comply with the cGMP regulations renders products manufactured in such facility “adulterated” and subjects such products and the manufacturer to a variety of potential FDA enforcement actions.

In addition, under the Food Safety Modernization Act, (the “FSMA”), which was enacted on January 2, 2011, the manufacturing of dietary ingredients contained in dietary supplements are subject to similar or even more burdensome manufacturing requirements. The FSMA requires importers of food, including dietary supplements and dietary ingredients,

to conduct verification activities to ensure that the food they might import meets applicable domestic requirements. The FSMA also expands the reach and regulatory powers of the FDA with respect to the production and importation of food, including dietary supplements. The expanded reach and regulatory powers include the FDA's ability to order mandatory recalls, administratively detain domestic products, require certification of compliance with domestic requirements for imported foods associated with safety issues and administratively revoke manufacturing facility registrations, effectively enjoining manufacturing of dietary ingredients and dietary supplements without judicial process. The regulation of dietary supplements may increase or become more restrictive in the future.

Under FFDCa, dietary supplements are subject to both adulteration and misbranding provisions. Adulterated products are those that contain unlisted ingredients or are not prepared or packaged under the FDA cGMPs for dietary supplements and misbranded products are those with false or misleading labels. Adulterated or misbranded products are subject to the full range of civil and criminal enforcement measures under the FFDCa and all violations of FFDCa are subject to criminal enforcement at the FDA's discretion.

We are also subject to the Dietary Supplement and Nonprescription Drug Consumer Protection Act, which was passed in 2006 to amend the FFDCa with respect to serious adverse event reporting for dietary supplements and nonprescription drugs, among other things. The law requires that the manufacturer, packer or distributor of a dietary supplement or OTC drug notify the FDA of all serious adverse events it receives associated with their dietary supplement or OTC product within 15 business days. Serious adverse events are defined as those that result in death, a life-threatening experience, in-patient hospitalization, a persistent or significant disability or incapacity, congenital anomaly or birth defect, as well as situations where medical/surgical intervention is required to prevent the previously listed events.

Consumer Product Safety Commission

Under the Poison Prevention Packaging Act, the Consumer Product Safety Commission ("CPSC") has authority to require that certain dietary supplements and certain pharmaceuticals have child-resistant packaging to help reduce the incidence of accidental poisonings. The CPSC has published regulations requiring iron-containing dietary supplements and various pharmaceuticals to have child resistant packaging and has established rules for testing the effectiveness of child-resistant packaging and for ensuring senior adult effectiveness. The manufacturer of any product that is subject to any CPSC rule, ban, standard or regulation must also certify that, based on a reasonable testing program, the product complies with CPSC requirements.

Federal Trade Commission

Advertising of our products in the United States is subject to regulation by the Federal Trade Commission (the "FTC") under the Federal Trade Commission Act. Under the FTC's Substantiation Doctrine, an advertiser is required to have a "reasonable basis" for all objective product claims before the claims are made. Failure to adequately substantiate claims may be considered either deceptive or unfair practices. Pursuant to this FTC requirement, we are required to have adequate substantiation for all material advertising claims that we make for any products sold in the United States.

In recent years, the FTC has initiated numerous investigations of and actions against companies that sell dietary supplements. The FTC has issued guidance to assist companies in understanding and complying with its substantiation requirement. We believe that we have adequate substantiation for all material advertising claims that we make for our products in the United States, and we believe that we have organized the documentation to support our advertising and promotional practices in compliance with these guidelines. However, no assurance can be given that the FTC would reach the same conclusion if it were to review or question our substantiation for our advertising claims in the United States.

The FTC may enforce compliance with the law in a variety of ways, both administratively and judicially, using compulsory process, cease and desist orders, and injunctions. FTC enforcement can result in orders requiring, among other things, limits on advertising, corrective advertising, consumer redress, divestiture of assets, rescission of contracts, and such other relief as the agency deems necessary to protect the public. Violation of these orders could result in substantial financial or other penalties. Although we have not been the subject of any action by the FTC, no assurance can be given that the FTC will not question our advertising or other operations in the United States in the future. Any action in the future by the FTC could materially and adversely affect our ability to successfully market our products in the United States.

Clinical Laboratory Improvement Act of 1967 and the Clinical Laboratory Improvement Amendments of 1988 (CLIA)

The performance of laboratory diagnostic services is subject to extensive U.S. regulation, and many of these statutes and regulations have not been interpreted by the courts. CLIA extends federal oversight to virtually all physician

practices performing clinical laboratory testing and to clinical laboratories operating in the United States by requiring that they be certified by the federal government or, in the case of clinical laboratories, by a federally approved accreditation agency. Standards for testing under CLIA are based on the complexity of the tests performed by the laboratory, with tests classified as “high complexity,” “moderate complexity,” or “waived.” Laboratories performing high-complexity testing are required to meet more stringent requirements than moderate-complexity laboratories. The sanction for failure to comply with CLIA requirements may be suspension, revocation or limitation of a laboratory’s CLIA certificate, which is necessary to conduct business, as well as significant fines and/or criminal penalties.

State and Laboratory Licensure

We are subject to regulation under state law. State laws, including those of New Jersey and New York, require that laboratories and/or laboratory personnel meet certain qualifications, specify certain quality controls or require maintenance of certain records. For example, New York laws and regulations establish standards for: quality management systems; qualifications, responsibilities, and training; facility design and resource management; pre-analytic, analytic (including validation and quality control), and post-analytic systems; and quality assessments and improvements. The New York state laboratory laws and regulations are more stringent than CLIA. New York law mandates proficiency testing for laboratories licensed under New York law, regardless of whether such laboratories are located in New York. If a laboratory is out of compliance with New York statutory or regulatory standards, the New York State Department of Health (“NYSDOH”) may suspend, limit, revoke or annul the laboratory’s New York license, censure the holder of the license or assess civil money penalties. Statutory or regulatory noncompliance may result in a laboratory’s operator being found guilty of a misdemeanor under New York law. NYSDOH also must approve laboratory developed tests before the test is offered in New York. Should we be found out of compliance with New York or any other applicable laboratory standards of practice, we could be subject to such sanctions, which could harm our business. Applicable statutes and regulations could also be interpreted or applied by a prosecutorial, regulatory or judicial authority in a manner that would adversely affect our business. Potential sanctions for violation of these statutes and regulations include significant fines and the suspension or loss of various licenses, certificates and authorizations, which could have a material adverse effect on our business. In addition, compliance with future legislation could impose additional requirements on us, which may be costly.

Health Insurance Portability and Accountability Act

The Health Insurance Portability and Accountability Act (“HIPAA”) was designed to address issues related to the security and confidentiality of health information and to improve the efficiency and effectiveness of the healthcare system by facilitating the electronic exchange of information in certain financial and administrative transactions. These regulations apply to health plans and healthcare providers that conduct standard transactions electronically and healthcare clearinghouses (covered entities). Six such regulations include: (i) the Transactions and Code Sets Rule; (ii) the Privacy Rule; (iii) the Security Rule; (iv) the Standard Unique Employer Identifier Rule, which requires the use of a unique employer identifier in connection with certain electronic transactions; (v) the National Provider Identifier Rule, which requires the use of a unique healthcare provider identifier in connection with certain electronic transactions; and (vi) the Health Plan Identifier Rule, which required the use of a unique health plan identifier in connection with certain electronic transactions. We believe that we are in compliance in all material respects with each of the HIPAA Rules identified above.

The Privacy Rule regulates the use and disclosure of protected health information (“PHI”) by covered entities. It also sets forth certain rights that an individual has with respect to his or her PHI maintained by a covered entity, such as the right to access or amend certain records containing PHI or to request restrictions on the use or disclosure of PHI. The Privacy Rule requires covered entities to contractually bind third parties, known as business associates, in the event that they perform an activity or service for or on behalf of the covered entity that involves the creation, receipt, maintenance, or transmission of PHI. We believe that we are in compliance in all material respects with the requirements of the HIPAA Privacy Rule.

On December 12, 2018, the U.S. Department of Health and Human Services (“HHS”) issued a request for information (“RFI”) seeking input from the public on how the HIPAA regulations and the Privacy Rule, in particular, could be modified to amend existing, or impose additional, obligations relating to the processing of PHI. Subsequent to the RFI, on January 21, 2021, HHS published a notice of proposed rulemaking (“NPRM”) containing potential modifications to the Privacy Rule addressing standards that may impede the transition to value-based health care. We are monitoring the NPRM process. If modifications to the Privacy Rule are adopted, they may impact our compliance obligations under HIPAA.

The U.S. Health Information Technology for Economic and Clinical Health Act (“HITECH”), which was enacted in February 2009, with regulations effective on September 23, 2013, strengthened and expanded the HIPAA Privacy and Security Rules and their restrictions on use and disclosure of PHI. HITECH includes, but is not limited to, prohibitions on

exchanging PHI for remuneration and additional restrictions on the use of PHI for marketing. HITECH also fundamentally changes a business associate's obligations by imposing a number of Privacy Rule requirements and a majority of Security Rule provisions directly on business associates that were previously only directly applicable to covered entities. Moreover, HITECH requires covered entities to provide notice to individuals, HHS, and, as applicable, the media when unsecured PHI is breached, as that term is defined by HITECH. Business associates are similarly required to notify covered entities of a breach. We believe our policies and procedures are fully compliant with HIPAA as modified by the HITECH requirements.

The administrative simplification provisions of HIPAA mandate the adoption of standard unique identifiers for healthcare providers. The intent of these provisions is to improve the efficiency and effectiveness of the electronic transmission of health information. The National Provider Identifier Rule requires that all HIPAA-covered healthcare providers, whether they are individuals or organizations, must obtain a National Provider Identifier ("NPI") to identify themselves in standard HIPAA transactions. NPI replaces the unique provider identification number and other provider numbers previously assigned by payers and other entities for the purpose of identifying healthcare providers in standard electronic transactions. The Company believes that it is in compliance with the HIPAA National Provider Identifier Rule in all material respects.

The Health Plan Identifier ("HPID") is a unique identifier designed to furnish a standard way to identify health plans in electronic transactions. The Centers for Medicare and Medicaid Services ("CMS") published the final rule adopting the HPID for health plans required by HIPAA on September 12, 2012. Effective October 31, 2014, CMS announced a delay, until further notice, in enforcement of regulations pertaining to health plan enumeration and use of the HPID in HIPAA transactions adopted in the HPID final rule. On October 28, 2019, CMS published a final rule rescinding the adopted standard unique HPID and implementation specifications and requirements for its use and other entity identifier and implementation specifications for its use, effective December 27, 2019. This delay remains in effect. We will continue to monitor future developments related to the HPID and respond accordingly.

Violations of the HIPAA provisions could result in civil and/or criminal penalties, including significant fines and up to 10 years in prison. HITECH also significantly strengthened HIPAA enforcement by increasing the civil penalty amounts that may be imposed, requiring HHS to conduct periodic audits to confirm compliance and authorizing state attorneys general to bring civil actions seeking either injunctions or damages in response to violations of the HIPAA privacy and security regulations that affect the privacy of state residents.

The total cost associated with meeting the ongoing requirements of HIPAA and HITECH is not expected to be material to our operations or cash flows. However, future regulations and interpretations of HIPAA and HITECH could impose significant costs on us.

In addition to the HIPAA regulations described above, numerous other data protection, privacy and similar laws govern the confidentiality, security, use, and disclosure of personal information. These laws vary by jurisdiction, but they most commonly regulate or restrict the collection, use, and disclosure of medical and financial information and other personal information. In the U.S., some state laws are more restrictive and, therefore, are not preempted by HIPAA. Penalties for violation of these laws may include sanctions against a laboratory's licensure, as well as civil and/or criminal penalties.

Congress and state legislatures also have been considering new legislation relating to privacy and data protection. For example, on June 28, 2018, the California legislature passed the California Consumer Privacy Act ("CCPA"), which became effective January 1, 2020. The CCPA created new transparency requirements and granted California residents several new rights with regard to their personal information. In addition, in November 2020, California voters approved the California Privacy Rights Act ("CPRA") ballot initiative, which introduced significant amendments to the CCPA and established and funded a dedicated California privacy regulator, the CPPA. The amendments introduced by the CPRA went into effect on January 1, 2023, and new implementing regulations are expected to be introduced by the CPPA. Failure to comply with the CCPA may result in, among other things, significant civil penalties and injunctive relief, or potential statutory or actual damages. In addition, California residents have the right to bring a private right of action in connection with certain types of incidents. These claims may result in significant liability and potential damages. We have implemented processes to manage compliance with the CCPA and continue to assess the impact of the CPRA on our business as additional information and guidance becomes available.

Effective August 14, 2020, the Substance Abuse and Mental Health Services Administration of HHS announced the finalization of proposed changes to the Confidentiality of Substance Use Disorder Patient Records regulation, 42 Code of Federal Regulations Part 2. This regulation protects the confidentiality of patient records relating to the identity,

diagnosis, prognosis, or treatment that are maintained in connection with the performance of any federally assisted program or activity relating to substance use disorder education, prevention, training, treatment, rehabilitation, or research. Under the regulation, patient identifying information may only be released with the individual's written consent, subject to certain limited exceptions. The latest changes to this regulation seek to better facilitate care coordination, while maintaining more stringent confidentiality of substance use disorder information. We have adopted changes to our policies and procedures necessary for compliance.

Genetic Privacy and Testing Laws

We are subject to myriad laws designed to establish safeguards regarding the conduct of genomic testing and analysis and to protect against the misuse of genetic information and human biological specimens, collectively, "samples", from which genetic information can be derived. These laws vary in their scope and in the nature of their requirements and restrictions. For example, certain genetic privacy laws prohibit the retention of samples after performing a genomic analysis in addition to prohibiting the use or disclosure of genetic information for certain purposes, such as research, without appropriate informed consent from the individual or without sufficient anonymization. The applicability of such informed consent requirements may also depend on the identifiability of the genetic information or sample and the purposes of which it is used. Other laws may impose additional requirements, including requirements regarding institutional review board review and approval for certain research uses of genetic information or samples requirements to implement certain security controls in connection with the transfer of genetic information. We must comply with such genetic privacy and testing laws in our collection, use, disclosure, and retention of genetic information and samples.

Other Regulatory Oversight

We are also subject to regulation under various state, local, and international laws that include provisions governing, among other things, the formulation, manufacturing, packaging, labeling, advertising, and distribution of dietary supplements and OTC drugs. For example, Proposition 65 in the State of California is a list of substances deemed to pose a risk of carcinogenicity or birth defects at or above certain levels. If any such ingredient exceeds the permissible levels in a dietary supplement, cosmetic, or drug, the product may be lawfully sold in California only if accompanied by a prominent warning label alerting consumers that the product contains an ingredient linked to cancer or birth defect risk. Private attorney general actions as well as California attorney general actions may be brought against non-compliant parties and can result in substantial costs and fines.

Reimbursement

Billing for diagnostic services is complex and subject to extensive and non-uniform rules and administrative requirements. Depending on the billing arrangement and applicable law, we bill various payers, such as patients, insurance companies, Medicare, Medicaid, other government agencies and employer groups. Failure to accurately bill for our services could have a material adverse effect on our business.

We bill third-party payors, both commercial and government, using Current Procedural Terminology ("CPT") codes, which are published by the American Medical Association. In April 2014, Congress passed the Protecting Access to Medicare Act of 2014 ("PAMA"), which included substantial changes to the way in which clinical laboratory services are priced and paid under Medicare. On June 23, 2016, CMS published the final rule implementing the reporting and rate-setting requirements. Under PAMA, laboratories that receive the majority of their Medicare revenue from payments made under the CLFS or the Physician Fee Schedule are required to report to CMS, beginning in 2017 and every three years thereafter (or annually for an advanced diagnostic laboratory test ("ADLT")), private payor payment rates and volumes for clinical diagnostic laboratory tests, or CDLTs. Laboratories that fail to report the required payment information may be subject to substantial civil monetary penalties. We do not believe that any of our tests meet the current definition of ADLTs. We therefore report private payor rates for our tests every three years.

As required under PAMA, CMS uses the data reported by laboratories to develop Medicare payment rates for laboratory tests equal to the volume-weighted median of the private payor payment rates. For tests furnished on or after January 1, 2019, Medicare payments for CDLTs are based upon reported private payor rates. For a CDLT that is assigned a new or substantially revised CPT code, the initial payment rate is assigned using the gap-fill methodology, as under prior law.

On December 20, 2019, President Trump signed the Further Consolidated Appropriations Act, which included the Laboratory Access for Beneficiaries Act ("LAB Act"). The LAB Act delayed by one year the reporting of payment data under PAMA for CDLTs that are not ADLTs until the first quarter of 2021. The Coronavirus Aid, Relief, and Economic

Security Act (the “CARES Act”), which was signed into law on March 27, 2020, delayed the reporting period by an additional year, until the first quarter of 2022. On December 10, 2021, the Protecting Medicare and American Farmers from Sequester Cuts Act (S. 610) further delayed the reporting requirement. On December 29, 2022, Section 4114 of Consolidated Appropriations Act, 2023 again delayed the next data reporting period for CDLTs that are not ADLTs. The next data reporting period of January 1, 2024 through March 31, 2024, will be based on the original data collection period of January 1, 2019 through June 30, 2019.

In addition, under PAMA, as amended by the LAB Act, any reduction to a particular payment rate resulting from the new methodology is limited to 10% per test per year in 2020 and to 15% per test per year in each of the years 2021 through 2023. The CARES Act delayed the 15% cut scheduled to take effect on January 1, 2021, for one year.

Fraud and Abuse Laws and Regulations

Existing U.S. laws governing federal healthcare programs, including Medicare and Medicaid, as well as similar state laws, impose a variety of broadly described fraud and abuse prohibitions on healthcare providers, including clinical laboratories. These laws are interpreted liberally and enforced aggressively by multiple government agencies, including the U.S. Department of Justice, OIG and various state agencies. Historically, the clinical laboratory industry has been the focus of major governmental enforcement initiatives. The U.S. government’s enforcement efforts have been conducted under regulations such as HIPAA, which includes several provisions related to fraud and abuse enforcement, including the establishment of a program to coordinate and fund U.S., state and local law enforcement efforts, and the Deficit Reduction Act of 2005, which includes requirements directed at Medicaid fraud, including increased spending on enforcement and financial incentives for states to adopt false claims act provisions similar to the U.S. False Claims Act. Amendments to the False Claims Act, and other enhancements to the U.S. fraud and abuse laws enacted as part of the ACA, have further increased fraud and abuse enforcement efforts and compliance risks. For example, the ACA established an obligation to report and refund overpayments from Medicare or Medicaid within 60 days of identification (whether or not paid through any fault of the recipient); failure to comply with this requirement can give rise to additional liability under the False Claims Act and Civil Monetary Penalties statute.

The U.S. Anti-Kickback Statute prohibits knowingly providing anything of value in return for, or to induce the referral of, Medicare, Medicaid or other U.S. healthcare program business. Violations can result in imprisonment, fines, penalties, and/or exclusion from participation in U.S. healthcare programs. The OIG has published “safe harbor” regulations that specify certain arrangements that are protected from prosecution under the Anti-Kickback Statute if all conditions of the relevant safe harbor are met. Failure to fit within a safe harbor does not necessarily constitute a violation of the Anti-Kickback Statute; rather, the arrangement would be subject to scrutiny by regulators and prosecutors and would be evaluated on a case-by-case basis. Many states have their own Medicaid anti-kickback laws, and several states also have anti-kickback laws that apply to all payers (*i.e.*, not just government healthcare programs).

From time to time, the OIG issues alerts and other guidance on certain practices in the healthcare industry that implicate the Anti-Kickback Statute or other fraud and abuse laws. OIG Special Fraud Alerts and Advisory Opinions relevant to the Company set forth a number of practices allegedly engaged in by some clinical laboratories and healthcare providers that raise issues under the U.S. fraud and abuse laws, including the Anti-Kickback Statute. These practices include: (i) providing employees to furnish valuable services for physicians (other than collecting patient specimens for testing) that are typically the responsibility of the physicians’ staff; (ii) offering certain laboratory services at prices below fair market value in return for referrals of other tests that are billed to Medicare at higher rates; (iii) providing free testing to physicians’ managed care patients in situations where the referring physicians benefit from such reduced laboratory utilization; (iv) providing free pickup and disposal of biohazardous waste for physicians for items unrelated to a laboratory’s testing services; (v) providing general-use facsimile machines or computers to physicians that are not exclusively used in connection with the laboratory services; (vi) providing free testing for healthcare providers, their families and their employees (*i.e.*, so-called “professional courtesy” testing); (vii) compensation paid by laboratories to physicians for blood specimen processing and for submitting patient data to registries; and (viii) the provision of discounts on laboratory services billed to customers in return for the referral of U.S. healthcare program business.

In addition to the Anti-Kickback Statute, in October 2018, the U.S. enacted the Eliminating Kickbacks in Recovery Act of 2018 (“EKRA”), as part of the Substance Use-Disorder Prevention that Promotes Opioid Recovery and Treatment for Patients and Communities Act (the “SUPPORT Act”). EKRA is an all-payer anti-kickback law that makes it a criminal offense to pay any remuneration to induce referrals to, or in exchange for, patients using the services of a recovery home, a substance use clinical treatment facility, or laboratory. Although it appears that EKRA was intended to reach patient brokering and similar arrangements to induce patronage of substance use recovery and treatment, the language in EKRA is broadly written. As drafted, an EKRA prohibition on incentive compensation to sales employees is

inconsistent with the federal anti-kickback statute and regulations, which permit payment of employee incentive compensation, a practice that is common in the industry. Only one court has addressed the application of EKRA. That case was decided by the United States District Court of Hawaii and involved a lawsuit between a laboratory and an employee. The Court ruled that the commission-based compensation provisions of the laboratory employee's contract did not violate EKRA. Although this may be a favorable interpretation of EKRA for laboratory compensation structures, we cannot be assured that courts in our jurisdiction will reach the same conclusion or that the decision will not be overturned if there is an appeal. Significantly, EKRA permits the U.S. Department of Justice to issue regulations clarifying EKRA's exceptions or adding additional exceptions, but such regulations have not yet been issued. We are working through our trade association to address the scope of EKRA and are seeking clarification or correction.

Enrollment and re-enrollment in U.S. healthcare programs, including Medicare and Medicaid, are subject to certain program integrity requirements intended to protect the programs from fraud, waste, and abuse. In September 2019, CMS published a final rule implementing program integrity enhancements to provider enrollment requiring Medicare, Medicaid, and Children's Health Insurance Program ("CHIP") providers and suppliers to disclose on an enrollment application or a revalidation application any current or previous direct or indirect affiliation with a provider or supplier that (1) has uncollected debt; (2) has been or is subject to a payment suspension under a federal health care program; (3) has been or is excluded by the OIG from Medicare, Medicaid, or CHIP; or (4) has had its Medicare, Medicaid, or CHIP billing privileges denied or revoked. This rule permits CMS to deny enrollment based on such an affiliation when CMS determines that the affiliation poses an undue risk of fraud, waste, or abuse. CMS is phasing in this new affiliation disclosure requirement.

Under another U.S. statute, known as the Stark Law or "physician self-referral" prohibition, physicians who have a financial or a compensation relationship with a commercial laboratory may not, unless an exception applies, refer Medicare or Medicaid patients for testing to the laboratory, regardless of the intent of the parties. Similarly, laboratories may not bill Medicare or Medicaid for services furnished pursuant to a prohibited self-referral. There are several Stark Law exceptions that are relevant to arrangements involving clinical laboratories, including: (i) fair market value compensation for the provision of items or services; (ii) payments by physicians to a laboratory for commercial laboratory services; (iii) ancillary services (including laboratory services) provided within the referring physician's own office, if certain criteria are satisfied; (iv) physician investment in a company whose stock is traded on a public exchange and has stockholder equity exceeding \$75.0 million; and (v) certain space and equipment rental arrangements that are set at a fair market value rate and satisfy other requirements. Many states have their own self-referral laws as well, which in some cases apply to all patient referrals, not just government reimbursement programs.

In December 2020, the OIG and CMS published final rules to amend the regulations implementing the Anti-Kickback Statute and the Stark Law, respectively. The amendments are primarily intended to alleviate perceived impediments to coordinated care and value-based compensation arrangements through new safe harbors to the Anti-Kickback Statute and new exceptions to the Stark Law and have varying degrees of applicability to laboratories. The CMS final rule incorporates laboratories and permits support for value-based arrangements, under certain conditions for purposes of the Stark Law. However, the OIG final rule excludes laboratories from protection under the Anti-Kickback Statute safe harbors for value-based arrangements.

There are a variety of other types of U.S. and state fraud and abuse laws, including laws prohibiting submission of false or fraudulent claims. We seek to conduct our business in compliance with all U.S. and state fraud and abuse laws. We are unable to predict how these laws will be applied in the future, and no assurances can be given that our arrangements will not be subject to scrutiny under such laws. Sanctions for violations of these laws may include exclusion from participation in Medicare, Medicaid, and other U.S. or state healthcare programs, significant criminal and civil fines and penalties, and loss of licensure. Any exclusion from participation in a U.S. healthcare program, or material loss of licensure, arising from any action by any federal or state regulatory or enforcement authority, would likely have a material adverse effect on our business. In addition, any significant criminal or civil penalty resulting from such proceedings could have a material adverse effect on our business.

Competition

Our principal competition for our lab diagnostic services are commercial laboratories, such as Quest Diagnostics Incorporated and Laboratory Corporation of America Holdings, both of which have significant infrastructures and resources to support their diagnostic processing services. In addition, we compete with large, multispecialty group medical clinics and health systems. Academic medical university-based clinics may also provide in-house clinical laboratories

offering COVID-19 and other RPP Molecular tests. Additionally, we compete against regional clinical laboratories providing diagnostic services, including Interpace Biosciences, Inc.

The number of companies entering the personal genomics market has increased in recent years. We face competition from other companies attempting to capitalize on the same, or similar, opportunities as we are, including those with existing diagnostic, laboratory services and other companies entering the personal genetics market with new offerings such as direct access and/or consumer self-pay tests and genetic interpretation services. Some of our current and potential competitors have longer operating histories and greater financial, technical, marketing and other resources than we do. These factors may allow our competitors to respond more quickly or efficiently than we can to new or emerging technologies. These competitors may engage in more extensive research and development efforts, undertake more far-reaching marketing campaigns and adopt more aggressive pricing policies, which may allow them to build larger customer bases than we will be able to achieve. Our competitors may develop products or services that are similar to our products and services or that achieve greater market acceptance than our products and services. This could attract customers away from our services and reduce our market share.

The pharmaceutical industry is characterized by intense competition and rapid innovation. Our potential competitors include major multi-national pharmaceutical established biotechnology companies, specialty pharmaceutical companies, and universities and other research institutions. Many of our competitors have substantially greater financial, technical, and other resources, such as larger research and development staffs, established manufacturing capabilities and facilities, and experienced marketing organizations with well-established sales forces. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large, established companies that have greater resources. Mergers and acquisitions in the biotechnology and pharmaceutical industries may result in even more resources being concentrated on our competitors. Competition may increase further as a result of advances in the commercial applicability of genome editing or other new technologies and greater availability of capital for investment in these industries. These competitors also compete with us in recruiting and retaining qualified scientific and management personnel and establishing clinical trial sites and patient enrollment for participation in clinical trials, as well as in acquiring technologies complementary to, or necessary for, our development programs. Our commercial opportunities could be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, have fewer or less severe side effects, are more convenient to administer, have broader acceptance and higher rates of reimbursement by third-party payors, or are less expensive than any product candidates that we may develop. Our competitors also may obtain FDA or other regulatory approval for their products more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market. Additionally, new technologies developed by our competitors may render our product candidates uneconomical or obsolete, and we may not be successful in marketing any product candidates we may develop against competitor products. The key competitive factors affecting the success of our product candidates are likely to be their efficacy, safety, and availability of reimbursement.

We compete with other manufacturers and marketers of dietary supplement products. These suppliers range widely in size. We compete primarily on the basis of price, quality and service. Management believes that our distribution network and marketing nous provides the Company with a significant competitive advantage over other companies marketing similar supplement products.

The OTC healthcare products and dietary supplements industries are highly competitive. Many of the participants in these industries have substantially greater capital resources, technical staffs, facilities, marketing resources, product development, and distribution experience than we do. We believe that our ability to continue to compete in these industries will depend on a number of factors, including product quality and price, availability, speed to market, consumer marketing, reliability, credit terms, brand name recognition, delivery time and post-sale service and support. However, our failure to appropriately and timely respond to consumer preferences and demand for new products could significantly harm our business, financial condition and results of operations. Furthermore, unfavorable publicity or consumer perception of products we develop and commercialize could have a material adverse effect on our business and operations.

Human Capital Management

We consider talent attraction, development, engagement and retention a key driver to our business success. We are committed to developing a comprehensive, cohesive and positive company culture and employee experience. At December 31, 2025, we employed 19 full-time employees.

We emphasize a number of measures and objectives in managing our human capital assets, including, among others, employee safety and wellness, talent acquisition and retention, employee engagement, development and training.

diversity and inclusion, and compensation. None of our employees are represented by a labor organization or under any collective-bargaining arrangements. We consider our employee relations to be good.

We are committed to fostering an environment where all employees can grow and thrive. A diverse workforce results in a broader range of perspectives, helping drive our commitment to innovation. Our human capital resources objectives include, as applicable, identifying, recruiting, retaining, incentivizing and integrating our existing and new employees, advisors and consultants. The principal purposes of our cash and equity incentive plans are to attract, retain and reward personnel through the granting of cash-based and stock-based compensation awards, in order to increase stockholder value and the success of our Company by motivating such individuals to perform to the best of their abilities and achieve our objectives.

The success of our business is fundamentally connected to the well-being of our employees. We understand that good health leads to better performance. We provide our employees and their families with access to a variety of flexible and convenient health and wellness programs, health reimbursement accounts and retirement savings plan. Our health and wellness programs include benefits that provide support to manage events that may require time away from work or that impact their financial well-being and that support their physical and mental health by providing tools and resources to help them improve or maintain their health status and encourage engagement in healthy behaviors. We regularly evaluate our benefits package to make modifications that are aligned with the competitive landscape, legislative changes, and the unique needs of our business and culture.

Corporate Information

We were initially organized in Nevada in July 1989. Effective June 18, 2015, we changed our state of incorporation from the State of Nevada to the State of Delaware. Our principal executive offices are located at 626 RXR Plaza, 6th Floor, Uniondale NY, 11556 and our telephone number is (516) 989-0763.

Where You Can Find Other Information

We file periodic and current reports, proxy statements and other information with the Securities and Exchange Commission (the “SEC”). We make available on our website (www.ProPhaseLabs.com) free of charge our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to or exhibits included in those reports as soon as reasonably practical after we electronically file such materials with or furnish them to the SEC. Information appearing on our website is not part of this Annual Report. In addition, the SEC maintains an Internet site (www.sec.gov) that contains reports, proxy and information statements regarding issuers that file electronically with the SEC, including the Company.

Item 1A. Risk Factors

As a smaller reporting company, we are not required to provide disclosure pursuant to this Item, in accordance with Item 105 of Regulation S-K.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 1C. Cybersecurity

Risk management and strategy

Cybersecurity is an integral part of risk management at the Company. Our Board and management appreciate the evolving nature of threats presented by cybersecurity incidents and is committed to the prevention, timely detection, and mitigation of the effect any such incidents may have on the Company.

We have established policies and processes for assessing, identifying, and managing material risk from cybersecurity threats, and have integrated these processes into our overall risk management systems and processes. We routinely assess material risks from cybersecurity threats, including any potential unauthorized occurrence on or conducted through our information systems that may result in adverse effects on the confidentiality, integrity, or availability of our information systems or any information residing therein.

We conduct periodic risk assessments to identify cybersecurity threats, as well as assessments in the event of a material change in our business practices that may affect information systems that are vulnerable to such cybersecurity threats. These risk assessments include identification of reasonably foreseeable internal and external risks, the likelihood and potential damage that could result from such risks, and the sufficiency of existing policies, procedures, systems, and safeguards in place to manage such risks.

Following these risk assessments, we re-design, implement, and maintain reasonable safeguards to minimize identified risks; reasonably address any identified gaps in existing safeguards; and regularly monitor the effectiveness of our safeguards. Primary responsibility for assessing, monitoring and managing our cybersecurity risks rests with our Chief Executive Officer and IT personnel who report to our Chief Executive Officer to manage the risk assessment and mitigation process.

As part of our overall risk management system, we monitor and test our safeguards and train our employees on these safeguards, in collaboration with IT and management. Personnel at all levels and departments are made aware of our cybersecurity policies through trainings.

We engage consultants, or other third parties in connection with our risk assessment processes. These service providers assist us to design and implement our cybersecurity policies and procedures, as well as to monitor and test our safeguards. We require each third-party service provider to certify that it has the ability to implement and maintain appropriate security measures, consistent with all applicable laws, to implement and maintain reasonable security measures in connection with their work with us, and to promptly report any suspected breach of its security measures that may affect our company.

We have not encountered cybersecurity challenges that have materially impaired our operations or financial standing. For additional information regarding risks from cybersecurity threats, please refer to Item 1A, “Risk Factors,” in this Annual Report.

Governance

One of the key functions of our board of directors is informed oversight of our risk management process, including risks from cybersecurity threats. Our board of directors is responsible for monitoring and assessing strategic risk exposure, and our executive officers are responsible for the day-to-day management of the material risks we face. Our board of directors administers its cybersecurity risk oversight through the audit committee.

Our Chief Executive Officer is primarily responsible to assess and manage our material risks from cybersecurity threats with assistance from third-party service providers.

Our Chief Executive Officer oversees our cybersecurity policies and processes, including those described in “Risk Management and Strategy” above. The cybersecurity risk management program includes tools and activities to prevent, detect, and analyze current and emerging cybersecurity threats, and plans and strategies to address threats and incidents.

Our Chief Executive Officer and IT consultants provide periodic briefings to the audit committee regarding our company’s cybersecurity risks and activities, including any recent cybersecurity incidents and related responses.

Item 2. Properties

Our principal executive offices are located in Uniondale, New York, where we lease office space pursuant to a month-to-month shared office arrangement. The space consists of a small executive office suite utilized for administrative purposes. We believe our current facilities are adequate for our present operations.

Item 3. Legal Proceedings

A qui tam complaint was filed under seal in the United States District Court alleging violations of the federal False Claims Act relating to certain laboratory testing activities of the Company’s diagnostic subsidiaries. Under the False Claims Act, the United States Department of Justice and relevant state authorities are afforded an opportunity to investigate the allegations and determine whether to intervene and take over prosecution of the action.

After reviewing the allegations and conducting their investigation, the United States Department of Justice and the relevant state authorities declined to intervene in the action. The matter was thereafter unsealed and the case remains pending. The named defendant diagnostic subsidiaries are the same entities that, on September 22, 2025, filed voluntary petitions under Chapter 11 of the Bankruptcy Code (see Note 18).

The Company believes the allegations are without merit and intends to defend the matter vigorously. The Company is not aware of any ongoing government investigation related to the allegations described above. The Company and the Debtors believe the allegations are without merit and intend to defend the matter vigorously. The Company is not aware of any ongoing government investigation relating to the allegations described above.

The Company is a party to a pending arbitration proceeding commenced by Turnpoint Capital, LLC ("Turnpoint") relating to a senior secured convertible note issued in July 2025. Turnpoint alleges certain events of default under the note and seeks monetary damages and other relief. The Company disputes the allegations, believes it has substantial defenses and affirmative claims relating to the matter, and intends to vigorously defend and prosecute the proceeding. The arbitration is in its early stages, and the Company cannot currently estimate the outcome, timing, or amount of any potential loss or recovery associated with the matter.

Separately, a private employment-related dispute previously brought by Dr. Kenneth Hennrick against the Company in the Supreme Court of the State of New York, Nassau County, was resolved and dismissed with prejudice in April 2024. The Company believes this private matter is unrelated to the qui tam action described above.

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 traded on The OTC Markets under the trading symbol “PRPH.”

As of April 10, 2026, there were approximately 40 holder of record.

Dividends

While we have paid dividends to holders of our common stock in 2021 and 2022, the declaration and payment of future dividends will depend on many factors, including, but not limited to, our earnings, financial condition, business development needs and regulatory considerations, and is at the sole discretion of our Board of Directors. At this time, we do not expect to pay any regular, quarterly cash dividend on our common stock in the foreseeable future

Securities Authorized Under Equity Compensation Plans

See Part III, Item 12. “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters” for information relating to our equity compensation plans.

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers**ISSUER PURCHASES OF EQUITY SECURITIES**

Period	Total number of shares purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or approximate dollar value) of Shares that May Yet Be Purchased Under the Plans or Programs (1)
October 1 through October 31, 2025	—	\$ —	—	\$ 5,411,119
November 1 through November 30, 2025	—	—	—	5,411,119
December 1 through December 31, 2025	—	—	—	5,411,119
	—	\$ —	—	\$ 5,411,119

(1) There was no other purchases of equity securities for the year ended December 31, 2025.

Item 6. [Reserved]**Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion and analysis should be read together with our financial statements and the related notes appearing elsewhere in this Annual Report. This discussion contains forward-looking statements reflecting our current expectations that involve risks and uncertainties. See “Special Note Regarding Forward-Looking Statements” for a discussion of the uncertainties, risks and assumptions associated with these statements. Actual results and the timing of events could differ materially from those discussed in our forward-looking statements as a result of many factors, including those set forth under “Risk Factors” and elsewhere in this Annual Report.

General

We are a next-generation biotech, genomics and consumer products company. We are also focused on licensing, developing and commercializing novel drugs, dietary supplements, compounds and diagnostics.

Our wholly-owned subsidiary, ProPhase Diagnostics, Inc., and two indirectly wholly-owned subsidiaries, ProPhase Diagnostics NY, Inc. and ProPhase Diagnostics NJ, Inc. (collectively, the “Debtors”), ceased providing COVID-19 diagnostic testing in May 2025. ProPhase Diagnostics NJ, Inc. continues to lease laboratory space in Old Bridge, New Jersey. On September 22, 2025, the Debtors filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of New Jersey (the “Bankruptcy Court”). On September 30, 2025, the Bankruptcy Court entered an order directing joint administration of the cases. On November 13, 2025, the Bankruptcy Court entered an order authorizing the Debtors to retain Crown Medical Collections, LLC as special counsel for the collection of accounts receivable arising from prior COVID-19 diagnostic testing services. The Debtors are pursuing reorganization under Chapter 11 with the objective of restoring solvency through (i) the orderly collection of accounts receivable owed to the Debtors, prosecuted by their court-appointed special counsel, and (ii) the operational reorganization of the Debtors’ CLIA-certified laboratory infrastructure to support additional diagnostic and testing opportunities once the cases progress and resources permit. The Debtors’ plan development is ongoing and any plan will be subject to Bankruptcy Court approval. As a result of the Chapter 11 filings, the Company is deemed to no longer control the Debtors and has deconsolidated the Debtors from its consolidated financial statements as of September 22, 2025. See Note 18.

In August 2021, we acquired Nebula Genomics, Inc., (“Nebula”), a privately owned personal genomics company, through our new wholly owned subsidiary, ProPhase Precision Medicine Inc. (“ProPhase Precision”). Nebula focuses on genomics sequencing technologies, a comprehensive method for analyzing entire genomes, including the genes and chromosomes in deoxyribonucleic acid (“DNA”). The data obtained from genomic sequencing can be used to help identify inherited disorders and tendencies, help predict disease risk, help identify expected drug response, and characterize genetic mutations, including those that drive cancer progression. At this time, the Company is taking steps to grow its genomics businesses while also continuing to explore the potential sale of Nebula.

Our wholly-owned subsidiary, DNA Complete, Inc. (“DNA Complete”), which was formed on September 24, 2024, for the offering of whole genome sequencing and related services. DNA Complete focuses on genomics testing technologies, a comprehensive method for analyzing entire genomes, including the genes and chromosomes in deoxyribonucleic acid (“DNA”). The data obtained from genomic sequencing may help to identify inherited disorders and tendencies, predict disease risk, identify expected drug response, and characterize genetic mutations, including those that drive cancer progression. DNA Complete currently offers DNA Complete’s whole genome sequencing products direct-to-consumers online with plans to sell in food, drug and mass retail stores and to provide testing for universities conducting genomic research.

Our wholly owned subsidiary, ProPhase BioPharma, Inc. (“PBIO”) was formed in June 2022, for the licensing, development and commercialization of novel drugs, dietary supplements and compounds. Licensed compounds currently include Equivir (an OTC, dietary supplement candidate) and Equivir G (prescription drug (“Rx”) candidate), two broad-based anti-virals, and Linebacker LB-1 and LB-2, two small molecule proviral integration site for moloney murine leukemia virus (“PIM”) kinase inhibitors. The Company also owns the exclusive rights to the BE-Smart™ Esophageal Pre-Cancer Diagnostic Screening test and related intellectual property (“IP”) assets.

In connection with the activities of PBIO, in January 2023, we acquired exclusive rights to the BE-Smart™ Esophageal Pre-Cancer Diagnostic Screening test and related IP assets. The BE-Smart™ test is focused on the early detection of esophageal cancer, and is intended to provide health care providers and patients with data to help determine treatment options. The development of these novel drugs and compounds is highly dependent on how each performs during the testing and development stage, the demand for these product and services once entered into the marketplace, our marketing and service capabilities and our ability to comply with applicable regulatory requirements.

We also own a dietary supplements business under the TK Supplements® brand. The TK Supplements® product line includes Legendz XL®, a male sexual enhancement and Triple Edge XL®, an energy and stamina support product.

BE-Smart™ Esophageal Pre-Cancer Diagnostics Screening Test

In March 2023, in connection with the asset acquisition of Stella Diagnostics, Inc., we announced a collaboration for the continued development of our BE-Smart™ Esophageal Pre-Cancer diagnostic screening test. The BE-Smart™ test

is designed to detect molecular biomarkers associated with Barrett’s Esophagus and progression to esophageal adenocarcinoma.

On March 31, 2025, the U.S. District Court for the Eastern District of Texas vacated the U.S. Food and Drug Administration’s (“FDA”) Final Rule that would have expanded FDA oversight of Laboratory Developed Test (“LDT”), holding that the agency exceeded its statutory authority. The court remanded the matter to the Department of Health and Human Services for reconsideration. The FDA did not appeal the decision and formally rescinded the rule in August 2025. As a result, the rule is no longer in effect and compliance deadlines are not enforceable. Oversight of LDTs, including BE-Smart™, currently reverts to the existing Clinical Laboratory Improvement Amendments (“CLIA”) framework administered by the Centers for Medicare & Medicaid Services. Future legislative or regulatory action could alter this framework. As a result certain LDTs, including BE-Smart™, are not currently subject to direct FDA oversight, allowing for a faster market entry while maintaining rigorous internal validation and quality control standards. If new requirements were imposed, we could be required to obtain pre-market clearance or approval before commercialization, which could delay our market entry, increase development and regulatory costs, and potentially require changes to the test.

On June 17, 2025, we announced the successful completion of a key validation study for the BE-Smart™ molecular diagnostic test. The study demonstrated a technical success rate greater than 95% using esophageal brush cytology samples, confirming the test’s compatibility and reliability with both traditional forceps biopsy and less invasive brush biopsy techniques. Based on these results, we are continuing commercialization of BE-Smart™ as a LDT and Research Use Only (“RUO”) product, with steps towards commercialization planned for the first quarter of 2026 and broader insurance-backed commercialization targeted for the third quarter of 2026. These timelines are forward-looking statements and are subject to various risks and uncertainties, including, but not limited to, regulatory developments, payer coverage decisions, and market adoption rates.

On August 6, 2025, the United States Patent and Trademark Office issued U.S. Patent No. 12,379,378 B2, covering the BE-Smart™ Esophageal Pre-Cancer Diagnostic Screening Test. This newly issued patent further strengthens our intellectual property position for BE-Smart™ technology and supports our continued efforts to commercialize the test for early detection and risk stratification of Barrett’s esophagus and related esophageal conditions.

We continue to own the full intellectual property portfolio supporting the BE-Smart™ test, including a foundational patent family covering molecular markers of esophageal disease progression, with issued patents and pending applications expected to provide protection until 2040. We remain positioned to capitalize on favorable regulatory and clinical practice trends supporting minimally invasive screening methods, although there can be no assurance that commercialization will occur within the anticipated timeframe or that adoption will meet our expectations.

Nebula Genomics and DNA Complete

Nebula focuses on genomics testing technologies, a comprehensive method for analyzing entire genomes, including the genes and chromosomes in deoxyribonucleic acid (“DNA”). The data obtained from genomic sequencing may help to identify inherited disorders and tendencies, help predict disease risk, help identify expected drug response, and characterize genetic mutations, including those that drive cancer progression. We currently offer Nebula whole genome sequencing products direct-to-consumers online with plans to sell in food, drug and mass (“FDM”) retail stores and to provide testing for universities conducting genomic research.

Nebula provides consumers access to affordable and secure whole genome sequencing. It also provides customers with access to over 300 personalized reports based on their genomic profile. These reports are created utilizing the latest scientific research and provide individual genetic commentary on a broad range of traits and characteristics. Customers can access their reports via Nebula’s secure online portal. As new scientific discoveries are made, customers receive new reports, as well as regular updates to their existing reports, through Nebula’s subscription model. In addition to the personalized reports, Nebula provides customers with access to a suite of exploration tools including a gene browser and a gene analysis tool. These tools allow customers to browse their data, search for genetic variants, and analyze their genes.

DNA Complete focuses on genomics testing technologies, a comprehensive method for analyzing entire genomes, including the genes and chromosomes in deoxyribonucleic acid (“DNA”). The data obtained from genomic sequencing may help to identify inherited disorders and tendencies, predict disease risk, identify expected drug response, and characterize genetic mutations, including those that drive cancer progression. We currently offer DNA Complete’s whole genome sequencing products direct-to-consumers online with plans to sell in food, drug and mass (“FDM”) retail stores and to provide testing for universities conducting genomic research. DNA Complete offers three tiers of DNA testing, Essential, Pro, and Elite, which differ in the amount of DNA analyzed (1x whole genome sequencing (“WGS”), 30x WGS, and 100x WGS, respectively), the level of accuracy, the number of reports per month that consumers would receive, and

the total of personalized health reports included (more than 175 reports, more than 250 reports, and more than 350 reports, respectively). The DNA Complete tests include the first year of membership. The DNA Complete platform offers both ancestry and personalized health reports covering a number of health dispositions, such as longevity, mental health, cancer, and more. In addition, DNA Complete offers subscription services to ensure ongoing customer engagement by providing regular updates and new insights.

DNA Complete also offers DNA Expand, a platform that allows consumers to upload their DNA data from previous DNA tests obtained from other service providers to discover 50x more data points derived from over 35 million genetic variants, and to obtain in-depth health and wellness reports that are based on the latest scientific discoveries. DNA Expand's database was created from WGS tests that were obtained from 130 countries and are equivalent to roughly 150 million ancestry single nucleotide polymorphisms based tests.

DNA Complete and Nebula Genomics are accredited by the Better Business Bureau (BBB) with current "BBB" and "B" ratings in the DNA Testing / Genetic Testing category. A number of customer inquiries and complaints relating to order fulfillment, billing, and access to results have been reported. Due to a change in sequencing lab, the companies fell behind in sequencing. A new lab has been engaged and the delayed results are in the process of being resolved. DNA Complete continues to strengthen its operations, data security, and customer-service processes to enhance reliability and consumer confidence as it expands its presence in the growing personal genomics market.

In October 2024, a putative class action lawsuit, *Portillo v. Nebula Genomics, Inc.*, was filed in the U.S. District Court for the Northern District of Illinois under Illinois's Genetic Information Privacy Act ("GIPA") alleging that Nebula improperly shared customers' genetic information with third parties without written consent. The action named Nebula along with Meta Platforms, Google and Microsoft. The dispute was later transferred to the U.S. District Court for the District of Massachusetts in accordance with Nebula's Terms of Use, which mandated that claims be brought in Massachusetts. The complaint remains at the pleading stage. In addition to the motion to change venue, Nebula filed a motion to dismiss. While the allegations raise reputational and legal risks, no judgment or settlement has been entered and potential liability is not reasonably estimable at this time. Accordingly, management does not consider this litigation to be material to the consolidated financial statements as of the date of this Annual Report.

ProPhase BioPharma

We formed PBIO in June 2022 to assist in the licensing, development and commercialization of novel drugs, dietary supplements and compounds. Licensed compounds under development currently include Equivir (a dietary supplement candidate) and Equivir G (prescription drug ("Rx") candidate), and two broad-based candidates. We also own the exclusive rights to the BE-Smart Esophageal Pre-Cancer Diagnostic Screening test, which is in development as described above, and related intellectual property ("IP") assets.

Equivir (dietary supplement candidate) and Equivir G (Rx candidate)

We have exclusive worldwide rights to develop and commercialize Equivir (a dietary supplement candidate) and Equivir G (a Rx drug candidate) pursuant to a license agreement with Global BioLife, Inc. ("Global BioLife").

Equivir is a blend of polyphenols, which are substances found in many nuts, vegetables and berries. The composition is projected to come in capsule form and be taken daily like a multivitamin. The composition is believed to support the human body's immune function, and improve the quality of lives for users. We plan to commercialize Equivir as a dietary supplement, leveraging our distribution in over 40,000 FDM retail stores and online direct to consumers.

In March 2023, we commenced patient enrollment in a randomized, placebo-controlled clinical trial of Equivir to evaluate its effect in supporting immune system functions. Vedic Lifesciences, a leading clinical research organization, was contracted to run the multi-arm trial. Vedic produced interim results in February of 2024 which showed enough data to continue the trial to completion. The trial conducted by Vedic in India has been completed and the final statistical analysis report is being compiled. The Company expects to review finalized results and statistics in late 2026.

TK Supplements

Our TK Supplements® product line is dedicated to supporting better health, energy and sexual vitality. Each of our herbal supplements is researched to determine the optimum blend of ingredients to ensure our customers receive premium quality products. To achieve this, we formulate with the highest quality ingredients derived from nature and ingredients enhanced by science. Our TK Supplements® product line includes Legendz XL®, a sexual health formula product intended for men, and Triple Edge XL®, an energy and stamina support product.

ProPhase Diagnostics

Our wholly-owned subsidiary, ProPhase Diagnostics, Inc., and two indirectly wholly-owned subsidiaries, ProPhase Diagnostics NY, Inc. and ProPhase Diagnostics NJ, Inc. (collectively, the “Debtors”), ceased providing COVID-19 diagnostic testing in May 2025. ProPhase Diagnostics NJ, Inc. continues to lease laboratory space in Old Bridge, New Jersey. On September 22, 2025, the Debtors filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of New Jersey (the “Bankruptcy Court”). On September 30, 2025, the Bankruptcy Court entered an order directing joint administration of the cases. On November 13, 2025, the Bankruptcy Court entered an order authorizing the Debtors to retain Crown Medical Collections, LLC as special counsel for the collection of accounts receivable arising from prior COVID-19 diagnostic testing services. The Debtors are pursuing reorganization under Chapter 11 with the objective of restoring solvency through (i) the orderly collection of accounts receivable owed to the Debtors, prosecuted by their court-appointed special counsel, and (ii) the operational reorganization of the Debtors’ CLIA-certified laboratory infrastructure to support additional diagnostic and testing opportunities once the cases progress and resources permit. The Debtors’ plan development is ongoing and any plan will be subject to Bankruptcy Court approval. As a result of the Chapter 11 filings, the Company is deemed to no longer control the Debtors and has deconsolidated the Debtors from its consolidated financial statements as of September 22, 2025. See Note 18.

Results of Operations

December 31, 2025 compared with December 31, 2024

Net revenue for the year ended December 31, 2025, decreased \$2.4 million, or 35.8%, to \$4.3 million compared to \$6.8 million for the year ended December 31, 2024. The decrease in net revenue was the result of a \$2.4 million decrease in consumer products as the Company refines its focus with its genomics products and has reduced sales of its TK Supplements products. We did not generate any revenues from diagnostic services for the year ended December 31, 2025 and 2024.

Cost of revenues for the year ended December 31, 2025 was \$3.0 million, comprised of \$0.3 million for diagnostic services and \$2.6 million for consumer products. Cost of revenues for the year ended December 31, 2024 were \$6.9 million comprised of \$2.3 million for diagnostic services and \$4.6 million for consumer products.

We realized a gross profit of \$1.4 million for the year ended December 31, 2025, as compared to a gross margin loss of \$0.2 million for the year ended December 31, 2024. The increase of \$1.5 million was comprised of a decrease of \$2.0 million in diagnostic services, partially offset by an increase of \$0.4 million in consumer products. For the years ended December 31, 2025 and 2024, we realized an overall gross margin profit of 31.9% and gross margin loss of 2.2%, respectively. Gross margin for diagnostic services was zero or not applicable due to no revenue in the 2025 and 2024 comparable periods, respectively. Gross margin for consumer products was 39.9% and 32.2% for the year ended December 31, 2025 and 2024, respectively. The Company has continued to refine its product mix and related costs, including with the closure of its labs, resulting in improved gross margin results. Gross margin for consumer products have historically been influenced by fluctuations in quarter-to-quarter production volume, fixed production costs and related overhead absorption, raw ingredient costs, inventory mark to market write-downs and timing of shipments to customers.

General and administration expenses decreased \$18.6 million for the year ended December 31, 2025 to \$19.3 million, as compared to \$37.9 million for the year ended December 31, 2024. The decrease in general and administration expenses for the year ended December 31, 2025 as compared to the year ended December 31, 2024 was principally related to a decrease in personnel expenses, overhead costs and professional fees, including costs related to its divested assets and closure of labs.

Research and development costs for the year ended December 31, 2025 and 2024 were \$107,000 and \$594,000, respectively. The decrease in research and development costs for the year ended December 31, 2025 as compared to the year ended December 31, 2024 was principally due to decreased activities related to product research and field testing as a result of refined focus and efforts.

Interest expense for the years ended December 31, 2025 and 2024 was \$6.9 million and \$3.4 million, respectively. The increase in interest expense for the year ended December 31, 2025 as compared to the year ended December 31, 2024 was principally due to higher balance of our outstanding debt that bears interest and leased manufacturing equipment.

As a result of the effects described above, net loss for the year ended December 31, 2025 was \$14.7 million, or \$(1.74) per share, as compared to a net loss of \$53.4 million, or \$(26.68) per share, for the year ended December 31, 2024. Diluted net loss per share for the years ended December 31, 2025 and 2024 were \$(1.74) and \$(26.68), respectively.

Non-GAAP Financial Measure and Reconciliation

In an effort to provide investors with additional information regarding our results of operations as determined by accounting principles generally accepted in the United States of America (“GAAP”), we disclose certain non-GAAP financial measures. The primary non-GAAP financial measures we disclose are EBITDA and Adjusted EBITDA.

We define EBITDA as net income (loss) before net interest expense, income taxes, depreciation and amortization from continuing operations. Adjusted EBITDA further adjusts EBITDA by excluding acquisition costs, other non-cash items, and other unusual or non-recurring charges (as described in the table below).

Non-GAAP financial measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. These non-GAAP financial measures do not reflect a comprehensive system of accounting, differ from GAAP measures with the same names and may differ from non-GAAP financial measures with the same or similar names that are used by other companies. We compute non-GAAP financial measures using the same consistent method from quarter to quarter and year to year. We may consider whether other significant items that arise in the future should be excluded from the non-GAAP financial measures.

We use EBITDA and Adjusted EBITDA internally to evaluate and manage the Company’s operations because we believe they provide useful supplemental information regarding the Company’s ongoing economic performance. We believe that these non-GAAP financial measures provide meaningful supplemental information regarding our operating results primarily because they exclude amounts that are not considered part of ongoing operating results when planning and forecasting and when assessing the performance of the organization. In addition, we believe that non-GAAP financial information is used by analysts and others in the investment community to analyze our historical results and in providing estimates of future performance and that failure to report these non-GAAP measures could result in confusion among analysts and others and create a misplaced perception that our results have underperformed or exceeded expectations.

The following table sets forth the reconciliations of EBITDA and Adjusted EBITDA from continuing operations excluding other costs to the most comparable GAAP financial measures (in thousands):

	For the years ended	
	December 31, 2025	December 31, 2024
GAAP loss from continuing operations ⁽¹⁾	\$ (23,387)	\$ (49,525)
Interest, net	6,933	3,350
Income tax expense	—	7,195
Depreciation and amortization	4,832	6,187
EBITDA	(11,622)	(32,793)
Share-based compensation expense	1,893	3,638
Non-cash rent expense ⁽²⁾	1,810	240
Credit loss expense	1,005	11,018
Adjusted EBITDA from continuing operations	\$ (6,914)	\$ (17,897)

⁽¹⁾ We believe that net loss from continuing operations is the financial measure calculated and presented in accordance with GAAP that is most directly comparable to EBITDA and Adjusted EBITDA. EBITDA and Adjusted EBITDA measure the Company’s operating performance without regard to certain expenses. EBITDA and Adjusted EBITDA are not presentations made in accordance with GAAP and the Company’s computation of EBITDA and Adjusted EBITDA may vary from others in the industry. EBITDA and Adjusted EBITDA have important limitations as analytical tools and should not be considered in isolation or as substitutes for analysis of the Company’s results as reported under GAAP.

⁽²⁾ The non-cash portion of rent, which reflects the extent to which our GAAP rent expense recognized exceeds (or is less than) our cash rent payments. For newer leases, our rent expense recognized typically exceeds our cash rent payments, while for more mature leases, rent expense recognized is typically less than our cash rent payments.

Going Concern

As of December 31, 2025 and through the date of this filing, the Company has experienced significant liquidity constraints and operating challenges. As of December 31, 2025, the Company had cash on hand of approximately \$90.0 thousand. The Company has also experienced a significant decline in revenue from its diagnostic services business, has ceased diagnostic testing operations as of the fourth quarter of 2024, and no longer has access to certain historical sources of capital, including at-the-market offerings or equity line of credit facilities. In addition, the Company's common stock is no longer listed on The Nasdaq Capital Market and is currently quoted on the OTC Markets, which may further limit access to capital.

Furthermore, on September 22, 2025, certain of the Company's diagnostic subsidiaries (the "Debtors") filed for relief under Chapter 11 of the United States Bankruptcy Code. The Debtors are pursuing reorganization under Chapter 11, with the objectives of (i) the orderly collection of accounts receivable through their court-appointed special counsel and (ii) the operational reorganization of the Debtors' CLIA-certified laboratory infrastructure to support additional diagnostic and testing opportunities as resources permit. The Debtors' plan of reorganization is under development and any plan will be subject to Bankruptcy Court approval. The outcome, timing, and amount of any recovery from the receivables collection program and the operational reorganization are uncertain and subject to factors outside the Company's control, including Bankruptcy Court approval, payor responses to claims, the development and confirmation of a plan, and the priority scheme of the Bankruptcy Code.

These conditions raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements included in this Annual Report are issued.

The Company's ability to continue as a going concern is dependent upon its ability to generate sufficient cash flows from operations, obtain additional financing, and/or execute strategic transactions. Management is actively evaluating various alternatives to improve liquidity and support ongoing operations, including, but not limited to, raising additional capital through equity or debt financings, pursuing strategic partnerships, and reducing operating expenses. However, there can be no assurance that such plans will be successfully implemented or that sufficient funding will be available on terms acceptable to the Company, if at all.

The consolidated financial statements included in this Annual Report have been prepared assuming that the Company will continue as a going concern and do not include any adjustments that might result from the outcome of this uncertainty.

Liquidity and Capital Resources

Our aggregate cash and cash equivalents as of December 31, 2025 were \$90,000 as compared to \$678,000 at December 31, 2024. Our working capital deficit was \$49.9 million and \$1.5 million as of December 31, 2025 and 2024, respectively. The decrease of \$588,000 in our cash and cash equivalents for the year ended December 31, 2025 was primarily due to \$8.3 million cash used in operating activities and \$4.2 million repayment of notes payable, offset by proceeds from issuance of common stock, notes payable and convertible notes of \$11.1 million and \$0.9 million provided by investing activities.

To date the principal sources of capital to fund our operations have been from diagnostic services, genomics sequencing, product sales, net proceeds from the offering of equity securities, and issuances of promissory notes. Based on management's current business plans, the Company estimates it will have enough cash and liquidity to finance its operating requirements for at least 12 months from the date of filing these audited consolidated financial statements. However, due to the nature of early-stage ventures and accounts receivables collections, there are inherent uncertainties associated with managements' business plan and cash flow projections, particularly if the Company is unable to grow its business lines, including replacing the revenues from our lab diagnostic services or tests with new business lines, or collect on its accounts receivables in a timely manner or at all. If we were to experience a cash shortfall, we believe our access to existing and other financing sources, including our at-the-market facility, and the established relationships with our investment banks will enable us to continue to meet our obligations and fund ongoing operations.

We may also use our cash to explore and/or acquire new product technologies, applications, product line extensions, new contract manufacturing applications and other new product opportunities. In the event that our available cash is insufficient to support such initiatives, we may need to incur indebtedness or issue common stock or other securities to finance our plans for growth. Volatility in the credit markets and the liquidity of major financial institutions, including as a result of inflation and/or the wars in Ukraine and the Gaza Strip and measures taken in response thereto, may have an adverse impact on our ability to fund our business strategy through future borrowings, under either existing or newly created instruments in the public or private markets on terms that we believe to be reasonable, if at all.

We anticipate that we will continue to incur losses for foreseeable future. We expect to continue to incur research and development costs and general and administrative expenses, as well as expenses related to potential commercialization of our product candidates, consistent with costs associated with research and development at companies of our size and stage of development, and, as a result, we will need additional capital to fund our operations, which we may raise through public or private equity or debt financings, strategic collaborations, or other sources.

Contractual Obligations and Commitments

At-the-Market Sales Agreement with WestPark Capital, Inc.

On October 9, 2025, ProPhase Labs, Inc. (the “Company”) entered into an At-the-Market Sales Agreement (the “Sales Agreement”) with WestPark Capital, Inc. (“Agent”), pursuant to which the Company may offer and sell shares of its common stock, par value \$0.0005 per share (“Common Stock”) from time to time through the Agent as the Company’s sales agent.

Pursuant to the Sales Agreement, sales of the Shares, if any, will be made under the Company’s Registration Statement on Form S-3 (File No. 333-283182), which was declared effective by the Securities and Exchange Commission (the “SEC”) on November 20, 2024, and the related prospectus and prospectus supplement. The Company may sell the Shares in transactions that are deemed to be “at the market offerings” as defined in Rule 415 under the Securities Act of 1933, as amended, including sales made directly on or through the Nasdaq Capital Market or any other trading market for the Common Stock. The Agent is entitled to compensation of 3.0% of the gross proceeds from the sales of any Shares pursuant to the Sales Agreement and will be reimbursed for certain expenses.

The Sales Agreement contains customary representations, warranties, and covenants of the Company and the Agent, indemnification and contribution provisions, and conditions precedent to the sale of the Shares pursuant to the Sales Agreement. The Company may terminate the Sales Agreement at any time upon notice to the Agent.

The Company is not obligated to sell any Shares under the Sales Agreement and may at any time suspend sales pursuant to the Sales Agreement upon notice to the Agent and subject to the terms of the Sales Agreement. The Sales Agreement may be terminated by either party at any time upon notice to the other party. The Company and the Agent have made customary representations, warranties and covenants in the Sales Agreement concerning the Company, the Registration Statement and the offering of the Shares.

The foregoing description of the Sales Agreement is qualified in its entirety by reference to the full text of the Sales Agreement, a copy of which is filed as Exhibit 10.10 to this Quarterly Report on Form 8-K and is incorporated herein by reference.

Strategic Advisory and Private Placement Agreement with ThinkEquity LLC

On September 12, 2025, ProPhase Labs, Inc. (the “Company”) entered into a Strategic Advisory and Private Placement Agreement (the “Agreement”) with ThinkEquity LLC (“ThinkEquity”), pursuant to which ThinkEquity will serve as the exclusive strategic advisor, placement agent and investment banker (the “Services”) to the Company in connection with the Company’s digital asset treasury strategy and a proposed private placement of approximately \$6,000,000 of the Company’s securities (the “Offering”) to be conducted on a best efforts basis. The terms of the Offering and the Securities shall be mutually agreed upon by the Company and the investors, and nothing in the Agreement implies that ThinkEquity would have the power or authority to bind the Company, or obligates the Company to issue any Securities or complete the Offering.

As compensation for the Services, the Company agreed to pay ThinkEquity a cash placement agent fee (the “Placement Agent’s Fee”) equal to 8% of the aggregate purchase price paid by each purchaser of Securities placed in the Offering, payable at the closing of the Offering (the “Closing”) from the gross proceeds. As additional compensation for the Services, the Company will issue to ThinkEquity or its designees: (i) warrants (the “PA Warrants”) to purchase shares of the Company’s common stock (“Shares”) equal to 8% of the number of Shares placed in the Offering, plus any Shares underlying any convertible Securities placed in the Offering to such purchasers; and (ii) additional warrants (the “Advisory Warrants”) consisting of 1,250,000 warrants upon the Closing, an additional 1,250,000 warrants upon the Company accumulating \$50,000,000 in crypto, and an additional 1,000,000 warrants upon the Company accumulating \$100,000,000 in crypto. All warrants will have a five-year exercise period and include registration rights equivalent to those granted with respect to the Securities.

The Agreement also provides for the Company’s engagement of ThinkEquity to perform certain advisory and placement services in connection with the Offering, establishes the parties’ respective obligations and limitations regarding

authority, and grants ThinkEquity the right to appoint one member to the Company's Board of Directors (the "Board Designee"), upon the Company's accumulating \$50,000,000 of crypto.

Equivir License Agreement

Under the terms of our Equivir License Agreement with Global BioLife for the worldwide exclusive right and license to Equivir and Equivir G, we are required to pay to Global BioLife a royalty of 5.5% after the date of first commercial sale and during the royalty term. In the event that no valid claim of Equivir Licensed Patents cover a Equivir Licensed Product in a particular jurisdiction, the royalty rate for such Equivir Licensed Product will be reduced by 50%.

Linebacker License Agreement

Under the terms of our Linebacker License Agreement with Global BioLife for the worldwide exclusive right and license to Linebacker (LB-1 and LB-2), we must pay Global BioLife \$900,000 following the achievement of a first Phase 3 study which may be required by the FDA for the first Linebacker Licensed Product and an additional \$1 million upon the receipt of regulatory approval of a NDA for the first Linebacker Licensed Product. During the term of the license agreement, we are also required to pay to Global BioLife 3% royalties on Net Revenue (as defined in the license agreement) of each Linebacker Licensed Product, but no less than the minimum royalty of \$250,000 of Net Revenue per year minus any royalty payments for any required third party licenses.

Stella Asset Purchase Agreement

On December 15, 2022, we entered into an Asset Purchase Agreement (the "Stella Purchase Agreement") with Stella Diagnostics Inc. ("Stella") and Stella DX, LLC ("Stella DX" and, together with Stella, the "Stella Sellers"), pursuant to which, on January 3, 2023, we purchased all of the assets, rights and interests of the Stella Sellers and their affiliates pertaining to the Stella Sellers' BE-Smart Esophageal Pre-Cancer diagnostic screening test and certain clinical assets, including all intellectual property rights (the "Stella Purchased Assets"). As consideration for the Stella Purchased Assets, we (i) paid to the Stella Sellers \$3.5 million in cash, minus (a) the Secured Note Amount of \$0.5 million, (b) the Liability Payoff Amount of \$0.4 million and (c) the Promissory Note Payoff Amounts of \$0.4 million (each as defined in the Stella Purchase Agreement) in 2022, and (ii) issued to Stella DX 100,000 shares of our common stock. (See Footnote 11 to the Consolidated Financial Statements).

We are required to pay to the Stella Sellers for each of the seven calendar years (each, an "Annual Period") during the seven year period commencing on the first day of the calendar year following the date of the Commercialization Event (as defined in the Stella Purchase Agreement), a non-refundable, non-creditable royalty of 5% of the Adjusted Gross Margin (as defined in the Stella Purchase Agreement) for such Annual Period.

In addition to the consideration paid at closing, the Company will issue shares of common stock valued at \$2.0 million (the "Milestone Stock") to the Stella Sellers upon a Commercialization Event (as defined in the Stella Purchase Agreement). The Milestone Stock was recorded at closing as a non-current liability at its fair value of \$2.0 million. Also, the Company is required to pay to the Stella Sellers for each of the seven calendar years during the seven years period commencing on the first day of the calendar year following the date of the Commercialization Event, a non-refundable, non-creditable royalty of 5% of the Adjusted Gross Margin for such Annual Period. As of December 31, 2025, the Commercialization Event had not occurred

Contractual Obligations under Debt Arrangement

The Company has contractual obligations under various debt arrangement. See Note 6 in our financial statement included in this Annual Report for more information relating to our outstanding debt obligations.

HRSA Funding

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted, providing for reimbursement to healthcare providers for COVID-19 tests provided to uninsured individuals, subject to continued available funding. Approximately 28.0% of our diagnostic services revenue for the year ended December 31, 2022 was generated from this program for the uninsured. None of our diagnostic revenues for the year ended December 31, 2023 was

generated from this program for the uninsured. On March 22, 2022, the HRSA uninsured program stopped accepting claims for COVID-19 testing and treatment due to lack of sufficient funds. Despite requests from the Acting Director of the Office of Management and Budget and the White House Coordinator for COVID-19 Response for additional emergency funding for the uninsured program, additional emergency funding were allocated to the HRSA uninsured program. We have concluded performing any testing for uninsured persons in the second half of 2023.

On January 30, 2023, the Administration announced that effective May 11, 2023, the federal Public Health Emergency would expire related to the COVID-19 pandemic. This expiration changes regulatory guidelines around COVID-19 testing including billing codes and reimbursement rates of in and out of network laboratories. As a result of the Public Health Emergency ending and the significant decrease in demand of COVID-19 testing, we have not performed any diagnostic testing services during the year ended December 31, 2025.

At-the-Market Facility

On December 28, 2021, we entered into a Sales Agreement (the "Sales Agreement") with ThinkEquity LLC (the "Sales Agent"), pursuant to which we may offer and sell, from time to time through the Sales Agent, shares of our common stock having an aggregate offering price of up to \$100,000,000, subject to the terms and conditions of the Sales Agreement. We are not obligated to make any sales of shares under the Sales Agreement.

We will pay the Sales Agent a fixed commission rate of 2.0% of the aggregate gross proceeds from the sale of any shares pursuant to the Sales Agreement and have agreed to provide the Sales Agent with customary indemnification and contribution rights. We also agreed to reimburse the actual out-of-pocket accountable expenses of the Sales Agent up to \$60,000 (of which a \$25,000 advance was paid on December 7, 2021), which amount includes the fees and expenses of legal counsel to the Sales Agent up to \$50,000, and to pay the costs associated with bound volumes of the public offering materials as well as commemorative mementos and lucite tombstones, in an amount not to exceed \$3,000.

In April 2024, the Company sold 1,033,350 shares of common stock pursuant to the Sales Agreement. The Company received cash proceeds of \$4.6 million, which is net of \$94,000 offering cost incurred by the Sales Agent.

On November 12, 2024 ("Closing Date"), the Company closed on an underwritten firm commitment public offering under the at-the-market facility, whereby the Company sold 479,500 shares of common stock, including 62,500 shares of common stock sold upon full exercise of the underwriters' option to purchase additional shares (the "Offering"). Each share of common stock was sold at a public offering price of \$7.20 per share for aggregate gross proceeds of \$3.5 million. The Company received net cash proceeds of \$3.0 million, which is net of \$0.5 million offering cost. Upon closing of the Offering, the Company issued the Representative warrants (the "Representative's Warrants") as compensation to purchase up to 23,975 shares of common stock, which is equal to 5.0% of the aggregate number of shares of common stock sold in the Offering. The Representative's Warrants will be exercisable at a per share exercise price of \$9.00.

Impact of Inflation

We are subject to normal inflationary trends and anticipate that any increased costs for our contract manufacturing and retail operations would be passed on to our customers; however, any increased costs related to diagnostic services would be absorbed by the Company. Inflation could have a material effect to our business in the future.

Critical Accounting Policies and Estimates

Our significant accounting policies are described in Note 2 of the Notes to Consolidated Financial Statements included under Item 8 of this Part II. However, certain accounting policies are deemed "critical", as they require management's highest degree of judgment, estimates and assumptions. These accounting policies, estimates and disclosures have been discussed with the Audit Committee of our Board of Directors. A discussion of our critical accounting policies and estimates, the judgments and uncertainties affecting their application and the likelihood that materially different amounts would be reported under different conditions or using different assumptions are as follows:

Use of Estimates

The preparation of financial statements and the accompanying notes thereto, in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the respective reporting periods. Examples include revenue recognition and the estimation of the variable consideration associated with the diagnostic reimbursement rates, the provision for bad debt and billing discrepancies, sales returns and allowances, inventory obsolescence, useful lives of property and equipment, impairment of goodwill,

intangibles and property and equipment, income tax valuations and assumptions related to accrued advertising. The estimates and assumptions are based on historical experience, current trends and other factors that management believes to be relevant at the time the financial statements are prepared. Management reviews the accounting policies, assumptions, estimates and judgments on a quarterly basis. Actual results could differ from those estimates.

Revenue Recognition and Accounts Receivables

We generate revenue principally through four types of revenue streams: diagnostic services, genomic products and services, contract manufacturing, and retail and other. The process for estimating revenues and the ultimate collection of receivables involves assumptions and judgments.

Revenue from our diagnostic services is recognized when the lab test is complete, and the diagnostic test result is provided to the customer. Revenue from genomic testing services is recognized when the Company satisfies its performance obligation by providing sequencing results to the customer. Customers generally pay for testing services at the time a kit is purchased. As a result, amounts received in advance of completion of sequencing services are recorded as deferred revenue until the related performance obligation is satisfied. The period between customer purchase and delivery of sequencing results is generally between 90 and 120 days. Revenue from our consumer products is recognized when the shipments to contract manufacturing and retailer customers are recognized at the time ownership is transferred to the customer. We bill the providers at standard price and take into consideration for negotiated discounts and an anticipated reimbursement remittance adjustments based on the payer portfolio, when revenue is recorded. We use the most expected value method to estimate the transaction price for reimbursements that may vary from the standard price.

We carry our accounts receivable at cost less an allowance for credit losses. Allowances for credit losses are based upon our judgment regarding collectability. On a periodic basis, we evaluate our receivables and establish an allowance for credit losses, based on a history of past write-offs, collections, current credit conditions or generally accepted future trends in the industry and/or local economy. Accounts are written off as uncollectible at the time we determine that collections are unlikely. The reserve is not intended to address return activity or disputed balances with ongoing customers, as this should be addressed in a reserve for credit memos with a corresponding charge to revenue.

Goodwill and Long-lived Assets

We review our goodwill at least annually for impairment as well as the carrying value of goodwill and our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be fully recoverable. When it is determined that the carrying amount of long-lived assets or goodwill is impaired, impairment is measured by comparing an asset's estimated fair value to its carrying value. The determination of fair value is based on quoted market prices in active markets, if available, or independent appraisals; sales price negotiations; or projected future cash flows discounted at a rate determined by management to be commensurate with our business risk. The estimation of fair value utilizing discounted forecasted cash flows includes significant judgments regarding assumptions of revenue, operating and marketing costs; selling and administrative expenses; interest rates; property and equipment additions and retirements; and industry competition, general economic and business conditions, among other factors.

Income Taxes

Accounting for income taxes requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities. These deferred taxes are measured by applying the provisions of tax laws in effect at the balance sheet date, including the impact of the Tax Cuts and Jobs Act ("TCJA") enacted on December 22, 2017. The TCJA made broad and significant changes to the U.S. tax code that affects the year ended December 31, 2017, including, but not limited to, a change in the federal rate from 35% to 21% effective January 1, 2018.

We recognize in income the effect of a change in tax rates on deferred tax assets and liabilities in the period that includes the TCJA enactment date. We utilize the asset and liability approach which requires the recognition of deferred tax assets and liabilities for the future tax consequences of events that have been recognized in our financial statements or tax returns. In estimating future tax consequences, we generally consider all expected future events other than enactments of changes in the tax law or rates. Until sufficient taxable income to offset the temporary timing differences attributable to operations and the tax deductions attributable to option, warrant and stock activities are assured, a valuation allowance equaling the total net current and non-current deferred tax asset is being provided.

Inventories

Inventory is valued at the lower of cost, determined on a first-in, first-out basis (“FIFO”), or net realizable value. We regularly review inventory quantities on hand and record a provision for excess and obsolete inventory based primarily on current and anticipated customer demand, production and laboratory requirements.

Discontinued Operations

We classify a business that has been disposed of or is classified as held for sale as a discontinued operation when the disposal represents a strategic shift that has (or will have) a major effect on our operations and financial results. Assets and liabilities of discontinued operations are presented separately in the Consolidated Balance Sheets, and results of discontinued operations are reported as a separate component of net loss in the Consolidated Statements of Operations and Comprehensive Loss.

Deconsolidation of Subsidiary

A subsidiary is deconsolidated from our financial statements when we no longer have a controlling financial interest in the subsidiary. This generally occurs when the Company loses control through a sale, transfer, or other means, including the expiry of a contractual agreement.

Upon deconsolidation, we derecognizes the assets and liabilities of the of the subsidiary from the consolidated balance sheet at their carrying amounts at the date when control is lost. Any retained noncontrolling equity investment in the former subsidiary is remeasured to its fair value at the date control is lost. This fair value becomes the initial carrying amount of the retained investment. See Note 18 for discussion regarding the voluntary bankruptcy filing by our fully owned subsidiaries.

Equity Method Investments

We account for investments where we do not control the investment but have the ability to exercise significant influence using the equity method of accounting. Under this method, unconsolidated affiliate investments are initially carried at the acquisition cost, increased by our proportionate share of the investee’s net income and by contributions made, and decreased by our proportionate share of the investee’s net losses and by distributions received.

We evaluate our unconsolidated affiliate investments for potential impairment whenever events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable. We recognize impairments of our investments as a loss from unconsolidated affiliates on our consolidated statements of operations.

Recently Issued Accounting Standards, Adopted

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (ASU 2023-09), which improves the transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information in the effective tax rate reconciliation and income taxes paid disaggregated by jurisdiction. It also includes certain other amendments to improve the effectiveness of income tax disclosures. This guidance will be effective for the annual periods beginning the year ended December 31, 2025. Early adoption is permitted. Upon adoption, the guidance can be applied prospectively or retrospectively. The Company adopted this standard as of January 1, 2025. The adoption of this ASU did not have any material impact on the Company’s quarterly condensed consolidated financial statements. The Company applied the new disclosure requirements retrospectively to the all periods presented. Prior period disclosures have been adjusted to reflect the new disclosure requirements. See Note 9, “Income Taxes,” for further detail.

Recently Issued Accounting Standards, Not Yet Adopted

In November 2024, the FASB issued ASU No. 2024-03 (“ASU 2024-03”), Disaggregation of Income Statement Expenses (DISE) which requires disaggregated disclosure of income statement expenses for public business entities. The standard requires public business entities to disclose disaggregated information about specific natural expense categories underlying certain income statement expense line items that are considered relevant. The FASB also issued ASU No. 2025-01 (“ASU 2025-01”), Clarifying the Effective Date, which clarifies the adoption date of ASU 2024-03 as annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027. The Company is currently evaluating the potential effect of this accounting standard update on its consolidated financial statements and related disclosures.

In September 2025, the FASB issued ASU No. 2025 - 06, Intangibles - Goodwill and Other - Internal - Use Software (“ASU 2025 – 06”), which amends the guidance for accounting for software costs to reflect current software development practices, including iterative and agile methodologies, by removing references to development stages. It also clarifies the criteria for capitalization, which begins when both of the following occur: (1) management has authorized and committed to funding the software project and (2) it is probable that the project will be completed and the software will be used to perform the function intended. ASU 2025 - 06 is effective for fiscal years beginning after December 15, 2027, and interim periods within those fiscal years. Early adoption is permitted. The amendments may be applied either prospectively, retrospectively, or utilizing a modified transition approach. The Company is currently assessing the impact of ASU 2025 - 06 on its condensed consolidated financial statements and disclosures.

In September 2025, the FASB issued ASU 2025-07. This update clarifies the application of derivative accounting to certain contracts and refines the guidance for share-based noncash consideration received from customers. Specifically, ASU 2025-07 introduces a scope exception for contracts that are not exchange-traded and whose underlying is tied to operations or activities specific to one party. It also clarifies that share-based noncash consideration from a customer should initially be accounted for under Topic 606 until the right to receive or retain such consideration becomes unconditional, at which point financial instruments guidance may apply. The effective date for the standard is for fiscal years beginning after December 15, 2026 and interim periods within those fiscal years. Early adoption is permitted. The amendments in ASU 2025-07 should be applied either prospectively or by utilizing a modified retrospective approach. The Company is currently assessing the impact on the Company's consolidated financial statements and disclosures.

In December 2025, the FASB issued ASU 2025-11, Interim Reporting (Topic 270): Narrow-Scope Improvements. This update clarifies interim disclosure requirements and centralizes such requirements within Topic 270. Among other changes, ASU 2025-11 introduces a disclosure principle requiring entities to provide information about significant events or changes since the end of the last annual reporting period that have a material impact, clarifies when duplicative annual disclosures may be omitted from interim reports, and aligns interim reporting requirements with applicable SEC guidance for registrants. This guidance is effective for interim reporting periods within annual reporting periods beginning after December 15, 2027. Early adoption is permitted. The amendments in ASU 2025-11 should be applied prospectively. The Company is currently assessing the impact on the Company's consolidated financial statements and disclosures.

In December 2025, the FASB issued ASU 2025-12, Codification Improvements. This update addresses shareholder suggestions on the Accounting Standards Codification and makes other incremental improvements to U.S. GAAP. The amendments make codification updates to a broad range of topics arising from technical corrections, unintended application of the codification, clarifications and other minor improvements. This guidance is effective for annual reporting periods beginning after December 15, 2026 and interim reporting periods within those annual periods. Early adoption is permitted and may be elected on an issue-by-issue basis. The amendments in ASU 2025-12 are to be applied prospectively. The Company is currently assessing the impact on the Company's consolidated financial statements and disclosures.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Like virtually all commercial enterprises, we may be exposed to the risk (“market risk”) that the cash flows to be received or paid relating to certain financial instruments could change as a result of changes in interest rate, exchange rates, commodity prices, equity prices and other market changes.

Our operations are not subject to risks of material foreign currency fluctuations, nor do we use derivative financial instruments in our investment practices. We place our marketable investments in instruments that meet high credit quality standards. We do not expect material losses with respect to our investment portfolio or excessive exposure to market risks associated with interest rates. The impact on our results of one percentage point change in short-term interest rates would not have a material impact on our future earnings, fair value, or cash flows related to investments in cash equivalents or interest-earning marketable securities.

Current economic conditions may cause a decline in business and consumer spending which could adversely affect our business and financial performance including the collection of accounts receivables, realization of inventory and recoverability of assets. In addition, our business and financial performance may be adversely affected by current and future economic conditions, including a reduction in the availability of credit, financial market volatility and recession.

Item 8. Financial Statements and Supplementary Data**INDEX TO FINANCIAL STATEMENTS**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of ProPhase Labs, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of ProPhase Labs, Inc (“the Company”) as of December 31, 2025 and 2024, and the related consolidated statements of operations and other comprehensive income (loss), stockholders’ equity, and cash flows for each of the years in the two-year period ended December 31, 2025, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2025, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company had minimal cash resources and a significant working capital deficit. These factors, among others, raise substantial doubt about the Company’s 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.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex

judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Evaluation of Impairment of Assets

As discussed in Note 2 of the consolidated financial statements, the Company reviews its goodwill, long-lived intangible assets, and equity-method investments annually, or whenever events and circumstances may indicate carrying amounts aren't recoverable, and to assess whether the carrying value of the assets exceeds the fair value. Auditing management's analysis includes tests that are complex and highly judgmental due to the estimation required to determine the fair value of the reporting unit. In particular, fair value estimates are sensitive to significant assumptions and factors such as expectations about future market and economic conditions, revenue growth rates, strategic plans, and historical operating results, among others.

How the Critical Account Matter Was Addressed in the Audit

Our principal audit procedures to evaluate management's valuation of goodwill consistent of the following, among others:

1. Gaining an understanding of and obtaining management's analysis and assessing the key indicators.
2. Assessing the reasonableness of the significant inputs, estimates, and assumptions utilized by management in its analysis, including obtaining information from third parties to corroborate those assumptions.

Fruci & Associates II, PLLC

Fruci & Associates II, PLLC – PCAOB ID #05525
We have served as the Company's auditor since 2024.

Spokane, Washington
6/1/2026

PROPHASE LABS, INC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	December 31, 2025	December 31, 2024
ASSETS		
Current assets		
Cash and cash equivalents	\$ 90	\$ 678
Accounts receivable, net	1,536	20,058
Inventory, net	70	1,143
Prepaid expenses and other current assets	1,454	2,615
Current assets in discontinued operations	—	6,143
Total current assets	3,150	30,637
Property, plant and equipment, net		
Investment in unconsolidated affiliates	43,491	—
Prepaid expenses, net of current portion	61	217
Operating lease right-of-use asset, net	—	4,115
Intangible assets, net	7,167	9,750
Goodwill	3,968	5,231
Other assets	2	310
Non-current assets in discontinued operations	—	5,439
TOTAL ASSETS	\$ 59,871	\$ 63,200
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	12,961	13,717
Accounts payable to unconsolidated affiliates	27,600	—
Accrued diagnostic services	—	31
Accrued advertising and other allowances	50	151
Finance lease liabilities	2,824	2,147
Operating lease liabilities	—	1,214
Short-term loan payable, net of discount of \$451 and \$237	4,418	3,207
Short-term loan payable to related party, net of discount of \$132	493	—
Short-term convertible notes payable, net of discount of \$157	244	—
Derivative liability	50	—
Deferred revenue	1,501	1,698
Income tax payable	281	1,987
Other current liabilities	2,659	2,115
Current liabilities in discontinued operations	—	5,867
Total current liabilities	53,081	32,134

PROPHASE LABS, INC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)
Continued

	December 31, 2025	December 31, 2024
Non-current liabilities:		
Unsecured promissory notes, net of discount of \$0 and \$127	—	9,873
Unsecured long-term debt, net of discount of \$0 and \$423	—	1,779
Due to sellers (see Note 3)	2,000	2,000
Deferred revenue, net of current portion	643	784
Operating lease liabilities, net of current portion	—	3,762
Finance lease liabilities, net of current portion	639	2,591
Non-current liabilities in discontinued operations	—	2,924
Total non-current liabilities	3,282	23,713
Total liabilities	56,363	55,847
COMMITMENTS AND CONTINGENCIES		
Preferred stock authorized 1,000,000, \$0.0005 par value, 0 shares issued and outstanding	—	—
Common stock authorized 1,000,000,000, \$0.0005 par value, 8,966,406 and 2,987,402 shares outstanding, respectively	4	1
Additional paid-in capital	126,481	129,943
Treasury stock, at cost, 869,208 ⁽¹⁾ and 1,294,105 shares, respectively	(49,643)	(64,000)
Accumulated deficit	(73,136)	(58,393)
Accumulated other comprehensive loss	(198)	(198)
Total stockholders' equity	3,508	7,353
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 59,871	\$ 63,200

(1) This is net of 600,000 collateral shares, see Note 6.

See accompanying notes to consolidated financial statements

PROPHASE LABS, INC & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND
OTHER COMPREHENSIVE INCOME (LOSS)
(in thousands, except per share amounts)

	For the years ended	
	December 31, 2025	December 31, 2024
Revenues, net	\$ 4,345	\$ 6,770
Cost of revenues	2,961	6,920
Gross profit (loss)	1,384	(150)
Operating expenses:		
General and administration	19,324	37,885
Research and development	107	594
Total operating expenses	19,431	38,479
Loss from operations	(18,047)	(38,629)
Loss from investment in unconsolidated affiliates	(166)	—
Change in fair value of warrant liability	(225)	—
Change in fair value of derivative liability	437	—
Interest expense	(6,933)	(3,350)
Debt extinguishment gain (loss)	838	(333)
Loss on issuance of debt	(480)	—
Loss from disposal of fixed assets	(955)	—
Employee retention tax credit income	2,318	—
Other expense	(174)	(18)
Loss from operations before income taxes	(23,387)	(42,330)
Income tax expense	—	(7,195)
Loss from continuing operations after income taxes	(23,387)	(49,525)
Discontinued operations:		
Loss from discontinued operations, net of tax	(102)	(3,839)
Gain from disposal of discontinued operations	8,746	—
Income (loss) from discontinued operations	8,644	(3,839)
Net loss	\$ (14,743)	\$ (53,364)
Other comprehensive (loss) income:		
Unrealized income (loss) on marketable securities	—	102
Total comprehensive loss	\$ (14,743)	\$ (53,262)
Net loss per share:		
Loss from continuing operations, basic and diluted	\$ (2.75)	\$ (24.76)
Gain/(Loss) from discontinued operations, basic and diluted	\$ 1.02	\$ (1.92)
Net loss per share, basic and diluted	\$ (1.74)	\$ (26.68)
Weighted average common shares outstanding:		
Basic	8,489	2,000
Diluted	8,489	2,000

See accompanying notes to consolidated financial statements

PROPHASE LABS, INC & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share data)

	Common Stock Shares Outstanding	Par Value	Additional Paid in Capital	Accumulated Deficit	Treasury Stock	Accumulated Other Comprehensive Loss	Total
Balance as of January 1, 2024	1,804,502	\$ 1	\$ 118,711	\$ (5,029)	\$ (64,000)	\$ (300)	\$ 49,383
Issuance of common stock for cash, net of offering cost of \$577	582,900	—	7,594	—	—	—	7,594
Issuance of treasury shares as collateral for a loan	600,000	—	—	—	—	—	—
Unrealized gain on marketable debt securities	—	—	—	—	—	102	102
Stock-based compensation (including \$569 in prepaid expense)	—	—	3,638	—	—	—	3,638
Net loss	—	—	—	(53,364)	—	—	(53,364)
Balance as of December 31, 2024	2,987,402	1	129,943	(58,393)	(64,000)	(198)	7,353
Issuance of common shares and treasury shares for cash, net of offering cost of \$275	1,131,500	—	(10,799)	—	14,357	—	3,558
Issuance of common stock as commitment fee for future financing	35,218	—	—	—	—	—	—
Issuance of warrants in conjunction with debt issuance	—	—	1,260	—	—	—	1,260
Issuance of common stock to convert outstanding convertible notes and interest	3,394,196	2	3,610	—	—	—	3,612
Issuance of common shares as collateral for a loan	1,360,000	1	(1)	—	—	—	—
Reclassification of liability classified warrants to equity	—	—	575	—	—	—	575
Stock-based compensation (including \$114 in prepaid expense)	—	—	1,893	—	—	—	1,893
Shares true-up as a result of reverse stock split	58,089	—	—	—	—	—	—
Net loss	—	—	—	(14,743)	—	—	(14,743)
Balance as of December 31, 2025	8,966,405	\$ 4	\$ 126,481	\$ (73,136)	\$ (49,643)	\$ (198)	\$ 3,508

See accompanying notes to consolidated financial statements

PROPHASE LABS, INC & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the years ended	
	December 31, 2025	December 31, 2024
Cash flows from operating activities		
Net loss	\$ (14,743)	\$ (53,364)
Less: income (loss) from discontinued operations, net of tax	8,644	(3,839)
Net loss from continuing operations	(23,387)	(49,525)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Realized loss on marketable debt securities	—	18
Depreciation and amortization	4,832	6,187
Amortization of debt discount	5,236	1,485
Impairment loss	1,263	—
Amortization on right-of-use assets	227	457
Loss from investment in unconsolidated affiliates	166	—
Loss on issuance of debt	480	—
Loss from lease termination	1,357	—
Loss (gain) from disposal of fixed assets	955	(91)
Employee retention tax credit income	(1,929)	—
Stock-based compensation expense	1,893	3,638
Accounts receivable allowances	1,005	11,018
Inventory valuation reserve	—	(212)
Inventory write-offs	196	—
Change in fair value of warrant liability	225	—
Change in fair value of derivative liability	(437)	—
Debt extinguishment (gain) loss	(838)	333
Changes in operating assets and liabilities:		
Accounts receivable	736	4,738
Inventory	313	1,360
Prepaid expenses and other current assets	1,147	(45)
Deferred tax asset	—	7,150
Other assets	—	853
Accounts payable and accrued expenses	(722)	5,066
Accrued diagnostic services	(5)	(283)
Accrued advertising and other allowances	(101)	127
Deferred revenue	(338)	(1,000)
Deferred tax liability	—	—
Lease liabilities	(233)	(1,408)
Income taxes payable	(1,706)	(1,292)
Other liabilities	724	(377)
Net cash used in operating activities - continuing operations	(8,941)	(11,803)
Net cash provided by (used in) operating activities - discontinued operations	597	(5,735)
Net cash used in operating activities	(8,344)	(17,538)

	For the years ended	
	December 31, 2025	December 31, 2024
Cash flows from investing activities		
Proceeds from maturities of marketable securities	—	3,374
Proceeds from dispositions of property and other assets, net	120	229
Capital expenditures	—	(906)
Net cash provided by investing activities - continuing operations	120	2,697
Net cash provided by (used in) investing activities - discontinued operations	800	(275)
Net cash provided by investing activities	920	2,422

Cash flows from financing activities		
Proceeds from issuance of common stock from public offering, net	—	7,594
Proceeds from issuance of note payable	4,074	9,862
Proceeds from issuance of note payable to related party	500	—
Proceeds from issuance of convertible notes payable	3,000	—
Proceeds from issuance of common shares, net	3,558	—
Repayment of note payable	(4,234)	(4,249)
Repayment of convertible notes payable	(27)	—
Net cash provided by financing activities - continuing operations	6,871	13,207
Net cash (used in) provided by financing activities - discontinued operations	(35)	978
Net cash provided by financing activities	6,836	14,185
Decrease in cash, cash equivalents and restricted cash	(588)	(931)

Cash and cash equivalents at the beginning of the year	678	1,609
Cash and cash equivalents at the end of the year	\$ 90	\$ 678
Supplemental disclosures:		
Cash paid for income taxes	\$ 1,645	\$ 1,126
Interest payment on the promissory notes	\$ 1,161	\$ 3,105
Supplemental disclosure of non-cash investing and financing activities:		
Assets obtained in exchange for new finance lease obligations	\$ —	\$ 3,783
Issuance of treasury shares as collateral for a loan	\$ —	\$ 3
Issuance of common shares as collateral for a loan	\$ 1	\$ —
Issuance of common stock as commitment fee for future financing	\$ 158	\$ —
Issuance of common stock to convert outstanding convertible notes and interest	\$ 3,612	\$ —
Issuance of liability classified warrants associated with notes payable	\$ 230	\$ —
Net unrealized loss, investments in marketable securities	\$ —	\$ 265
Deconsolidation of subsidiaries assets and liabilities	\$ (16,003)	\$ —
Recognition investment in nonconsolidated subsidiaries	\$ 43,657	\$ —

See accompanying notes to consolidated financial statement

ProPhase Labs, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 1 – Organization and Business

ProPhase Labs, Inc. (“ProPhase”, “we”, “us”, “our” or the “Company”) is a next-generation biotech, genomics and consumer products company. We are also focused on licensing, developing and commercializing novel drugs, dietary supplements, compounds and diagnostics.

Our wholly-owned subsidiary, ProPhase Diagnostics, Inc., and two indirectly wholly-owned subsidiaries, ProPhase Diagnostics NY, Inc. and ProPhase Diagnostics NJ, Inc. (collectively, the “Debtors”), ceased providing COVID-19 diagnostic testing in May 2025. ProPhase Diagnostics NJ, Inc. continues to lease laboratory space in Old Bridge, New Jersey. On September 22, 2025, the Debtors filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of New Jersey (the “Bankruptcy Court”). On September 30, 2025, the Bankruptcy Court entered an order directing joint administration of the cases. On November 13, 2025, the Bankruptcy Court entered an order authorizing the Debtors to retain Crown Medical Collections, LLC as special counsel for the collection of accounts receivable arising from prior COVID-19 diagnostic testing services. The Debtors are pursuing reorganization under Chapter 11 with the objective of restoring solvency through (i) the orderly collection of accounts receivable owed to the Debtors, prosecuted by their court-appointed special counsel, and (ii) the operational reorganization of the Debtors’ CLIA-certified laboratory infrastructure to support additional diagnostic and testing opportunities once the cases progress and resources permit. The Debtors’ plan development is ongoing and any plan will be subject to Bankruptcy Court approval. As a result of the Chapter 11 filings, the Company is deemed to no longer control the Debtors and has deconsolidated the Debtors from its consolidated financial statements as of September 22, 2025. See Note 18.

In August 2021, the Company acquired Nebula Genomics, Inc. (“Nebula”), a privately owned personal genomics company, through our wholly-owned subsidiary, ProPhase Precision Medicine Inc. Nebula focuses on genomics sequencing technologies, a comprehensive method for analyzing entire genomes, including the genes and chromosomes in deoxyribonucleic acid (“DNA”). The data obtained from genomic sequencing can be used to help identify inherited disorders and tendencies, help predict disease risk, help identify expected drug response, and characterize genetic mutations, including those that drive cancer progression. At this time, the Company is taking steps to grow its genomics businesses while also continuing to explore the potential sole of Nebula.

The Company’s wholly-owned subsidiary, DNA Complete, Inc. (“DNA Complete”), which was formed on September 24, 2024, for the offering of whole genome sequencing and related services. DNA Complete sequences specimens at Nebula as well as at other laboratories. DNA Complete focuses on genomics testing technologies, a comprehensive method for analyzing entire genomes, including the genes and chromosomes in deoxyribonucleic acid (“DNA”). The data obtained from genomic sequencing may help to identify inherited disorders and tendencies, predict disease risk, identify expected drug response, and characterize genetic mutations, including those that drive cancer progression. DNA Complete currently offers DNA Complete’s whole genome sequencing products direct-to-consumers online with plans to sell in food, drug and mass retail stores and to provide testing for universities conducting genomic research.

The Company’s wholly owned subsidiary, ProPhase BioPharma, Inc. (“PBIO”), was formed in June 2022, for the licensing, development and commercialization of novel drugs, dietary supplements and compounds. Licensed compounds currently include Equivir (a OTC, dietary supplement candidate) and Equivir G (prescription drug (“Rx”) candidate), two broad-based anti-virals, and Linebacker LB-1 and LB-2, two small molecule proviral integration site for moloney murine leukemia virus (“PIM”) kinase inhibitors. The Company also owns the exclusive rights to the BE-Smart™ Esophageal Pre-Cancer Diagnostic Screening test and related intellectual property (“IP”) assets.

In connection with the activities of PBIO, in January 2023, the Company acquired exclusive rights to BE-Smart™ Esophageal Pre-Cancer Diagnostic Screening test and related IP assets. The BE-Smart™ test is focused on the early detection of esophageal cancer, and is intended to provide health care providers and patients with data to help determine treatment options. The development of these novel drugs and compounds is highly dependent on how each performs during the testing and development stage, the demand for these product and services once entered into the marketplace, our marketing and service capabilities and our ability to comply with applicable regulatory requirements.

The Company also owns a dietary supplements business under the TK Supplements® brand. The TK Supplements® product line includes Legendz XL®, a male sexual enhancement and Triple Edge XL®, an energy and stamina support product.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As of December 31, 2025, the Company had minimal cash resources and a significant working capital deficit. These conditions raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued. Management's plans do not alleviate this substantial doubt.

Management has evaluated the significance of these conditions and has developed plans intended to improve liquidity and support operations. Management's plans include continuing efforts to reduce operating expenditures and preserve cash resources; focusing operations on its remaining core businesses, including genomics and biotechnology activities; pursuing collection and recovery efforts related to outstanding receivables and other claims; evaluating strategic alternatives including potential asset monetization opportunities, partnerships, licensing arrangements and other financing alternatives; and continuing initiatives intended to improve operating efficiency and revenue generation.

Management's plans are subject to numerous uncertainties, many of which are outside the Company's control, including the timing and availability of external financing, realization of anticipated collections and recovery efforts, and achievement of projected operating results. Accordingly, management has concluded that these plans do not alleviate the substantial doubt regarding the Company's ability to continue as a going concern.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result should the Company be unable to continue as a going concern.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. Certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications had no effect on the reported results of operations.

Reverse Stock Split

On December 2, 2025, the Company filed a Certificate of Amendment (the "Certificate of Amendment") to its Certificate of Incorporation with the Secretary of State of the State of Delaware to effect a 1-for-10 reverse stock split of the Company's issued and outstanding shares of common stock, par value \$0.0005 per share (the "Common Stock") (the "Reverse Stock Split"). The Certificate of Amendment became effective on December 2, 2025. The reverse stock split was implemented to increase the per-share trading price of the Company's common stock to meet continued listing requirements. The Reverse Stock Split became effective as of 8:00 a.m., Eastern Time, on December 22, 2025 (the "Effective Time").

At the Effective Time, every 10 shares of Common Stock issued and outstanding immediately prior to the Effective Time were combined into one issued and outstanding share of Common Stock. No fractional shares were issued in connection with the Reverse Stock Split. Instead, any stockholder who otherwise would be entitled to receive a fractional share as a result of the Reverse Stock Split receive one whole share of Common Stock in lieu of such fractional share, with the result that all fractional shares were rounded up to the nearest whole share.

All share and per share amounts in the Form 10-K have been retroactively adjusted to account for the Reverse Stock Split.

Segments

In accordance with the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 280, "Segment Reporting" ("ASC 280"), the Company discloses financial and descriptive information about its reportable operating segments. Operating segments are components of an enterprise about which separate financial

information is available and regularly evaluated by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Company follows ASC 280, which establishes standards for reporting information about operating segments in annual and interim financial statements, and requires that companies report financial and descriptive information about their reportable segments based on a management approach. ASC 280 also establishes standards for related disclosures about products and services, geographic areas and major customers.

Operating segments are defined as components of an enterprise that engage in business activities for which separate financial information is available and is evaluated by the Chief Operating Decision Maker (“CODM”), which for the Company is its Chief Executive Officer, in deciding how to allocate resources and assess performance. We maintain two operating segments: diagnostic services (which includes our COVID-19 and other diagnostic testing services) and consumer products (which includes our contract manufacturing, retail customers, biopharma and personal genomics products and services). See Note 14 Segment Information.

Deconsolidation of Subsidiary

A subsidiary is deconsolidated from the Company’s financial statements when the Company no longer has a controlling financial interest in the subsidiary. This generally occurs when the Company loses control through a sale, transfer, or other means, including the expiry of a contractual agreement.

Upon deconsolidation, the Company derecognizes the assets and liabilities of the of the subsidiary from the consolidated balance sheet at their carrying amounts at the date when control is lost. Any retained noncontrolling equity investment in the former subsidiary is remeasured to its fair value at the date control is lost. This fair value becomes the initial carrying amount of the retained investment. See Note 18 for discussion regarding the voluntary bankruptcy filing by the Company’s fully owned subsidiaries.

Discontinued Operations

The Company presents discontinued operations when there is a disposal of a component or a group of components that represents a strategic shift that will have a major effect on operations and financial results. The results of discontinued operations are reported in net income (loss) from discontinued operations in the condensed consolidated statements of operations for all periods presented, commencing in the period in which the business is either disposed of or is classified as held for sale, including any gain or loss recognized on closing or adjustment of the carrying amount to fair value less costs to sell. Assets and liabilities related to a business classified as held for sale or meets the criteria for discontinued operations are segregated in the consolidated balance sheets for the current and prior periods presented. Cash flows for continuing and discontinued operations are segregated in the consolidated statements of cash flows for the current and prior periods.

Certain prior period balances related to the Company’s reportable segments and discontinued operations have been reclassified to conform to the current presentation in the consolidated financial statements have been prepared by management without audit and should be read in conjunction with our audited consolidated financial statements, including the accompanying notes appearing in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024. In the opinion of management, all adjustments necessary for a fair presentation of the notes to the consolidated financial statements are presented on a continuing operations basis unless otherwise noted.

Reclassifications

The Company has reclassified certain amounts on the consolidated balance sheets, condensed consolidated statements of operations and comprehensive loss and consolidated statements of cash flows to conform to current period presentation.

Business and Liquidity Risks and Uncertainties

Our personal genomics business is and will continue to be influenced by demand for our genetic sequencing products and services, our marketing and service capabilities, and our ability to comply with applicable regulatory requirements.

Our consumer sales are and will continue to be impacted by (i) the timing of acceptance of our TK Supplements® consumer products in the marketplace, and (ii) fluctuations in the timing of purchase and the ultimate level of demand for these products.

For the year ended December 31, 2025, \$8.9 million was used by operating activities. The Company had cash and cash equivalents of \$90,000 as of December 31, 2025. Based on management’s current business plans, the Company estimates it will have enough cash and liquidity to finance its operating requirements for at least 12 months from the date of filing these unaudited condensed consolidated financial statements. However, due to the nature of early-stage ventures and accounts receivables collections, there are inherent uncertainties associated with managements’ business plan and cash flow projections, particularly if the Company is unable to grow its business lines, including replacing the revenues from our lab diagnostic services or tests with new business lines, or collect on its accounts receivables in a timely manner or at all. If we were to experience a cash shortfall, we believe our access to existing and other financing sources, including our at-the-market facility, and the established relationships with our investment banks will enable us to continue to meet our obligations and fund ongoing operations.

As such, the Company’s future capital needs and the adequacy of its available funds will depend on many factors. These include, but not necessarily limited to, the actual cost and time necessary to achieve sustained profitability from diagnostic services, the ability to successfully diversify the diagnostic services revenue streams and the ability to market and grow the personal genomics, biopharma, manufacturing and supplement businesses. The Company may be required to raise additional funds through equity or debt securities offerings or strategic collaboration and/or licensing agreements in order to fund operations until it is able to generate enough revenues. Such financing may not be available on acceptable terms, or at all, and the Company’s failure to raise capital when needed could have a material adverse effect on its strategic objectives, results of operations and financial condition.

Use of Estimates

The preparation of financial statements and the accompanying notes thereto, in conformity with generally accepted accounting principles in the United States of America (“GAAP”), requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the respective reporting periods. Examples include revenue recognition and the impact of the variable consideration around diagnostic test reimbursement rates, the provision for uncollectible receivables and billing errors, sales returns and allowances, rates, slow moving, dated inventory and associated provisions, the estimated useful lives and potential impairment of long-lived assets, stock based compensation valuation, income tax asset valuations and assumptions related to accrued advertising.

Our estimates and assumptions are based on historical experience, current trends and other factors that management believes to be relevant at the time the financial statements are prepared. Management reviews the accounting policies, assumptions, estimates and judgments on a quarterly basis. Actual results could differ from those estimates.

Cash and Cash Equivalents

We consider all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents. Cash equivalents include cash on hand and monies invested in money market funds. The carrying amount approximates the fair market value due to the short-term maturity of these securities.

Marketable Securities

We have classified our investments in marketable equity securities as available-for-sale and as a current asset. Our investments in marketable securities are carried at fair value, with unrealized gains and as a separate component of stockholders’ equity. Realized gains and losses from our marketable securities are recorded as interest income (expense).

The following is a summary of the components of our marketable securities and the underlying fair value input level tier hierarchy (see fair value of financial instruments) (in thousands):

	As of December 31, 2025			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Corporate stock	\$ 148	\$ —	\$ (148)	\$ —
	<u>\$ 148</u>	<u>\$ —</u>	<u>\$ (148)</u>	<u>\$ —</u>

	As of December 31, 2024			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Corporate stock	\$ 3,528	\$ —	\$ (401)	\$ 3,127
	\$ 3,528	\$ —	\$ (401)	\$ 3,127

We believe that the unrealized gains or losses generally are the result of a change in the risk premiums required by market participants rather than an adverse change in cash flows or a fundamental weakness in the credit quality of the issuer or underlying assets.

Accounts Receivable, net

Accounts receivable consists primarily of amounts due from government agencies and healthcare insurers. Unbilled accounts receivable relates to the delivery of our diagnostic testing services for which the related billings will occur in a future period, after a patient’s insurance information has been validated, and represent amounts we have an unconditional right to receive payment. Unbilled accounts receivable is classified as accounts receivable on the consolidated balance sheet. We carry our accounts receivable at the amount of consideration for which we expect to be entitled less allowances. When estimating the allowances for our diagnostics business, the Company pools its trade receivables based on the following payer types: healthcare insurers and government payers. The Company principally estimates the allowance for credit losses by pool based on historical collection experience, current economic conditions, expectations of future economic conditions, other credits and the period of time that the receivables have been outstanding. To the extent that any individual payers are identified that have deteriorated in credit quality, the Company removes the payers from their respective pools and establishes allowances based on the individual risk characteristics of such payers. On a periodic basis, we evaluate our receivables and establish an allowance, based on a history of past write-offs, government and healthcare insurer payment trends, collections, current credit conditions or generally accepted future trends. Accounts receivable are stated at the net amount expected to be collected, using an expected loss methodology that is referred to as the current expected credit loss (“CECL”) model.

Accounts are written off as uncollectible at the time we determine that collections are unlikely. Accounts receivable, net is comprised of the following (in thousands):

	December 31, 2025	December 31, 2024
Trade accounts receivable	\$ 2,558	\$ 34,901
Unbilled accounts receivable	—	—
	2,558	34,901
Less allowances	(1,022)	(14,843)
Total accounts receivable	\$ 1,536	\$ 20,058

The table below presents a roll forward of the Company's allowance for credit losses (amount in thousands).

Beginning balance as of January 1, 2024	\$ 3,864
Accounts written off	(39)
Current period provision for expected credit losses	11,018
Balance as of December 31, 2024	14,843
Current period provision for expected credit losses	1,005
Deconsolidation of PDX	(14,826)
Balance as of December 31, 2025	\$ 1,022

For Fiscal 2025 and 2024, we recorded \$1.0 million and \$11.0 million to credit losses in operating expenses, respectively. The credit loss in 2024 representing a write-off of trade receivables (primarily HRSA related) we have determined to be uncollectible and increased the allowance for credit losses as a reduction of revenue and predictability of

collections. The results of these adjustments and our current year allowances, resulted in an allowance of \$1.0 million and \$14.8 million at December 31, 2025 and 2024, respectively.

Inventory, net

Inventory is valued at the lower of cost, determined on a first-in, first-out basis (“FIFO”), or net realizable value. Inventory items are analyzed to determine cost and the net realizable value and appropriate valuation adjustments are established.

At December 31, 2025 and 2024, the components of inventory are as follows (in thousands):

	December 31, 2025	December 31, 2024
Diagnostic services testing material	\$ —	\$ 564
Raw materials	2	147
Work in process	—	65
Finished goods	68	375
Inventory	\$ 70	\$ 1,151
Inventory valuation reserve	—	(8)
Inventory, net	\$ 70	\$ 1,143

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. We use the straight-line method in computing depreciation for financial reporting purposes. Depreciation expense is computed in accordance with the following ranges of estimated asset lives: building and improvements - ten to thirty-nine years; leasehold improvements - lesser of lease term or estimated useful life; machinery and equipment including lab equipment - three to seven years; computer equipment and software - three to five years; and furniture and fixtures - five years.

Equity Method Investments

The Company accounts for investments where we do not control the investment but have the ability to exercise significant influence using the equity method of accounting. Under this method, unconsolidated affiliate investments are initially carried at the acquisition cost, increased by our proportionate share of the investee’s net income and by contributions made, and decreased by our proportionate share of the investee’s net losses and by distributions received.

Concentration of Financial Risks

Financial instruments that potentially subject us to significant concentrations of credit risk consist principally of cash investments, marketable debt securities, and trade accounts receivable. Our marketable securities are fixed income investments, which are highly liquid and can be readily purchased or sold through established markets.

We maintain cash and cash equivalents with certain major financial institutions. As of December 31, 2025, our cash and cash equivalents balance was \$90,000, which was fully covered by federal depository insurance.

Accounts receivable subject us to credit risk concentrations from time-to-time. We extend credit to our consumer healthcare product customers based upon an evaluation of the customer’s financial condition and credit history and generally do not require collateral. Our diagnostic services receivable credit risk is based on payer reimbursement experience, which includes government agencies and healthcare insurers, the period the receivables have been outstanding and the historical collection rates. The collectability of the diagnostic services receivables is also directly linked to the quality of our billing processes, which depend on information provided and billing services of third parties. These credit concentrations impact our overall exposure to credit risk, which could be further affected by changes in economic, regulatory or other conditions that may impact the timing and collectability of trade receivables and diagnostic test receivables. Additionally, the reimbursement receivables from the diagnostic service business are subject to billing errors and related disputes.

In addition, see Note 13 - Significant Customers Concentrations.

Leases

At the inception of an arrangement, we determine whether the arrangement is or contains a lease based on the unique facts and circumstances present in the arrangement. Most leases with a term greater than one year are recognized on the balance sheet as right-of-use assets and short-term and long-term lease liabilities, as applicable. We have elected not to recognize on the balance sheet leases with terms of 12 months or less. We typically only include an initial lease term in its assessment of a lease arrangement. Options to renew a lease are not included in our assessment unless there is reasonable certainty that we will renew.

Operating lease liabilities and their corresponding right-of-use assets are recorded based on the present value of lease payments over the expected remaining lease term. Certain adjustments to the right-of-use asset may be required for items such as incentives received. The interest rate implicit in our leases is typically not readily determinable. As a result, we utilize our incremental borrowing rate, which reflects the fixed rate at which we could borrow on a collateralized basis the amount of the lease payments in the same currency, for a similar term and in a similar economic environment (see Note 12, Leases).

The components of a lease should be allocated between lease components (*e.g.*, land, building, etc.) and non-lease components (*e.g.*, common area maintenance, consumables, etc.). The fixed and in-substance fixed contract consideration (including any consideration related to non-components) must be allocated based on the respective relative fair values to the lease components and non-lease components.

Goodwill and Intangible Assets

Goodwill represents the excess of the fair value of the consideration transferred over the fair value of the underlying identifiable assets and liabilities acquired in a business combination. Goodwill and intangible assets deemed to have an indefinite life are not amortized, but instead are assessed for impairment annually. Additionally, if an event or change in circumstances occurs that would more likely than not reduce the fair value of the reporting unit below its carrying value, we would evaluate goodwill and other intangibles at that time.

In testing for goodwill impairment, we have the option to first assess qualitative factors to determine whether the existence of events or circumstances lead to a determination that it is more likely than not that the fair value of the reporting unit is less than its carrying amount. If, after assessing the totality of events and circumstances, we conclude that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is not required. If we conclude otherwise, we are required to perform the two-step impairment test. The goodwill impairment test is performed at the reporting unit level by comparing the estimated fair value of a reporting unit with its respective carrying value. If the estimated fair value exceeds the carrying value, goodwill at the reporting unit level is not impaired. If the estimated fair value is less than the carrying value, an impairment charge will be recorded to reduce the reporting unit to fair value. The Company incurred a non-cash goodwill impairment loss of \$1.3 million during the year ended December 31, 2025, which was related to the Diagnostic services segment.

Intangible assets deemed to have finite lives are amortized on a straight-line basis over their estimated useful lives, where the useful life is the period over which the asset is expected to contribute directly, or indirectly, to our future cash flows.

Impairment of Long-Lived Assets

The Company reviews long-lived assets, including property and equipment, finite-lived intangible assets and investments, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. An impairment loss is recognized when the asset's carrying value exceeds the total undiscounted cash flows expected from its use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

In addition, the Company evaluates its unconsolidated affiliate investments for potential impairment whenever events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable. The Company recognizes impairments of our investments as a loss from unconsolidated affiliates on our consolidated statements of operations.

For the fiscal years ended December 31, 2025 and 2024, the Company did not have an impairment of the long-lived assets.

Fair Value of Financial Instruments

We measure assets and liabilities at fair value based on expected exit price as defined by the authoritative guidance on fair value measurements, which represents the amount that would be received on the sale date of an asset or paid to transfer a liability, as the case may be, in an orderly transaction between market participants. As such, fair value may be based on assumptions that market participants would use in pricing an asset or liability. The authoritative guidance on fair value measurements establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis whereby inputs, used in valuation techniques, are assigned a hierarchical level.

The following are the hierarchical levels of inputs to measure fair value:

- Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2: Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Unobservable inputs reflecting the Company's assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

The carrying amounts of our financial assets and liabilities, such as cash, accounts receivable, accounts payable, and unsecured note payable, approximate their fair values because of the short-term nature of these instruments.

We account for our marketable securities at fair value, with the net unrealized gains or losses of marketable debt securities reported as a component of accumulated other comprehensive income or loss and marketable equity securities change in fair value reported on the consolidated statement of operations. We measure the fair value of financial instruments, such as derivatives, on an ongoing basis.

See Note 19, "Fair Value Measurements" for more information.

Revenue Recognition

We recognize revenue that represents the transfer of promised goods or services to customers at an amount that reflects the consideration that is expected to be received in exchange for those goods or services. We recognize revenue when performance obligations with our customers have been satisfied. At contract inception, we evaluate the contract to determine if revenue should be recognized using the following five steps: (1) identify the contract with the customer; (2) identify the performance obligations; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations; and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

Contract with Customers and Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Sales from product shipments to contract manufacturing and retailer customers are recognized at the time ownership is transferred to the customer. Revenue from diagnostic services is recognized when the results are made available to the customer. Revenue from our personal genomics business is recognized when the genetic testing results are provided to the customer. For subscription services associated with our genomic testing, we recognize revenue ratably over the term of the subscription.

The Company's performance obligation for contract manufacturing and retail customers is to provide the goods ordered by the customer. The Company has one performance obligation for its diagnostic services, which is to provide the results of the laboratory test to the customer. Our personal genomics business has separate performance obligations to provide initial testing and genome results and subscriptions services to our customers.

Transaction Price

For our diagnostic services business, a revenue transaction is initiated when we receive a requisition order to perform a diagnostic test. The information provided on the requisition form is used to determine the party that will be billed

for the testing performed and the expected reimbursement. We provide diagnostic services to a range of customers. In many cases, the customer that orders our services is not responsible for paying for these services. Depending on the billing arrangement and applicable law, the payer may be the patient or a third party, such as a health plan, Medicare or Medicaid program and other government reimbursement programs. We bill the providers at standard price and take into consideration negotiated discounts and anticipated reimbursement remittance adjustments based on the payer portfolio, when revenue is recorded. We use the most expected value method to estimate the transaction price for reimbursements that vary from the listed contract price.

For our personal genomics business, a revenue transaction is initiated by a DNA test kit sale direct to the consumer sales via our website or through online retailers. The kit sales and subscriptions are billed at a standard price and take into consideration any discounts when revenue is recorded. We also contract with third party B2B partners and universities and sell DNA test kits directly to them.

For contract manufacturing and retail customers, the transaction price is fixed based upon either (i) the terms of a combined master agreement and each related purchase order, or (ii) if there is no master agreement, the price per individual purchase order received from each customer. The customers are invoiced at an agreed upon contractual price for each unit ordered and delivered by the Company.

Revenue from retail customers is reduced for trade promotions, estimated sales returns and other allowances in the same period as the related sales are recorded. No such allowance is applicable to our contract manufacturing customers. We estimate potential future product returns and other allowances related to current period revenue. We analyze historical returns, current trends, and changes in customer and consumer demand when evaluating the adequacy of the sales returns and other allowances.

We do not accept returns from our contract manufacturing customers. Our return policy for retail customers accommodates returns for (i) discontinued products, (ii) store closings and (iii) products that have reached or exceeded their designated expiration date. We do not impose a period of time during which product may be returned. All requests for product returns must be submitted to us for pre-approval. We will not accept return requests pertaining to customer inventory "Overstocking" or "Resets". We will accept return requests only for products in their intended package configuration. We reserve the right to terminate shipment of product to customers who have made unauthorized deductions contrary to our return policy or pursue other methods of reimbursement. We compensate the customer for authorized returns by means of a credit applied to amounts owed.

For our diagnostic services business, a revenue transaction is initiated when we receive a requisition order to perform a diagnostic test. The information provided on the requisition form is used to determine the party that will be billed for the testing performed and the expected reimbursement. We provide diagnostic services to a range of customers. In many cases, the customer that orders our services is not responsible for paying for these services. Depending on the billing arrangement and applicable law, the payer may be the patient or a third party, such as a health plan, Medicare or Medicaid program and other government reimbursement programs. We bill the providers at standard price and take into consideration negotiated discounts and anticipated reimbursement remittance adjustments based on the payer portfolio, when revenue is recorded. We use the most expected value method to estimate the transaction price for reimbursements that vary from the listed contract price.

For our personal genomics business, a revenue transaction is initiated by a DNA test kit sale direct to the consumer sales via our website or through online retailers. The kit sales and subscriptions are billed at a standard price and take into consideration any discounts when revenue is recorded. We also contract with third party B2B partners and universities and sell DNA test kits directly to them.

Recognize Revenue When the Company Satisfies a Performance Obligation

For diagnostic services, the Company satisfies its performance obligation at the point in time that the results are made available to the customer, which is when the customer benefits from the information contained in the results and obtains control.

Revenue from genomic testing services is recognized when the Company satisfies its performance obligation by providing sequencing results to the customer. Customers generally pay for testing services at the time a kit is purchased. As a result, amounts received in advance of completion of sequencing services are recorded as deferred revenue until the related performance obligation is satisfied. The period between customer purchase and delivery of sequencing results is generally between 90 and 120 days. For subscriptions services associated with its genomic testing, we satisfy our performance obligation ratably over the subscription period. If the customer does not return the test kit, services cannot be

completed by us, potentially resulting in unexercised rights (“breakage”) revenue. We estimate breakage for the portion of test kits not expected to be returned using an analysis of historical data and consider other factors that could influence customer test kit return behavior. When breakage revenue is recognized on a kit, we recognize breakage on any associated subscription services ratably over the term of the subscription.

Performance obligations related to contract manufacturing and retail customers are satisfied at a point in time when the goods are shipped to the customer as (i) we have transferred control of the assets to the customers upon shipping, and (ii) the customer obtains title and assumes the risks and rewards of ownership after the goods are shipped.

Contract Balances

As of December 31, 2025 and December 31, 2024, we have deferred revenue of \$2.1 million and \$2.5 million, respectively. Our new personal genomics business comprised \$1.1 million of the deferred revenue as of December 31, 2025. The remainder of deferred revenue relates to research and development (“R&D”) stability and release testing programs recognized as contract manufacturing revenue. Deferred revenues primarily consist of amounts that have been billed to or received from customers in advance of revenue recognition and prepayments received from customers in advance of services performed for the R&D work. We recognize deferred revenues as revenues when the services are performed and the corresponding revenue recognition criteria are met. Customer prepayments are generally applied against invoices issued to customers when services are performed and billed.

The amount of revenues recognized during the years ended December 31, 2025 and 2024 that were included in the opening deferred revenue balance as of January 1, 2025 and 2024, respectively, were \$1.8 million million and \$0.7 million million.

The following table disaggregates our deferred revenue by recognition period (in thousands):

	As of December 31, 2025	As of December 31, 2024
Recognition Period		
0-12 Months	\$ 1,501	\$ 1,698
13-24 Months	643	784
Total	\$ 2,144	\$ 2,482

Disaggregation of Revenue

We disaggregate revenue from contracts with customers into four categories: contract manufacturing, retail and others, diagnostic services and genomic products and services. We determined that disaggregating revenue into these categories achieves the disclosure objective to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

The following table disaggregates the Company’s revenue by revenue source for Fiscal 2025 and 2024 (in thousands):

Revenue by Customer Type	For the years ended	
	December 31, 2025	December 31, 2024
Retail and others	\$ —	\$ 1,492
Genomic products and services	4,345	5,278
Total revenue, net	\$ 4,345	\$ 6,770

Customer Consideration

The Company makes payments to certain diagnostic services customers for distinct services that approximate fair value for those services. Such services include specimen collection, the collection and delivery of insurance and patient information necessary for billing and collection, and logistics services. Consideration associated with specimen collection

services is classified in cost of revenues and the remaining costs are classified as diagnostic expenses within operating expenses in the accompanying statement of operations.

Sales Tax Exclusion from the Transaction Price

We exclude from the measurement of the transaction price all taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected by the Company from the customer.

Shipping and Handling Activities

We account for shipping and handling activities that we perform as activities to fulfill the promise to transfer the good.

Advertising and Incentive Promotions

Advertising and incentive promotion costs are expensed within the period in which they are utilized. Advertising and incentive promotion expense is comprised of (i) media advertising, presented as part of general and administrative expense, (ii) cooperative incentive promotions and coupon program expenses, which are accounted for as part of net revenue, and (iii) free product, which is accounted for as part of cost of revenues. Advertising and incentive promotion expenses incurred from continuing operations for Fiscal 2025 and 2024 were \$5,000 and \$342,000, respectively.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with FASB ASC 718, "Compensation – Stock Compensation." Under the fair value recognition provision of the ASC, stock-based compensation cost is estimated at the grant date based on the fair value of the award. The Company estimates the fair value of stock options and warrants granted using the Black-Scholes-Merton option pricing model and stock grants at their closing reported market value. We recognize all stock-based payments to employees and directors, including grants of stock options, as compensation expense in the financial statements based on their grant date fair values. The grant date fair values of stock options are determined through the use of the Black-Scholes option pricing model. The compensation cost is recognized as an expense over the requisite service period of the award, which usually coincides with the vesting period. We account for forfeitures as they occur.

Stock and stock options to purchase our common stock have been granted to employees pursuant to the terms of certain agreements and stock option plans (see Note 7, Stockholders' Equity). Stock options are exercisable during a period determined by us, but in no event later than seven years from the date granted.

Research and Development

R&D costs are charged to operations in the period incurred, R&D costs incurred for the years ended December 31, 2025 and 2024 were \$107,000 and \$594,000, respectively. R&D costs are principally related to personnel expenses and new product development initiatives and costs associated with the OTC health care products, dietary supplements and validation costs associated with the diagnostic services business.

Income Taxes

The Company accounts for income taxes in accordance with accounting guidance now codified as FASB ASC 740, "Income Taxes," which requires that the Company recognize deferred tax liabilities and assets based on the differences between the financial statement carrying amounts and the tax bases of assets and liabilities, using enacted tax rates in effect in the years the differences are expected to reverse.

The provision for, or benefit from, income taxes includes deferred taxes resulting from the temporary differences in income for financial and tax purposes using the liability method. Such temporary differences result primarily from the differences in the carrying value of assets and liabilities. Future realization of deferred income tax assets requires sufficient taxable income within the carry-back, carryforward period available under tax law. We evaluate, on a quarterly basis whether, based on all available evidence, it is probable that the deferred income tax assets are realizable. Valuation allowances are established when it is more likely than not that the tax benefit of the deferred tax asset will not be realized. The evaluation, as prescribed by ASC 740- 10, "Income Taxes," includes the consideration of all available evidence, both positive and negative, regarding historical operating results including recent years with reported losses, the estimated

timing of future reversals of existing taxable temporary differences, estimated future taxable income exclusive of reversing temporary differences and carryforwards, and potential tax planning strategies which may be employed to prevent an operating loss or tax credit carryforward from expiring unused.

The Company accounts for income taxes under ASU No. 2019-12, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes (“ASU 2019-12”), which simplifies various aspects related to accounting for income taxes. This standard became effective for the Company January 1, 2021. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application.

The Company accounts for uncertainties in income taxes under the provisions of FASB ASC 740-10-05 (the “Subtopic”). The Subtopic clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements. The Subtopic prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Subtopic provides guidance on the de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

On July 4, 2025, the “One Big Beautiful Bill Act” was enacted into law. The legislation includes several changes to federal tax law including permanent extension of certain expiring Tax Cuts and Jobs Act provisions. Certain provisions were effective for 2025, while others will be effective for tax years beginning after December 31, 2025. The Company has evaluated the impact of the legislation and incorporated the applicable tax provisions into its consolidated financial statements for the current reporting period.

Discontinued Operations

The Company classifies a business that has been disposed of or is classified as held for sale as a discontinued operation when the disposal represents a strategic shift that has (or will have) a major effect on the Company’s operations and financial results. Assets and liabilities of discontinued operations are presented separately in the Consolidated Balance Sheets, and results of discontinued operations are reported as a separate component of net loss in the Consolidated Statements of Operations and Comprehensive Loss.

Collateralized Loan

The Company enters into loan arrangements under which it borrows cash and pledges shares of the Company’s common stock as collateral. These arrangements are accounted for as borrowings and are recognized as a liability when proceeds are received. Pledged shares continue to be presented within stockholders’ equity because the shares are not sold, retired, or otherwise legally extinguished.

Recently Issued Accounting Standards, Adopted

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (ASU 2023-09), which improves the transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information in the effective tax rate reconciliation and income taxes paid disaggregated by jurisdiction. It also includes certain other amendments to improve the effectiveness of income tax disclosures. This guidance will be effective for the annual periods beginning the year ended December 31, 2025. Early adoption is permitted. Upon adoption, the guidance can be applied prospectively or retrospectively. The Company adopted this standard as of January 1, 2025. The adoption of this ASU did not have any material impact on the Company’s quarterly condensed consolidated financial statements. The Company applied the new disclosure requirements prospectively. See Note 9, “Income Taxes,” for further detail.

Recently Issued Accounting Standards, Not Yet Adopted

In November 2024, the FASB issued ASU No. 2024-03 (“ASU 2024-03”), Disaggregation of Income Statement Expenses (DISE) which requires disaggregated disclosure of income statement expenses for public business entities. The standard requires public business entities to disclose disaggregated information about specific natural expense categories underlying certain income statement expense line items that are considered relevant. The FASB also issued ASU No. 2025-01 (“ASU 2025-01”), Clarifying the Effective Date, which clarifies the adoption date of ASU 2024-03 as annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027. The Company is currently evaluating the potential effect of this accounting standard update on its consolidated financial statements and related disclosures.

In September 2025, the FASB issued ASU No. 2025 - 06, Intangibles - Goodwill and Other - Internal - Use Software (“ASU 2025 – 06”), which amends the guidance for accounting for software costs to reflect current software development practices, including iterative and agile methodologies, by removing references to development stages. It also clarifies the criteria for capitalization, which begins when both of the following occur: (1) management has authorized and committed to funding the software project and (2) it is probable that the project will be completed and the software will be used to perform the function intended. ASU 2025 - 06 is effective for fiscal years beginning after December 15, 2027, and interim periods within those fiscal years. Early adoption is permitted. The amendments may be applied either prospectively, retrospectively, or utilizing a modified transition approach. The Company is currently assessing the impact of ASU 2025 - 06 on its condensed consolidated financial statements and disclosures.

In September 2025, the FASB issued ASU 2025-07. This update clarifies the application of derivative accounting to certain contracts and refines the guidance for share-based noncash consideration received from customers. Specifically, ASU 2025-07 introduces a scope exception for contracts that are not exchange-traded and whose underlying is tied to operations or activities specific to one party. It also clarifies that share-based noncash consideration from a customer should initially be accounted for under Topic 606 until the right to receive or retain such consideration becomes unconditional, at which point financial instruments guidance may apply. The effective date for the standard is for fiscal years beginning after December 15, 2026 and interim periods within those fiscal years. Early adoption is permitted. The amendments in ASU 2025-07 should be applied either prospectively or by utilizing a modified retrospective approach. The Company is currently assessing the impact on the Company's consolidated financial statements and disclosures.

In December 2025, the FASB issued ASU 2025-11, Interim Reporting (Topic 270): Narrow-Scope Improvements. This update clarifies interim disclosure requirements and centralizes such requirements within Topic 270. Among other changes, ASU 2025-11 introduces a disclosure principle requiring entities to provide information about significant events or changes since the end of the last annual reporting period that have a material impact, clarifies when duplicative annual disclosures may be omitted from interim reports, and aligns interim reporting requirements with applicable SEC guidance for registrants. This guidance is effective for interim reporting periods within annual reporting periods beginning after December 15, 2027. Early adoption is permitted. The amendments in ASU 2025-11 should be applied prospectively. The Company is currently assessing the impact on the Company's consolidated financial statements and disclosures.

In December 2025, the FASB issued ASU 2025-12, Codification Improvements. This update addresses shareholder suggestions on the Accounting Standards Codification and makes other incremental improvements to U.S. GAAP. The amendments make codification updates to a broad range of topics arising from technical corrections, unintended application of the codification, clarifications and other minor improvements. This guidance is effective for annual reporting periods beginning after December 15, 2026 and interim reporting periods within those annual periods. Early adoption is permitted and may be elected on an issue-by-issue basis. The amendments in ASU 2025-12 are to be applied prospectively. The Company is currently assessing the impact on the Company's consolidated financial statements and disclosures.

Note 3 – Asset Acquisition

Stella Diagnostics - Asset Purchase Agreement

On December 15, 2022, the Company entered into an Asset Purchase Agreement (the “Stella Purchase Agreement”), with Stella Diagnostics Inc. (“Stella”) and Stella DX, LLC (“Stella DX” and, together with Stella, the “Stella Sellers”), pursuant to which, on January 3, 2023, the Company purchased all of the assets, rights and interests of the Stella Sellers and their affiliates pertaining to the Stella Sellers’ BE-Smart Esophageal Pre-Cancer Diagnostic Screening Test and certain clinical assets, including all intellectual property rights (the “Stella Purchased Assets”). All capitalized terms used in this section to describe this transaction but not defined herein shall have the meanings set forth in the Stella Purchase Agreement,

As consideration for the Stella Purchased Assets, at closing, the Company (i) paid to the Stella Sellers \$3.5 million in cash, minus (a) the Secured Note Amount of \$0.5 million, (b) the Liability Payoff Amount of \$1.6 million and (c) the Promissory Note Payoff Amount of \$400,000, and (ii) issued to Stella DX 10,000 shares of common stock, par value \$0.0005 per share, of the Company at a value of \$100.00 per share. Total consideration paid was \$4.6 million. The Secured Note Amount of \$0.5 million and the Promissory Note Payoff of \$400,000 were paid in 2022. The balance of the consideration was paid at closing on January 3, 2023.

In addition to the consideration paid at closing, the Company will issue shares of common stock valued at \$2.0 million (the “Milestone Stock”) to the Stella Sellers upon a Commercialization Event (as defined in the Stella Purchase Agreement). The Milestone Stock was recorded at closing as a non-current liability at its fair value of \$2.0 million. Also, the Company

is required to pay to the Stella Sellers for each of the seven calendar years during the seven years period commencing on the first day of the calendar year following the date of the Commercialization Event, a non-refundable, non-creditable royalty of 5% of the Adjusted Gross Margin for such Annual Period. As of December 31, 2025, the Commercialization Event had not occurred

The asset purchase does not qualify as a business combination under FASB ASC 805, Business Combinations, and has therefore been accounted for as an asset acquisition. In connection with the Stella Purchased Assets, the Company incurred \$0.2 million in transaction costs, which were capitalized into the purchase price of the Stella Purchased Assets. The total purchase price for the Stella Purchased Assets was \$6.8 million, which was allocated to the proprietary technology intangible asset acquired. The Company is amortizing the acquired intangible asset on a straight-line basis over its estimated useful life of five years.

Note 4 – Intangible Assets, Net

Intangible assets as of December 31, 2025 and 2024 consisted of the following (in thousands):

	December 31, 2025	December 31, 2024	Estimated Useful Life (in years)
Trade names	\$ 5,550	\$ 5,550	15
Proprietary intellectual property	11,064	11,064	5
Customer relationships	1,180	1,180	1
CLIA license	—	1,307	3
	17,794	19,101	
Less: accumulated amortization	(10,627)	(9,351)	
Total intangible assets, net	<u>\$ 7,167</u>	<u>\$ 9,750</u>	

Amortization expense for acquired intangible assets was \$2.6 million and \$2.6 million during the years ended December 31, 2025 and 2024, respectively. The estimated future amortization expense of acquired intangible assets as of December 31, 2025 is as follows (in thousands):

Year ended December 31, 2026	\$ 2,251
Year ended December 31, 2027	1,731
Year ended December 31, 2028	370
Year ended December 31, 2029	370
Year ended December 31, 2030	370
Thereafter	2,075
	<u>\$ 7,167</u>

Note 5 – Property, Plant and Equipment

The components of property, plant and equipment are as follows (in thousands):

	December 31, 2025	December 31, 2024	Estimated Useful Life
Leasehold improvements	\$ —	\$ 1,241	Lesser of lease term or estimated useful life
Machinery	104	482	3-7 years
Lab equipment	5,102	11,813	3-7 years
Computer equipment and software	36	2,562	3-5 years
Furniture and fixtures	151	383	5 years
	5,393	16,481	
Less: accumulated depreciation	(3,361)	(8,980)	
Total property, plant and equipment, net	<u>\$ 2,032</u>	<u>\$ 7,501</u>	

Depreciation expense for Fiscal 2025 and 2024 were \$2.2 million and \$4.2 million, respectively.

In conjunction with the Company's New York office lease termination in June 2025 (see Note 12, Leases), the Company wrote off approximately \$1.4 million fixed assets and leasehold improvements, which was recognized as part of loss from lease termination and was included in general and administrative expenses on the consolidated statement of operations.

Note 6 - Outstanding Debt

Secured Promissory Note

On December 19, 2024 (the "Closing Date"), PMI entered into a secured promissory note agreement with an individual investor for cash proceeds of \$1.0 million (the "PMI Note"). The PMI Note has an annual interest rate of 15%. The PMI Note is due upon the sale of PMI or 12 months from the Closing Date. On January 16, 2025, the PMI Note was extinguished as a result of the disposal of PMI and PREH. The gain was recognized as part of gain from sale of discontinued operations on the consolidated statement of operations.

Collateralized Loan Agreement

On November 21, 2024 the Company entered into a financing agreement (the "2024 Collateralized Loan Agreement") with CJEF Capital Partners PTE Ltd. ("CJEF"), to provide the Company with loan funding to be secured by 600,000 shares of common stock (the "2024 Collateralized Loan"). Funding is to be provided in tranches and shall mature 2 years from date of funding. Collateral retained by CJEF will be pledged and utilized to secure each funding and to be retained until all principal and interest have been paid. Interest will accrue on the outstanding principal amount of the 2024 Collateralized Loan at 6% per annum (payable semi-annually in advance) and an arranger fee of 5% will be retained by CJEF from Loan proceeds. As of December 31, 2025, the Company has been provided funding of \$500,000 against the 2024 Collateralized Loan agreement, with the entire balance remaining outstanding.

On October 14, 2025, the Company entered into a Share Financing Agreement (the "2025 Collateralized Loan Agreement") with Oceanview Consultant Partners Ltd. ("Oceanview"), to provide the Company with loan financing funding to be secured by Company's common shares (the "2025 Collateralized Loan"). Funding is to be provided in tranches and shall mature 1 year from date of funding. the Company has been provided funding of \$900,000 against the 2025 Collateralized Loan, with the entire balance remaining outstanding. As of December 31, 2025, approximately 1,360,000 common shares have been issued to secured the 2025 Collateralized Loan. Collateral retained by Oceanview will be pledged and utilized to secure each funding and is to be retained until all principal and interest have been paid. Interest will accrue on the outstanding principal amount of the Collateralized Loan at 6% per annum, with interest only payable monthly and an arranger fee of 6% will be retained by Oceanview from Loan proceeds.

2024 Term Note Agreement

On October 22, 2024, the Company entered into a term note agreement with an individual investor for cash proceeds of \$500,000 (the "2024 Term Note"). The 2024 Term Note has an implicit interest rate of 15%. The 2024 Term Note has a term of 12 months and requires the Company to make interest only monthly payments in the amount of \$6,250 with a \$506,250 balloon payment at the end of the term. There are no warrants or convertible features associated with this note. On June 22, 2025, the 2024 Term Note was extinguished and exchanged for a new loan. See description below under 2025 Loan Agreements with Warrants.

2025 Loan Agreements with Warrants

On June 22, 2025, the Company entered into two identical loan agreements with Ted Karkus, the Company's Chief Executive Officer and the Chairman of the Board of Directors (the "CEO Loan"), and an unaffiliated investor (the "Unaffiliated Investor Loan"), pursuant to which the Company issued two twelve-month non-convertible promissory notes in the principal amount of \$625,000 each. Both loans included an original issuance discount of \$125,000 and bear an annual interest rate of 10%.

The Company received net cash proceeds of \$500,000 from the CEO Loan. In connection with the issuance of the CEO Loan, the Company also issued 50,000 warrants (the "CEO Warrants"), which vested upon the approval by the Company's stockholders of an amendment to the Company's Amended and Restated Certificate of Incorporation to increase the number of authorized shares of common stock (the "Certificate of Amendment") at the special meeting of stockholders held on September 9, 2025. The Company assessed the classification of the CEO Warrants and determined that the CEO Warrants are liability classified. The CEO Warrants have an exercise price of \$6.00 for a term of 5.0 years. The grant date fair value of the CEO Warrants were valued at \$115,000 using the Black-Scholes option pricing model with the following assumptions: no dividend yield, expected volatility of 98.4%, risk free interest rate of 4.0% and expected warrant life of 5.0 years. The fair value of the CEO Warrants was recorded as an additional debt discount to the note payable.

The Unaffiliated Investor Loan was issued as an exchange to the existing 2024 Term Note (see description of the 2024 Term Note Agreement above). No additional cash proceeds were provided. The Company accounted for the issuance of the Unaffiliated Investor Loan as an extinguishment of the original debt of \$500,000 and the recognition of new debt which is initially measured at its fair value of \$433,000. In connection with the issuance of the Unaffiliated Investor Loan, the Company also issued 50,000 unvested warrants (the "Unaffiliated Investor Warrants") to the Unaffiliated Investor. The Unaffiliated Investor Warrants contain the same terms as the CEO Warrants, and are therefore also liability classified. Accordingly, the Unaffiliated Investor Warrants have a fair value of \$115,000 on the issuance date. The fair value of the Unaffiliated Investor Loan and the Unaffiliated Investor Warrants are used to determine the debt extinguishment gain or loss to be recognized. As a result, the Company recognized a debt extinguishment loss of \$48,000 during the year ended December 31, 2025.

2025 Short-term Loans

On May 22, 2025, the Company entered into a note agreement with an individual investor for cash proceeds of \$200,000 (the "May 2025 Note"). The May 2025 Note was due on July 11, 2025 and required the Company to make a \$250,000 balloon payment at the maturity date. During the year ended December 31, 2025, the Company recognized \$46,000 interest expense on the consolidated statement of operations. The May 2025 Note was fully paid on July 23, 2025.

On August 1, 2025, the Company entered into a note agreement with an individual investor for cash proceeds of \$100,000 (the "First August 2025 Note"), which is net of an original issue discount of \$15,000. The First August 2025 Note is due on May 30, 2026. Total payments of \$126,750 will be made in four monthly installment payments effective on January 30, 2026 in accordance with the payment schedule pursuant to the note agreement. During the year ended December 31, 2025, the Company recognized \$10,000 interest expense from the amortization of debt discount using the effective interest rate method on the consolidated statement of operations.

On August 14, 2025, the Company entered into a note agreement with an individual investor for cash proceeds of \$150,000 (the "Second August 2025 Note"). The Second August 2025 Note is due on August 14, 2026 and requires the Company to make interest only quarterly payments in the amount of \$9,452 with a \$159,452 balloon payment at the end of the term.

On August 1, 2025 and September 11, 2025, the Company entered into two note agreements (collectively the "Third August 2025 Notes") with same individual investor for an aggregate cash proceeds of \$400,000, which is net of original issue discount and issuance cost of \$76,000. The Third August 2025 Notes has a 10 months term. Total payments of \$528,000 will be made in four monthly installment payments, which won't be started until 6 months from the issuance date in accordance with the payment schedule pursuant to the note agreements. During the year ended December 31, 2025,

the Company recognized \$42,000 interest expense from the amortization of debt discount using the effective interest rate method on the consolidated statement of operations.

On November 6, 2025, the Company entered into a note agreement (the "November 2025 Note") with an individual investor for an aggregate cash proceeds of \$135,000, which is net of original issue discount and issuance cost of \$28,000. The November 2025 Notes has a 10 months term. Total payments of \$181,000 will be made in four monthly installment payments, which won't be started until 6 months from the issuance date in accordance with the payment schedule pursuant to the note agreements. During the year ended December 31, 2025, the Company recognized \$7,000 interest expense from the amortization of debt discount using the effective interest rate method on the consolidated statement of operations.

On December 22, 2025, the Company entered into a note agreement (the "First December 2025 Note") with an individual investor for an aggregate cash proceeds of \$50,000, which is net of original issue discount and issuance cost of \$8,000. The First December 2025 Notes has a 10 months term. Total payments of \$64,000 will be made in four monthly installment payments, which won't be started until 6 months from the issuance date in accordance with the payment schedule pursuant to the note agreements.

On December 26, 2025, the Company entered into a note agreement (the "Second December 2025 Note") with an individual investor for an aggregate cash proceeds of \$75,000, which is net of original issue discount and issuance cost of \$19,000. The Second December 2025 Notes has a 10 months term. Total payments of \$105,000 will be made in four monthly installment payments, which won't be started until 6 months from the issuance date in accordance with the payment schedule pursuant to the note agreements.

August 2025 Future Receipts Financing Agreements

On August 22, 2025, the Company entered into two agreements of sale of future receipts ("August Future Receipts Financing Agreements") with Terrapin Business Funding, LLC ("Terrapin") by which Terrapin purchased from the Company, its future accounts and contract rights arising from the sale of goods or rendition of services to the Company's customers. The Company received net cash proceeds of \$700,000 on August 25, 2025, which was net of \$188,000 origination fee and \$553,000 distribution from the flow of funds to pay off the remaining balance pursuant to the Libertas Financing Agreement.

The August Future Receipts Financing Agreements require twelve monthly payments of \$120,083 for a total repayment of \$1.4 million over the term of the agreement. No payment has been made as of December 31, 2025.

In connection with the issuance of the August Future Receipts Financing Agreements, the Company also issued 50,000 warrants (the "August Warrants") as an additional issuance cost. The Warrants have an exercise price of \$5.00 per share for a term of 5.0 years. The Company assessed the classification of the August Warrants and determined that the August Warrants are liability classified. The grant date fair value of the August Warrants were valued at \$120,000 using the Black-Scholes option pricing model with the following assumptions: no dividend yield, expected volatility of 98.3%, risk free interest rate of 3.8% and expected warrant life of 5.0 years. The fair value of the August Warrants was recorded as an additional debt discount to the notes payable.

During the year ended December 31, 2025, the Company recognized an aggregate of \$131,000 interest expense from the amortization of debt discount using the effective interest rate method. As of December 31, 2025, the outstanding balance under the August Future Financing Agreement was \$1.1 million, net of debt discount of \$176,000.

September 2025 Future Receipts Financing Agreements

On September 29, 2025, the Company entered into an agreement of sale of future receipts ("September Future Receipts Financing Agreement") with Stage Advance, LLC ("Stage Advance") by which Stage Advance purchased from the Company, its future accounts and contract rights arising from the sale of goods or rendition of services to the Company's customers. The purchase price was \$330,000, which was paid to the Company on September 29, 2025, net of a

\$6,600 origination fee. The Company also incurred a \$77,000 brokerage fee. The September Future Receipts Financing Agreement requires twenty weekly payments of \$19,800 for a total repayment of \$396,000 over the term of the agreement.

During the year ended December 31, 2025, the Company recognized an aggregate of \$115,000 interest expense from the amortization of debt discount using the effective interest rate method. As of December 31, 2025, the outstanding balance under the September Future Financing Agreement was \$144,000, net of debt discount of \$35,000.

July 2025 Private Placement

On July 22, 2025, the Company entered into two security purchase agreements with two investors (the "Investors") for the sale and issuance of two senior secured convertible notes (the "July 2025 Notes") for an aggregate principal amount of \$3.8 million, with cash investment amount of \$3.0 million after 20% original issue discount of \$750,000. The Company received net cash proceeds of \$2.8 million after repayment of certain obligations from the flow of funds.

The July 2025 Notes mature on July 22, 2026, bear interest at 10% per annum on the original principal face amount and provide for other customary terms and covenants. The July 2025 Notes are not convertible for 4 months after execution and may be prepaid at any time without penalty. After the July 2025 Notes conversion waiting period of 4 months, the July 2025 Notes permit holders to convert outstanding principal and accrued interest into shares of common stock at a conversion price that is the lower of 80% of the trailing ten-day volume weighted average price ("VWAP") or a fixed maximum price, but with a floor price and certain caps on conversion pursuant to and limited by the terms of the notes, to prevent excessive dilution. The optional redemption includes an exercise contingency, which fails the equity classification guidance in ASC 815 and is thus precluded from being classified in equity. Therefore, the embedded derivatives are required to be bifurcated from the July 2025 Notes and accounted for at fair value at each reporting date. A fair value of \$2.1 million was determined for the embedded derivative liabilities. The embedded derivative liabilities will be re-measured to fair value each reporting period until settlement (see Note 16).

The Company also issued common stock purchase warrants to acquire up to 525,000 shares of common stock (the "July Warrants"). The July Warrants are exercisable at an exercise price of \$5.00 per share (subject to adjustment) and expire 5 years from their date of issuance. The Company assessed the classification of the Warrants and determined that the Warrants are equity classified. The relative fair value of the July Warrants on the issuance date was \$1.3 million, which was recorded as an additional debt discount to the July 2025 Notes. The relative fair value was derived using the Black-Scholes option pricing model with the following assumptions: no dividend yield, expected volatility of 97.9%, risk free interest rate of 3.9% and expected warrant life of 5.0 years.

During the year ended December 31, 2025, the Company converted \$3.4 million of July 2025 Notes, including \$43,000 accrued interest into approximately 3.4 million shares of the Company's common stock. The aggregate fair value of the common stock issued on the conversion date were \$3.6 million, which resulted a debt extinguishment loss of \$247,000. The Company also extinguished \$1.6 million embedded derivative liability upon the conversion, which was recognized as debt extinguishment gain on the consolidated statement of operations.

During the year ended December 31, 2025, the Company recognized an aggregate of \$3.6 million interest expense from the amortization of debt discount using the effective interest rate method. As of December 31, 2025, the remaining outstanding balance for the July 2025 Notes were \$244,000, net of debt discount of \$157,000.

ERC Claim and Risk Participation Agreement

In August 2023, the Company filed for the Employee Retention Credit ("ERC") for \$2.2 million. The ERC is a refundable tax credit for businesses that continued to pay employees while sustaining a full or partial suspension of operations limiting commerce, travel or group meetings due to COVID-19 pandemic and orders from an appropriate governmental authority or had significant declines in gross receipts from second quarter of 2020 to second quarter of 2021. The Company sustained a partial suspension of operations during this time due to governmental orders. Eligible employers can claim the ERC on an original or adjusted employment tax return for a period within those dates.

On September 16, 2024 ("Agreement Date"), the Company, as seller, received \$1.9 million as a purchase price (the "Purchase Price") for the sale of the Company's rights, title and interest per a Risk Participation of ERC Claim Agreement, dated September 13, 2024 ("Agreement") by and between the Company and 1861 Acquisition LLC (the "Buyer"). The Company also incurred an issuance cost of \$154,000.

The Agreement transferred all of the Company's rights to receive any and all payments, proceeds or distributions of any kind (without set-off, deduction or withholding of any kind), including interest, from the United States Internal

Revenue Service (the “IRS”) in respect of the employee retention credits duly and timely claimed by Seller on account of qualified wages paid by Seller and identified as a “Claim for Refund” under Form 941-X Adjusted Employer’s Quarterly Federal Tax Return or Claim for Refund for the second (2nd), third (3rd) and fourth (4th) quarters of 2020, and the first (1st) and second (2nd) quarters of 2021 (the “Tax Refund Claim”) in the aggregate amount of \$2.2 million (“Transferred Interests”).

The Company expects the IRS to approve or deny its claim within the 24 months from the Agreement Date. Upon approval and payment of the claim, the Company will settle the outstanding balance in cash to the Buyer. In the event that the IRS disallows all or a portion of the ERC, the Buyer has the demand right to put all or a part of the disallowed portion back to the Company at a price equal to 85% of the impaired amount, plus interest at 10% per annum, calculated from the date of September 13, 2024 until payment is made.

The Company elected to account for the ERC by analogy to IAS 20 when there was reasonable assurance of receipt, which was determined to be when the approval was received by the IRS. During the year ended December 31, 2025, the Company received approval for all refunds from the IRS in the amount of \$2.2 million, of which \$1.9 million was passed through to the Buyer and settled a portion of the ERC note and is included in other income on the condensed consolidated statements of operations, and the remaining of \$272,000 was offset the Company's outstanding tax liability by the IRS. The offset against the IRS liabilities triggered the Seller's put back right, and therefore the Company is required to repurchase back this portion at 85% at \$231,000. As of December 31, 2025, the remaining outstanding balance under the Agreement was approximately \$231,000.

2024 Third Future Receipts Financing and Amendment

On August 1, 2024, the Company entered into an agreement of sale of future receipts (“Third Future Receipts Financing Agreement”) with RDM Capital Funding (“RDM”) by which RDM purchased from the Company, its future accounts and contract rights arising from the sale of goods or rendition of services to the Company’s customers. The purchase price was \$500,000, which was paid to the Company on August 2, 2024, net of a \$17,500 origination fee. The Company also incurred a \$17,500 brokerage fee. The Third Future Receipts Financing Agreement requires thirty two weekly payments of \$21,094 for a total repayment of \$675,000 over the term of the agreement.

On January 21, 2025, the Company entered into another agreement of sale of future receipts (the “Amended RDM Financing Agreement”) with RDM pursuant to which RDM restructured the existing Third Future Receipts Financing Agreement as described above by amending the outstanding amount to \$514,000 for gross proceeds to the Company of \$370,000, less origination fees of \$18,500 and the outstanding balance under the Third Future Receipts Financing Agreement of \$169,000, resulting in net proceeds to the Company of \$183,000. The Company also incurred a \$20,000 brokerage fee. The Amended RDM Financing Agreement shall be repaid by the Company in 28 weekly installments of \$18,368.

During the year ended December 31, 2025 and 2024, the Company recognized \$133,000 and \$179,000 of interest expense from the amortization of debt discount using the effective interest rate method, respectively. The RDM note was fully paid in August 2025.

2024 Second Future Receipts Financing and Amendments

On June 27, 2024, the Company entered into an agreement for the sale of future receipts (“Second Future Receipts Financing Agreement”) with Slate Advance (“Slate”) by which Slate purchased from the Company, its future accounts and contract rights arising from the sale of goods or rendition of services to the Company’s customers. The purchase price was approximate \$1.5 million, which was paid to the Company on June 28, 2024, net of a \$42,000 origination fee. The Company also incurred a \$22,000 brokerage fee which was paid subsequently in July 2024. The Second Future Receipts Financing Agreement requires thirty two weekly payments of \$60,718 for a total repayment of approximate \$1.9 million over the term of the agreement.

On November 5, 2024, the Company entered into another agreement of sale of future receipts (the “Amended Slate Financing Agreement”) with Slate pursuant to which Slate restructured the existing Second Future Receipts Financing Agreement as described the above by increasing the outstanding amount to \$2.1 million for gross proceeds to the Company of \$1.5 million, less origination fees of \$35,000 and the outstanding balance under the Second Future Receipts Financing Agreement of \$1.0 million, resulting in net proceeds to the Company of \$527,000. The Amended Second Future Receipts Financing Agreement shall be repaid by the Company in 24 weekly installments of \$89,000.

On January 16, 2025, the Company entered into another agreement of sale of future receipts (the “Second Amended Slate Financing Agreement”) with Slate pursuant to which Slate restructured the existing Amended Slate Financing Agreement as described above by amending the outstanding amount to \$1.5 million for gross proceeds to the

Company of \$1.1 million, less origination fees of \$34,500 and the outstanding balance under the Amended Slate Financing Agreement of \$1.1 million, resulting in net proceeds to the Company of \$59,500. The Second Amended Second Future Slate Receipts Financing Agreement shall be repaid by the Company in 25 weekly installments of \$59,500.

On April 9, 2025, the Company entered into another agreement of sale of future receipts (the "Third Amended Slate Financing Agreement") with Slate pursuant to which Slate restructured the existing Second Amended Slate Financing Agreement as described the above by amending the outstanding amount to \$1.5 million for gross proceeds to the Company of \$1.1 million, less origination fees of \$30,000 and the outstanding balance under the Second Amended Slate Financing Agreement of \$722,000, resulting in net proceeds to the Company of \$298,000. The Third Amended Second Future Receipts Financing Agreement is required to be repaid by the Company in 25 weekly installments of \$59,500.

During the year ended December 31, 2025 and 2024, the Company recognized an aggregate of \$550,000 and \$542,000 interest expense from the amortization of debt discount using the effective interest rate method, respectively. The Second Amended Slate Financing Agreement was fully paid in August 2025.

2024 Future Receipts Financing

On February 14, 2024 (the "Commencement Date"), the Company entered into an agreement for the sale of future receipts ("Future Receipts Financing Agreement") with Libertas Funding, LLC ("Libertas") by which Libertas purchased from the Company, its future accounts and contract rights arising from the sale of goods or rendition of services to the Company's customers. The purchase price was approximately \$2.5 million, which was paid to the Company on February 16, 2024, net of a \$50,000 origination fee. The Future Receipts Financing Agreement requires twelve equal payments of \$247,000 to be paid monthly for a total repayment of approximate \$3.0 million ("Future Receipts") over the term of the agreement. On February 14, 2024, the Company and Libertas executed an addendum to the Future Receipts Financing Agreement, pursuant to which the monthly payment term was revised to be \$185,000 for the first two months and \$259,000 for the remaining ten months. The Company has the right to pay to end this financing transaction early by repurchasing the Future Receipts sold to Libertas but not yet delivered. The repurchase price is equal to the discount factor ranging between 1.075-1.165 each month following the Commencement Date up to six months. This shall be multiplied by the purchase price unless amounts collected prior to the date in which the repurchase price is paid.

During the year ended December 31, 2025 and 2024, the Company recognized \$18,000 and \$484,000 interest expense from the amortization of debt discount using the effective interest rate method, respectively. The Future Receipts Financing Agreement was fully paid in August 2025.

2023 Unsecured Promissory Note Payable

On January 26, 2023, the Company issued an unsecured promissory note (the "JXVII Note") and guaranty for an aggregate principal amount of \$7.6 million to JXVII Trust ("JXVII"). The JXVII Note is due and payable on January 27, 2026, the third anniversary of the date on which the JXVII Note was funded (the "Note Closing Date"), and accrues interest at a rate of 10% per year from the Note Closing Date, payable on a quarterly basis, until the JXVII Note is repaid in full. The Company has the right to prepay the JXVII Note at any time after the Note Closing Date and prior to the maturity date without premium or penalty upon providing seven days' written notice to the note holder. Repayment of the JXVII Note has been guaranteed by the Company's wholly-owned subsidiary, PMI.

On August 15, 2024, the Company and JXVII entered into an amended and restated unsecured promissory note for the JXVII Note (the "Amended JXVII Note"), increasing the principal amount by \$2.4 million to \$10.0 million, increasing the interest rate to 15% per annum, and extending the maturity date from January 27, 2026 to August 15, 2027. The Company received \$2.3 million in cash and exchanged the outstanding interest of \$94,000. The amendment was accounted for as a debt modification, and the remaining unamortized debt discount as of the amendment date from the JXVII Note will be amortized over the remaining term of the Amended JXVII Note.

On January 16, 2025 (the "Closing Date"), the Company completed the sale of the Pharmaloz Manufacturing Inc. business and Pharmaloz Real Estate Holdings, Inc. to JL Projects (the "Pharmaloz Sale"). In connection with the Pharmaloz Sale transaction, JL Projects assumed the Amended JXVII Note outstanding principal and outstanding interest as of the Closing Date for total amount of \$10.3 million, which was recognized as part of the gain from sale of discontinued operations on the consolidated statement of operations.

Note 7 – Stockholders' Equity

Charter Amendment

Our authorized capital stock consists of 1,000,000,000 shares of common stock, \$0.0005 par value, and 1,000,000 shares of preferred stock, \$0.0005 par value.

At the Special Meeting of Stockholders held on September 9, 2025, the Company's stockholders approved a Certificate of Amendment to its Amended and Restated Certificate of Incorporation (the "Certificate of Amendment") to increase the number of authorized shares of common stock from 50,000,000 shares to 1,000,000,000 shares. The Certificate of Amendment was filed on September 15, 2025 the Delaware Secretary of State/Division of Corporations and it is effective.

Preferred Stock

The preferred stock authorized under the Company's certificate of incorporation may be issued from time to time in one or more series. As of December 31, 2025, no shares of preferred stock have been issued. The Company's board of directors have the full authority permitted by law to establish, without further stockholder approval, one or more series of preferred stock and the number of shares constituting each such series and to fix by resolution voting powers, preferences and relative, participating, optional and other special rights of each series of preferred stock, and the qualifications, limitations or restrictions thereof, if any. Subject to the limitation on the total number of shares of preferred stock that the Company has authority to issue under its certificate of incorporation, the board of directors is also authorized to increase or decrease the number of shares of any series, subsequent to the issue of that series, but not below the number of shares of such series then-outstanding. In case the number of shares of any series is so decreased, the shares constituting such decrease will resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series. The Company may, subject to any required stockholder approval, amend from time to time its certificate of incorporation to increase the number of authorized shares of preferred stock or common stock or to make other changes or additions to our capital structure or the terms of our capital stock.

Common Stock Dividends

No dividends have been declared during the year ended December 31, 2025.

Common Stock

2025 Equity Line of Credit - Keystone Capital Partners, LLC

On January 29, 2025, the Company entered into an Equity Line of Credit ("Keystone ELOC") with a purchaser, Keystone Capital Partners, LLC ("Keystone") whereby the Company has the right to sell up to an aggregate of \$7.7 million of shares of the Company's common stock.

Upon entering into the Keystone ELOC, the Company agreed to issue to Keystone an aggregate of 352,176 common shares (the "Commitment Shares") as consideration for Keystone's commitment to purchase common shares upon the Company's direction under the Keystone ELOC. The fair value of the Commitment Shares at the issuance date was \$158,000, which was recognized as a reduction of equity.

During the year ended December 31, 2025, the Company received \$3.6 million net proceeds on sales of 1,131,500 shares of common stock, including 424,896 shares from the Company's treasury account to Keystone after deducting commissions and expenses of \$433,000, at a weighted-average price of \$2.90 per share.

On August 28, 2025, the Company terminated the Keystone ELOC.

2025 Common ATM Offering

On December 19, 2025, the Company entered into an Sales Agreement (the "2025 Sales Agreement") with WestPark Capital, Inc. (the "WestPark"), pursuant to which the Company may offer and sell, from time to time through WestPark, shares of our common stock having an aggregate offering price of up to \$5.3 million, subject to the terms and conditions of the Sales Agreement. WestPark is entitled to a commission equal to 3% of the gross sales price per share for

all shares sold through it as our agent, and the Company will receive the net proceeds after deducting this commission and any offering expenses.

During the year ended December 31, 2025, the Company did not issue any shares of common stock pursuant to the 2025 Sales Agreement.

2024 Common ATM Offering

As previously disclosed, on December 28, 2021, the Company entered into an Sales Agreement (the “Sales Agreement”) with ThinkEquity LLC (the “Sales Agent”), pursuant to which the Company may offer and sell, from time to time through the Sales Agent, shares of our common stock having an aggregate offering price of up to \$100 million, subject to the terms and conditions of the Sales Agreement.

During the year ended December 31, 2024, the Company sold 1,033,500 shares of common stock pursuant to the Sales Agreement. The Company received cash proceeds of \$4.6 million, which is net of \$94,000 offering cost incurred by the Sales Agent.

During the year ended December 31, 2025, the Company did not sell any shares of common stock pursuant to the *2024 Common ATM Offering*.

2024 Public Offering

On November 12, 2024 (“Closing Date”), the Company closed on an underwritten firm commitment public offering whereby the Company sold 479,500 shares of common stock, including 62,500 shares of common stock sold upon full exercise of the underwriters’ option to purchase additional shares (the “Offering”). Each share of common stock was sold at a public offering price of \$7.20 per share for aggregate gross proceeds of \$3.5 million. The Company received net cash proceeds of \$3.0 million, which is net of \$483,000 offering cost. Upon closing of the Offering, the Company issued the Representative warrants (the “Representative’s Warrants”) as compensation to purchase up to 23,978 shares of common stock, which is equal to 5% of the aggregate number of shares of common stock sold in the Offering. The Representative’s Warrants will be exercisable at a per share exercise price of \$9.00.

Collateral Shares

During the year ended December 31, 2025, the Company issued an aggregate of 1,360,000 common shares pursuant to an agreement entered into on October 14, 2025, based on the terms of the 2025 Collateralized Loan Agreement (See Note 6). Collateral retained by Oceanview will be pledged and utilized to secure each funding and is to be retained until all principal and interest have been paid.

Pursuant to an agreement entered into on November 21, 2024, the Company provided CJEF 600,000 common shares transferred from its treasury shares account based on the terms of the Collateralized Loan Agreement (See Note 6). The shares provided are held as collateral retained by CJEF to secure each funding and to be retained until all principal and interest have been paid. CJEF shall return collateral shares upon repayment of the Loan.

The 2025 Directors’ Equity Compensation Plan

On September 9, 2025, the stockholders of the Company approved the 2025 Directors’ Equity Compensation Plan (the “2025 Directors’ Plan”) at the 2025 Special Meeting. The 2025 Directors’ Plan amended and restated the Company’s Amended and Restated 2022 Directors’ Equity Compensation Plan and provided for an increase in the number of shares reserved for issuance under the plan by 50,000 shares.

During the year ended December 31, 2025, no stock options were issued under the 2025 Directors’ Plan.

As of December 31, 2025, the number of shares authorized for issuance under the 2025 Directors’ Plan was 60,000, which included the number of shares available under the 2022 Directors’ Plan immediately prior the stockholder approval of the 2025 Directors’ Plan as described below.

The 2022 Directors’ Equity Compensation Plan

On May 19, 2022, the stockholders of the Company approved the 2022 Directors’ Equity Compensation Plan (the “2022 Directors’ Plan”) at the 2022 Annual Meeting of Stockholders of the Company (the “2022 Annual Meeting”). The 2022 Directors’ Plan amended and restated the Company’s Amended and Restated 2010 Directors’ Equity Compensation

Plan and provided for an increase in the number of shares reserved for issuance under the plan by 30,000 shares and for the adjustment of the per share exercise price of stock options granted under the 2022 Plan in the event of any change in the outstanding shares of common stock of the Company as a result of, among other things, any distribution or special dividend to stockholders of shares, cash or other property (other than regular cash dividends).

On June 16, 2023 the stockholders of the Company approved the Amended and Restated 2022 Directors' Equity Compensation Plan (the "Amended 2022 Directors' Plan") at the 2023 Annual Meeting of Stockholders of the Company. The Amended 2022 Directors' Plan provides for an increase in the number of shares reserved for issuance under such plan by 15,000 shares.

During the years ended December 31, 2025 and 2024, there were 20,000 and 21,000 stock options issued under the 2022 Directors' Plan, respectively.

There were 10,000 shares of common stock available to be issued under the 2022 Directors' Plan immediately prior the stockholder approval of the 2025 Directors' Plan.

The 2010 Directors' Equity Compensation Plan

On May 20, 2021, the stockholders of the Company approved the Amended and Restated 2010 Directors' Equity Compensation Plan (the "Amended 2010 Directors' Plan") at the 2021 Annual Meeting of Stockholders of the Company (the "2021 Annual Meeting"). The Amended 2010 Directors' Plan authorized the issuance of up to 77,500 shares of common stock. This plan was amended and restated on April 11, 2022 (to become the 2022 Directors' Plan), subject to stockholder approval, which was obtained at the 2022 Annual Meeting.

The 2025 Equity Compensation Plan

On September 9, 2025, the stockholders of the Company approved the 2025 Equity Compensation Plan (the "2025 Plan") at the 2025 Special Meeting. The 2025 Plan amended and restated the Company's Amended and Restated 2022 Equity Compensation Plan and provided for an increase in the number of shares reserved for issuance under the plan by 300,000 shares.

During the years ended December 31, 2025, there were 72,672 stock options issued under the 2025 Plan.

As of December 31, 2025, the number of shares authorized for issuance under the 2025 Plan was 233,203, which included the number of shares available under the 2022 Plan immediately prior the stockholder approval of the 2025 Plan as described below.

The 2022 Equity Compensation Plan

On May 9, 2022, the stockholders of the Company approved the 2022 Equity Compensation Plan (the "2022 Plan") at the 2022 Annual Meeting. The 2022 Plan amended and restated the Company's Amended and Restated 2010 Equity Compensation Plan and provided for an increase in the number of shares reserved for issuance under the plan by 100,000 shares and for the adjustment of the per share exercise price of stock options granted under the 2022 Plan in the event of any change in the outstanding shares of common stock of the Company as a result of, among other things, any distribution or special dividend to stockholders of shares, cash or other property (other than regular cash dividends).

During the years ended December 31, 2025 and 2024, there were 42,329 and 108,000 stock options issued under the 2022 Plan, respectively.

There were 3,375 shares of common stock available to be issued under the 2022 Plan immediately prior the stockholder approval of the 2025 Plan.

The 2010 Equity Compensation Plan

On May 20, 2021, the stockholders of the Company approved the Amended and Restated 2010 Equity Compensation Plan (the "Amended 2010 Plan") at the 2021 Annual Meeting. The Amended 2010 Plan authorized the

issuance of up to shares of common stock. This plan was amended and restated on April 11, 2022 (to become the 2022 Plan), subject to stockholder approval, which was obtained at the 2022 Annual Meeting.

The 2018 Stock Incentive Plan

On April 12, 2018, the Company's stockholders approved the 2018 Stock Incentive Plan (the "2018 Stock Plan"). The 2018 Stock Plan provides for the grant of incentive stock options to eligible employees of the Company, and for the grant of non-statutory stock options to eligible employees, directors and consultants. The 2018 Stock Plan provides that the total number of shares that may be issued pursuant to the 2018 Stock Plan is 230,000 shares. At April 12, 2018, all 230,000 shares had been granted in the form of stock options to Ted Karkus (the "CEO Option"), our Chief Executive Officer ("CEO").

The 2018 Stock Plan required certain proportionate adjustments to be made to the stock options granted under the 2018 Stock Plan upon the occurrence of certain events, including a special distribution (whether in the form of cash, shares, other securities, or other property) in order to maintain parity. Accordingly, the Compensation Committee of the board of directors, as required by the terms of the 2018 Stock Plan, adjusted the exercise price of the CEO Option in connection with each special cash dividend paid by the Company proportionately to the amount of the dividend paid. The final exercise price of the CEO Option was \$6.00 per share after the latest special cash dividend paid on June 3, 2022.

All stock options were exercised under the 2018 Stock Plan during 2023. No share based compensation expense will be recognized in forward periods related to the 2018 Stock Plan.

Inducement Option Awards

On February 17, 2025 the Company issued a non-qualified stock option to Stuart Hollenshead, the Company's former Chief Operational Officer (the "COO"), as an inducement to his employment with the Company, effective February 17, 2025 (the "2025 COO Award"). The 2025 COO Award entitles the COO to purchase up to 50,000 shares of the Company's common stock at an exercise price of \$6.00 per share. On July 31, 2025 Stu Hollenshead resigned from his position as COO. The 2025 COO Award vested 25% on the date of grant and the remaining portion was forfeited upon Mr. Hollenshead's resignation. The 2025 COO Award expires on the seventh anniversary of the grant date.

On January 1, 2024, the Company issued a non-qualified stock option to Jed A. Latkin, the Company's Chief Operational Officer (the "COO"), as an inducement to his employment with the Company, effective January 1, 2024 (the "COO Award"). The COO Award entitles the COO to purchase up to 50,000 shares of the Company's common stock at an exercise price of \$60.00 per share. The COO Award provides for certain proportionate adjustments to be made in the event of any change in the outstanding shares of common stock of the Company as a result of, among other things, any distribution or special dividend to stockholders of shares, cash or other property (other than regular cash dividends) in order to maintain parity. The grant date fair value of the COO Award was approximately \$1.3 million. On February 14, 2025 Jed Latkin resigned from his position as COO. The COO Award vested 25% on the date of grant and the remaining portion and the remaining portion was forfeited upon Mr. Latkin's resignation. The COO Award expires on the seventh anniversary of the grant date.

On April 15, 2024, the Company issued an inducement award to an employee pursuant to his employment agreement to purchase up to 5,000 shares (the "April Award") of the Company's common stock at an exercise price of \$62.00 per share. The April Award will vest 25% per year for the next four years on each of the first four anniversaries of the commencement date of the employment, subject to his continued service on each vesting date. The April Award expires on the seventh anniversary of the grant date. The April Award provides for certain proportionate adjustments to be made in the event of any change in the outstanding shares of common stock of the Company as a result of, among other things, any distribution or special dividend to stockholders of shares, cash or other property (other than regular cash dividends) in order to maintain parity. The grant date fair value of the April Award was approximately \$201,000.

All inducement awards have been granted outside of the Company's equity compensation plans.

Summary of all option grants

The following table summarizes stock options activity during Fiscal 2025 and 2024 (in thousands, except per share data).

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Total Intrinsic Value
Outstanding as of January 1, 2024	295	\$ 72.95	4.8	\$ 693
Granted	184	60.05	7.0	—
Forfeited	(91)	74.81	—	—
Outstanding as of December 31, 2024	388	66.40	4.8	693
Granted	185	6.00	7.0	—
Forfeited	(93)	38.52	—	—
Expired	(2)	31.80	—	—
Outstanding as of December 31, 2025	478	\$ 48.60	4.6	\$ —
Options vested and exercisable	296	\$ 55.54	3.9	\$ —

The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying options and the closing stock price of \$0.45 and \$7.57 for the Company's common stock on December 31, 2025 and 2024, respectively.

During the year ended December 31, 2025 and 2024, the Company granted options to purchase 185,000 and 184,000 shares of the Company's common stock to various employees, directors and consultants, respectively. The options grant date fair value was valued at \$480,000 and \$5.5 million during the year ended December 31, 2025 and 2024, using the Black-Scholes option pricing model to calculate the grant-date fair value of the options. The fair value of stock options for employees are expensed over the vesting term in accordance with the terms of the related stock option agreements and are expensed over the terms of the consulting agreement for consultants.

The following table summarizes weighted average assumptions used in determining the fair value of the stock options at the date of grant during Fiscal 2025 and 2024:

	For the years ended December 31,	
	2025	2024
Exercise price	\$ 6.00	\$ 6.01
Expected term (years)	4.5	4.5
Expected stock price volatility	93 %	80 %
Risk-free rate of interest	4.0 %	4.2 %
Expected dividend yield (per share)	0 %	0 %

The expected stock price volatility is based on the Company's historical common stock trading prices and the expected term is based on the period that the Company's stock-based awards are expected to be outstanding based on the simplified method.

Common Stock Warrants

The following table summarizes warrant activities during Fiscal 2025 and 2024 (in thousands, except per share data):

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)
Outstanding as of January 1, 2024	83	\$ 11.16	1.9
Warrants granted	24	9.00	5.0
Warrants forfeited	(45)	128.30	
Outstanding as of December 31, 2024	62	59.27	3.8
Warrants granted	695	5.17	3.0
Outstanding as of December 31, 2025	757	\$ 9.58	4.4
Warrants vested and exercisable	757	\$ 9.58	4.4

During the the year ended December 31, 2025, the Company granted warrants to purchase 695,000 shares of the Company’s common stock to various consultants and investors, including the Company’s CEO, which was issued in conjunction with his loan agreement (see Note 6). The fair value of warrants for consultants are fully expensed on the issuance date based on the vesting term.

On November 12, 2024, upon closing of the public offering (the "Offering"), the Company issued the Representative warrants (the “Representative’s Warrants”) as compensation to purchase up to 23,978 shares of common stock. The Representative’s Warrants will be exercisable at a per share exercise price of \$9.00. The Representative’s Warrants are exercisable, in whole or in part, during the four and one-half year period commencing 180 days from the commencement of sales of the shares of common stock in this offering. The Representative Warrants were valued at \$117,000 fair value. There was no net impact recognized by the Company in the accompanying consolidated financial statements as the Representative Warrants were equity-based awards issued for services rendered by the underwriter for the Offering that was offset by the Company recognizing the fair value of the warrants as a direct and incremental costs associated with the offering by reducing paid-in capital for the same amount.

The following table summarizes weighted average assumptions used in determining the fair value of the warrants at the date of grant during the year ended December 31, 2025 and 2024:

	For the years ended December 31,	
	2025	2024
Exercise price	\$ 3.95	\$ 9.00
Expected term (years)	3.9	5.0
Expected stock price volatility	76.4 %	85.6 %
Risk-free rate of interest	3.1 %	4.3 %
Expected dividend yield (per share)	0 %	0 %

The Company recognized \$1.9 million and \$3.6 million of share-based compensation expense during the year ended December 31, 2025 and 2024, respectively. The Company will recognize an aggregate of approximately \$2.6 million of remaining share-based compensation expense related to outstanding stock options and warrants over a weighted average period of 2.7 years.

Note 8 – Defined Contribution Plans

The Company maintains the ProPhase Labs, Inc. 401(k) Savings and Retirement Plan, a defined contribution plan for its employees. The Company's contributions to the plan are based on the amount of the employee plan contributions and compensation. The Company's contributions to the plan for the years ended December 31, 2025 and 2024 were \$0.2 million and \$0.2 million, respectively.

Note 9 – Income Taxes

The components of the provision (benefit) for income taxes, in the consolidated statements of operations are as follows (in thousands):

	For the years ended	
	December 31, 2025	December 31, 2024
Continuing Operations		
Current		
Federal	\$ —	\$ —
State	—	45
	<u>—</u>	<u>\$ 45</u>
Deferred		
Federal	—	5,336
State	—	1,814
	<u>—</u>	<u>\$ 7,150</u>
Income taxes provision (benefit) from continuing operations	<u>\$ —</u>	<u>\$ 7,195</u>

The following reconciles the differences between income taxes computed at the federal statutory rate and the provision for income taxes (in thousands):

	Year Ended December 31, 2025		Year Ended December 31, 2024	
	Amount	Percent %	Amount	Percent %
Statutory Rate - federal	\$ (4,911)	21.0 %	\$ (7,382)	21.0 %
Nontaxable or nondeductible items	265	(1.1)%	—	— %
State taxes, net of federal benefit	—	— %	(2,373)	6.8 %
Permanent differences and other	—	— %	521	(1.5)%
Change in valuation allowance	4,646	(19.9)%	16,429	(46.7)%
Effective tax rate	<u>\$ —</u>	<u>— %</u>	<u>\$ 7,195</u>	<u>(20.4)%</u>

The income taxes paid for the year ended December 31, 2025 consisted of the following (in thousands):

U.S. Federal	\$	327
State and Local Income Taxes		
New Jersey		57
New York		1,033
New York City		227
Other States		1
Total	\$	1,645

Deferred tax assets and liabilities reflect the net tax effects of net operating loss and tax credit carryforwards and temporary differences between the carrying amount of assets and liabilities for financial reporting and the amounts used for tax purposes. Significant components of the Company's deferred tax assets and liabilities were as follows (in thousands):

	For the years ended	
	December 31, 2025	December 31, 2024
Net operating loss and capital loss carryforward	\$ 12,200	\$ 12,033
Right of use asset	\$ (573)	\$ (1,403)
Other	5,039	4,944
Capital lease obligations	936	1,403
Depreciation	497	783
Amortization	(195)	(997)
Tax credit	—	350
Valuation allowance	(17,904)	(17,113)
Total	\$ —	\$ —

The Company recognizes tax assets and liabilities for the future tax consequences related to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for net operating loss carryforwards. Management evaluated the deferred tax assets for recoverability using a consistent approach that considers the relative impact of negative and positive evidence, including historical profitability and projections of future reversals of temporary differences and future taxable income. The Company is required to establish a valuation allowance for deferred tax assets if management determines, based on available evidence at the time the determination is made, that it is not more likely than not that some portion or all of the deferred tax assets will be realized.

As of December 31, 2025, the Company is in a net deferred tax asset position for federal and state jurisdictions. Based on a three-year cumulative income position the Company concluded that the federal and combined state deferred tax assets will not be realized and there is a need for a full valuation allowance at this time. The Company will continue to monitor the need for any valuation allowance changes on a quarterly basis.

As of December 31, 2025 there is a valuation allowance of \$17.9 million compared to \$17.1 million as of December 31, 2024. As of December 31, 2025, the Company has state net operating loss ("NOL") carryforwards of \$1.2 million, which begin to expire in 2025 and federal NOL carryforwards of \$10.9 million of which never expire. A portion of the federal NOL is attributable to 2021 Nebula acquisition, and it is Section 382 limited with an annual limitation of \$0.3 million.

The Company is subject to federal, state and local income tax audits from time to time that could result in proposed assessments. Currently, the Company is under audit for its December 31, 2022 tax return with the Internal Revenue Service. There are no ongoing state or local income tax audits as of December 31, 2025.

The Company files a consolidated federal income tax return and separate company state returns as well as combined state returns where applicable.

Note 10 - Other Current Liabilities

The following table sets forth the components of other current liabilities at December 31, 2025 and 2024, respectively (in thousands):

	December 31, 2025	December 31, 2024
Accrued expenses	\$ 1,885	\$ 1,945
Accrued payroll and benefits	530	138
Accrued interest	212	—
Accrued returns	32	32
Total other current liabilities	<u>\$ 2,659</u>	<u>\$ 2,115</u>

Note 11 – Commitments and Contingencies

License Agreements

Linebacker LB1 and LB2

In July 19, 2022, the Company through its wholly-owned subsidiary ProPhase BioPharma entered into a License Agreement (the “Linebacker License Agreement”) with Global BioLife, Inc. (the “Licensor”), with an effective date of July 18, 2022 (the “Linebacker Effective Date”), pursuant to which it acquired from Licensor a worldwide exclusive right and license under certain patents identified in the Linebacker License Agreement (the “Licensed Patents”) and know-how (collectively, the “Licensed IP”) to exploit any compound covered by the Licensed Patents (the “Licensed Compound”), including Linebacker LB1 and LB2, and any product comprising or containing a Licensed Compound (“Licensed Products”) in the treatment of cancer, inflammatory diseases or symptoms, memory-related syndromes, diseases or symptoms including dementia and Alzheimer’s Disease (the “Field”). Under the terms of the Linebacker License Agreement, the Licensor reserves the right, solely for itself and for GRDG Sciences, LLC (“GRDG”) to use the Licensed Compound and Licensed IP solely for research purposes inside the Field and for any purpose outside the Field.

Subject to certain conditions set forth in the Linebacker License Agreement, the Company may grant sublicenses (including the right to grant further sublicenses) to its rights under the Linebacker License Agreement to any of its affiliates or any third party with the prior written consent of Licensor, which consent may not be unreasonably withheld. Either party to the Linebacker License Agreement may assign its rights under the Linebacker License Agreement (i) in connection with the sale or transfer of all or substantially all of its assets to a third party, (b) in the event of a merger or consolidation with a third party or (iii) to an affiliate; in each case contingent upon the assignee assuming in writing all of the obligations of its assignor under the Linebacker License Agreement.

Under the terms of Linebacker License Agreement, the Company is required to pay to Licensor a one-time upfront license fee of \$50,000 within ten days of the Linebacker Effective Date and must pay an additional \$900,000 following the achievement of a first Phase 3 study which may be required by FDA for the first Licensed Product and an additional \$1.0 million upon the receipt of regulatory approval of a New Drug Application for the first Licensed Product.

During the term of the Linebacker License Agreement, the Company is also required to pay to Licensor 3% royalties on Net Revenue (as defined in the Linebacker License Agreement) of each Licensed Product, but no less than the minimum royalty of \$250,000 of Net Revenue per year minus any royalty payments for any required third party licenses.

In connection with the Linebacker License Agreement, the Company has incurred approximately zero and \$120,000 in general and administrative expenses that are included in the Consolidated Statements of Operations and Comprehensive Income (Loss) for the year ended December 31, 2025 and 2024, respectively. No clinical studies have begun under this agreement.

Equivir

In March 2023, we commenced patient enrollment in a randomized, placebo-controlled clinical trial of Equivir to evaluate its effect on upper respiratory tract infections. Vedic Lifesciences, a leading clinical research organization, is contracted to conduct the combination prophylactic and therapeutic study, which will be conducted at 8 sites. We continue to work towards completing trials and launching Equivir (dietary supplement) in the United States in the future.

In connection with the license agreement relating to Equivir, for the years ended December 31, 2025 and 2024, the Company has incurred approximately zero and \$100,000 in general and administrative expenses that are included in the Consolidated Statements of Operations and Comprehensive Income (Loss) respectively.

BE-Smart Esophageal Pre-Cancer Diagnostics Screening Test

In March 2023, in connection with the asset acquisition of Stella Diagnostics, Inc., we announced a collaboration for the continued development of our BE-Smart™ Esophageal Pre-Cancer diagnostic screening test. The BE-Smart™ test is designed to detect molecular biomarkers associated with Barrett's Esophagus and progression to esophageal adenocarcinoma.

On June 17, 2025, we announced the successful completion of a key validation study for the BE-Smart™ molecular diagnostic test. The study demonstrated a technical success rate greater than 95% using esophageal brush cytology samples, confirming the test's compatibility and reliability with both traditional forceps biopsy and less invasive brush biopsy techniques. Based on these results, we are continuing commercialization of BE-Smart™ as a Laboratory Developed Test ("LDT") and Research Use Only ("RUO") product, with steps towards commercialization planned for the third quarter of 2025 and broader insurance-backed commercialization targeted for 2026. These timelines are forward-looking statements and are subject to various risks and uncertainties, including, but not limited to, regulatory developments, payer coverage decisions, and market adoption rates.

On March 31, 2025, the U.S. District Court for the Eastern District of Texas vacated the U.S. Food and Drug Administration's ("FDA") Final Rule that would have expanded FDA oversight of LDTs, holding that the agency exceeded its statutory authority. The court remanded the matter to the Department of Health and Human Services for reconsideration. The FDA did not appeal within the 60-day period, which ended May 30, 2025, and, as a result, the rule is no longer in effect and compliance deadlines are not enforceable. Oversight of LDTs, including BE-Smart™, currently reverts to the existing Clinical Laboratory Improvement Amendments ("CLIA") framework administered by the Centers for Medicare & Medicaid Services. Future legislative or regulatory action could alter this framework.

As a result certain LDTs, including BE-Smart™, are not currently subject to direct FDA oversight, allowing for a faster market entry while maintaining rigorous internal validation and quality control standards. If new requirements were imposed, we could be required to obtain pre-market clearance or approval before commercialization, which could delay our market entry, increase development and regulatory costs, and potentially require changes to the test.

Based on published industry data and internal estimates, the U.S. market for the test is approximately 6 to 7 million endoscopic procedures annually, representing an addressable market opportunity of over \$10 billion. The market opportunity estimate reflects management's judgment, is based on available industry data, and is subject to inherent uncertainties.

In connection with the license agreement relating to BE-Smart License Agreement, for the years ended December 31, 2025 and 2024, we incurred approximately zero and \$170,000, respectively, in general and administrative expenses related to the BE-Smart™ license agreement, as reflected in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). All such expenses were expensed as incurred. No new clinical studies under the BE-Smart™ license agreement were initiated during the year ended December 31, 2025.

On August 6, 2025, the United States Patent and Trademark Office issued U.S. Patent No. 12,379,378 B2, covering the BE-Smart™ Esophageal Pre-Cancer Diagnostic Screening Test. This newly issued patent further strengthens our intellectual property position for BE-Smart™ technology and supports our continued efforts to commercialize the test for early detection and risk stratification of Barrett's esophagus and related esophageal conditions.

We continue to own the full intellectual property portfolio supporting the BE-Smart™ test, including a foundational patent family covering molecular markers of esophageal disease progression, with issued patents and pending applications expected to provide protection until 2040. We remain positioned to capitalize on favorable regulatory and

clinical practice trends supporting minimally invasive screening methods, although there can be no assurance that commercialization will occur within the anticipated timeframe or that adoption will meet our expectations.

Litigation

The Company is involved in various legal proceedings arising in the ordinary course of business, including matters relating to commercial contracts, lease obligations, accounts receivable collections, and bankruptcy-related proceedings associated with ProPhase Diagnostics, Inc. and its subsidiaries. Certain of these matters are described in Item 3, "Legal Proceedings," which disclosure is incorporated herein by reference.

Management evaluates litigation contingencies on a quarterly basis in accordance with ASC 450, Contingencies. As of December 31, 2025, amounts have been accrued for matters where a loss is considered probable and reasonably estimable. For other matters, management either believes an unfavorable outcome is not probable or cannot reasonably estimate the possible loss or range of loss. Accordingly, no additional accruals have been recorded. The ultimate resolution of these matters could differ from current estimates and may have a material effect on future operating results, cash flows, or financial position.

Note 12 – Leases

Operating Leases

New Jersey Laboratory Lease

On October 23, 2020, we completed the acquisition of CPM, which included a 4,000 square foot CLIA accredited laboratory located in Old Bridge, New Jersey, which was owned by CPM (which is now known as ProPhase Diagnostics NJ, Inc.). The lease was renewed in February 2023, for an additional 36 months until February 2026. The monthly base is \$5,500 per month. The lease renewal resulted in the recognition of an additional right-of-use asset and operating lease liability of \$170,000, respectively in Fiscal 2023.

As a result of the deconsolidation of PDX (see Note 18), the operating lease liability and right-of-use asset associated with the New Jersey operating lease was derecognized on the Company's consolidated balance sheet as of December 31, 2025.

New York Second Floor Lease

On December 8, 2020, the Company entered into a Lease Agreement (the "NY Second Floor Lease") with BRG Office L.L.C. and Unit 2 Associates L.L.C. (the "Landlord"), pursuant to which the Company leases certain premises located on the second floor (the "Second Floor Leased Premises") of 711 Stewart Avenue, Garden City, New York (the "Building"). The Second Floor Leased Premises serve as the Company's second location and corporate headquarters, offering a wide range of laboratory testing services for diagnosis, screening and evaluation of diseases, including COVID-19 and Respiratory Pathogen Panel Molecular tests.

On June 10, 2022, the Company entered into a First Amendment to the NY Second Floor Lease (the "Second Floor Lease Amendment"). The Second Floor Lease Amendment amends the NY Second Floor Lease to provide that any uncured default by the Company or any of its affiliate under the NY First Floor Lease (defined below) will constitute a default by the Company under the NY Second Floor Lease.

On March 1, 2025, the Company entered into a Surrender Agreement with the Landlord, pursuant to which the Company agreed to surrender the Second Floor Leased Premises on or before May 30, 2025 (the "Surrender Date"). Under the agreement, the Company will remain responsible for rent and other charges through the Surrender Date and will pay the Landlord a settlement amount of approximately \$740,000 in seven equal monthly installments from June 1, 2025 through December 1, 2025. Upon timely performance of the Company's obligations under the Surrender Agreement, the NY Second Floor Lease will be deemed terminated as of the Surrender Date, and the Company will have no further obligations thereunder, other than as set forth in the Surrender Agreement. As of the date of this report, the Company has made all required payments under the Surrender Agreement. As of the date of this report, the Company has made all required payments under the Surrender Agreement.

New York First Floor Lease

On June 10, 2022, the Company entered into a second Lease Agreement (the "NY First Floor Lease") with Landlord, pursuant to which the Company leases approximately 4,516 sq. feet located on the first floor (the "NY First

Floor Leased Premises”) of the Building. As described above, the Company currently leases space on the second floor of the Building. The First Floor Leased Premises will be used to expand the Company’s in-house lab capabilities to include traditional clinical testing across multiple specialty areas and Next Generation Sequencing (NGS), Whole Genome Sequencing (WGS) and an array of genetic diagnostic test offerings for both clinical and research purposes. The NY First Floor Lease had an initial term through July 15, 2031, with an early termination option effective July 31, 2027.

The NY First Floor Lease became effective as of June 10, 2022. On March 1, 2025, the Company entered into a Surrender Agreement with the Landlord for the First Floor Leased Premises. Under the agreement, the Company will surrender the premises on or before May 30, 2025 and will pay the Landlord a settlement amount of approximately \$127,000 in seven equal monthly installments from June 1, 2025 through December 1, 2025. Upon timely performance of the Company’s obligations under the Surrender Agreement, the NY First Floor Lease will be deemed terminated as of the Surrender Date, and the Company will have no further obligations thereunder, other than as set forth in the Surrender Agreement. As of the date of this report, the Company has made all required payments under the Surrender Agreement. As of the date of this report, the Company has made all required payments under the Surrender Agreement.

As a result of NY office lease termination, the Company reduced its operating lease liabilities by approximately \$5.1 million and reduced its right-of-use assets by approximately \$3.9 million. The Company also wrote off non-refundable security deposit of \$308,000, and fixed assets and leasehold improvements of approximately \$1.4 million. The Company recognized a loss on lease termination for total \$1.4 million during the year ended December 31, 2025, which as included in general and administrative expense on the consolidated statement of operations.

Finance Leases

On April 19, 2023, the Company entered into a master lease agreement for laboratory equipment (the "First Equipment Lease") with a vendor. The First Equipment Lease has a 5-year term and is recognized as a finance lease under ASC 842. The present value of the minimum future obligations of \$1.5 million at inception was calculated based on an interest rate of 8.0%, which was recognized in finance lease liabilities in the condensed consolidated balance sheet.

On July 21, 2023, the Company entered into a master lease agreement for a laboratory equipment (the "Second Equipment Lease") with a vendor. The Second Equipment Lease has a 4-year term and is recognized as a finance lease under ASC 842. The present value of the minimum future obligations of \$5.1 million at inception was calculated based on an interest rate of 7.4%, which was recognized in finance lease liabilities in the condensed consolidated balance sheet.

At December 31, 2025 and 2024, the Company had finance lease liabilities of approximately \$3.5 million and \$4.7 million, respectively, and finance lease assets within property and equipment, net of approximately \$2.0 million and \$4.2 million, respectively, which were included in the consolidated balance sheets.

The following summarizes quantitative information about our operating leases (amounts in thousands):

	For the Years Ended	
	December 31, 2025	December 31, 2024
Operating leases:		
Operating lease cost	\$ 422	\$ 956
Total operating lease cost	\$ 422	\$ 956
Finance leases:		
Interest lease cost	\$ 594	\$ 399
Depreciation expense	1,493	1,356
Total finance lease expense	\$ 2,087	\$ 1,755

Other information related to the Company’s leases is shown below (dollar amounts in thousands):

	For the Years Ended	
	December 31, 2025	December 31, 2024
Operating cash flows used in operating leases	\$ (1)	\$ (716)
	December 31, 2025	December 31, 2024
Weighted-average remaining lease term – operating leases (in years)	NA	6.5
Weighted-average remaining lease term – finance leases (in years)	2.1	2.3
Weighted-average discount rate – operating leases	NA	10.00 %
Weighted-average discount rate – finance leases	7.43 %	9.13 %
Finance lease asset ⁽¹⁾	\$ 1,977	\$ 4,242
Finance lease asset in discontinued operations ⁽²⁾	\$ —	\$ 2,389

(1) At December 31, 2025 and 2024, the Company had recorded accumulated depreciation of approximately \$3.1 million and \$2.3 million for the finance lease asset, respectively. Finance lease assets are recorded within property and equipment, net on the Company's Consolidated Balance Sheets.

(2) As of December 31, 2024, the Company had recorded accumulated depreciation of approximately \$1.4 million for the finance lease asset in discontinued operations. Finance lease assets in discontinued operations are recorded within other assets in discontinued operations on the Company's Consolidated Balance Sheets.

Maturities of the Company's remaining finance lease are as follows (in thousands):

	Finance Lease
Year Ended December 31, 2026	\$ 2,774
Year Ended December 31, 2027	824
Total lease payments	3,598
Less present value discount	(135)
Total	\$ 3,463

Note 13 – Significant Customers Concentrations

Revenue for years ended December 31, 2025 and 2024 was \$4.3 million and \$6.8 million, respectively. The Company had no Diagnostic Services for the year ended December 31, 2025 and 2024. For the year ended December 31, 2025 and 2024, there were no consumer products customers that accounted for 10% or more of our total revenues.

The Company is subject to account receivable credit concentrations from time-to-time as a result of the timing, payment pattern and ultimate purchase volumes or shipping schedules with our customers. These concentrations may impact its overall exposure to credit risk, either positively or negatively, in that our customers may be similarly affected by changes in economic, regulatory or other conditions that may impact the timing and collectability of amounts due to the Company.

Currently, the Company relies on a sole supplier to manufacture its saliva collection kits used by customers who purchase its personal genomics services. Change in the supplier or design of certain of the materials that the Company relies on, in particular the saliva collection kit, could result in a requirement for additional premarket review from the FDA before making such a change.

Note 14 – Segment Information

The Company has identified two operating segments, diagnostic services and consumer products, based on the manner in which the Company's CEO as CODM assesses performance and allocates resources across the organization. The operating segments are organized in a manner that depicts the difference in revenue generating synergies that include the separate processes, profit generation and growth of each segment. The diagnostic services segment provides COVID-19 diagnostic information services to a broad range of customers in the United States, including health plans, third party

payers and government organizations. The consumer products segment is engaged in the research, development, manufacture, distribution, marketing and sale of OTC consumer healthcare products and dietary supplements in the United States and also provides personal genomics products and services. The unallocated corporate expenses mainly included professional fees, interest expenses associated with the outstanding debt associated with the Company.

The following table is a summary of segment information for Fiscal 2025 and 2024 (in thousands):

	For the years ended	
	December 31, 2025	December 31, 2024
Net revenues		
Diagnostic services	\$ —	\$ —
Consumer products	4,345	6,770
Consolidated net revenue	4,345	6,770
Cost of revenue		
Diagnostic services	351	2,329
Consumer products	2,610	4,591
Consolidated cost of revenue	2,961	6,920
Depreciation and amortization expense		
Diagnostic services	614	1,604
Consumer products	1,636	4,583
Total Depreciation and amortization expense	2,250	6,187
Operating and other expenses		
Diagnostic services	2,891	15,928
Consumer products	5,587	4,484
Unallocated corporate	14,043	15,581
Total operating and other expenses	22,521	35,993
Loss from operations, before income taxes		
Diagnostic services	(3,856)	(19,861)
Consumer products	(5,488)	(6,888)
Unallocated corporate	(14,043)	(15,581)
Total loss from operations, before income taxes	(23,387)	(42,330)
Income tax expense	—	(7,195)
Net loss from continuing operations	\$ (23,387)	\$ (49,525)

The following table is a summary of segment information for Fiscal 2025 and Fiscal 2024 (in thousands):

	December 31, 2025	December 31, 2024
ASSETS		
Diagnostic services	\$ —	\$ 26,069
Consumer products	11,614	19,745
Unallocated corporate	48,257	5,804
Assets held-for-sale	—	11,582
Total assets	\$ 59,871	\$ 63,200

Note 15 – Net Loss Per Share

Basic loss per share excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted loss per share reflects the potential

dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or otherwise result in the issuance of common stock that shared in the earnings of the entity. Diluted loss per share also utilizes the treasury stock method which prescribes a theoretical buy back of shares from the theoretical proceeds of all options outstanding during the period, and the if-converted method for convertible debt.

The following is a reconciliation of the weighted average number of common shares outstanding used in calculating basic and diluted net loss per share (in thousands):

	For the years ended	
	December 31, 2025	December 31, 2024
Loss from continuing operations after income taxes	\$ (23,387)	\$ (49,525)
Income (loss) from discontinued operations, net of tax	8,644	(3,839)
Net loss	<u>\$ (14,743)</u>	<u>\$ (53,364)</u>
Weighted average common shares outstanding:		
Basic	8,489	2,000
Diluted	8,489	2,000
Net earnings (loss) per share:		
Loss from continuing operations, basic and diluted	<u>\$ (2.75)</u>	<u>\$ (24.76)</u>
Loss from discontinued operations, basic and diluted	<u>\$ 1.02</u>	<u>\$ (1.92)</u>
Net loss per share, basic and diluted	<u>\$ (1.74)</u>	<u>\$ (26.68)</u>

The following table represents the number of securities excluded from the income per share computation as a result of their anti-dilutive effect (in thousands):

Anti-dilutive securities	For the years ended	
	December 31, 2025	December 31, 2024
Common stock purchase warrants	757	62
Stock Options	478	388
Convertible promissory note	526	—
Anti-dilutive securities	<u>1,761</u>	<u>450</u>

Note 16 – Related Parties

The Company's Executive Vice President and Co-Chief Operations Officer of ProPhase Diagnostics, and President of Nebula Genomics, is a related party to the Company's Chairman and Chief Executive Officer. For the years ended December 31, 2025 and 2024, there were no payments made to the Executive Vice President outside compensation and benefits for the position held at the Company.

On February 18, 2025 announced that Stuart Hollenshead has been appointed to serve as Chief Operating Officer of the Company, effective on February 17, 2025 and held this position until his resignation on July 31, 2025. Currently, Mr. Hollenshead serves as CEO of 10PM Curfew. The Company received consulting services from 10PM Curfew on an ongoing basis. During the year ended December 31, 2025 and 2024, consulting services from 10pm Curfew totaled \$167,000 and \$165,000, respectively. Amounts payable 10PM Curfew as of December 31, 2025 and 2024 was zero and \$10,000, respectively. The Company continues to utilize 10PM Curfew for consulting services.

On June 22, 2025, the Company entered into a loan agreement with Ted Karkus, the Company's Chief Executive Officer and the Chairman of the Board of Directors, pursuant to which the Company issued a twelve-month non-convertible promissory note in the principal amount of 625,000. The Company also issued 50,000 unvested warrants in conjunction with the note agreement. See Note 6 for detail description regarding the CEO Loan and the CEO Warrants.

Note 17 – Discontinued Operations

On January 16, 2025, the Company entered into a Stock Purchase Agreement (the “Agreement”) with JL Projects, Inc., a Delaware corporation (“JL Projects”), pursuant to which JL Projects purchased from the Company all of the right, title, and interest in and to all of the issued and outstanding shares of capital stock of Pharmedz Manufacturing, Inc., a Delaware corporation and a wholly-owned subsidiary of the Company (“PMI”), and Pharmedz Real Estate Holdings, Inc., a Delaware corporation and a wholly-owned subsidiary of the Company (“PREH”). The transaction closed concurrently with the execution of the Agreement on January 16, 2025.

As part of the transaction, JL Projects provided approximately \$2 million in cash payments to the Company and extinguished approximately \$10 million of the Company’s debt. Additionally, JL Projects assumed (i) the existing \$3.3 million mortgage on PMI’s manufacturing facility, (ii) nearly \$2 million in capital leases, and (iii) approximately \$3 million in current and accrued payables, and paid down \$200,000 on an existing loan from affiliates of JL Projects. The transaction also resulted in the cancellation of approximately \$300,000 in accrued interest related to the retired debt. Furthermore, the Company avoided approximately \$3 million of upcoming capital expenditures that JL Projects will now be responsible for. The transaction also transferred over \$600,000 in employee annual overhead from the Company to PMI. As a result, the Company recognized a gain on sale of PMI and PREH of approximately \$8.7 million for the year ended December 31, 2025.

The Company has reported the results of the discontinued operations as a separate component of income below the income (loss) from continuing operations in each period presented.

The following table presents a reconciliation of discontinued operations for the year ended December 31, 2025 and 2024 (amount in thousands):

	For the Years Ended	
	December 31, 2025	December 31, 2024
Revenues, net	\$ —	\$ 6,442
Cost of revenues	—	7,364
Gross profit (loss)	—	(922)
Operating expenses:		
General and administration	102	2,569
Research and development	—	—
Total operating expenses	102	2,569
Loss from operations	(102)	(3,491)
Interest expense	—	(378)
Other income	—	30
Loss from discontinued operations, net of tax	\$ (102)	\$ (3,839)

The assets and liabilities classified in discontinued operations as of December 31, 2025 and 2024 (amount in thousands):

	December 31, 2025	December 31, 2024
Restricted cash	\$ —	\$ 627
Accounts receivable, net	—	605
Inventory, net	—	1,487
Prepaid expenses and other current assets	—	3,424
Total current assets in discontinued operations	—	6,143
Property, plant and equipment, net	—	4,895
Other assets	—	544
Total non-current assets in discontinued operations	—	5,439
Total assets in discontinued operations	—	11,582
Accounts payable	\$ —	\$ 2,432
Secured promissory note payable	\$ —	\$ 1,000
Finance lease liability	—	2,356
Other current liabilities	—	79
Total current liabilities in discontinued operations	—	5,867
Secured long-term debt, net of discount of \$318	—	2,924
Total non-current liabilities in discontinued operations	—	2,924
Total liabilities in discontinued operations	—	8,791

Note 18 – Voluntary Bankruptcy Filing and Deconsolidation

On September 22, 2025 (the "Petition Date"), the Company's wholly-owned subsidiary, ProPhase Diagnostics, Inc., and two indirectly wholly-owned subsidiaries, ProPhase Diagnostics NY, Inc. and ProPhase Diagnostics NJ, Inc. (collectively the "PDX") filed for a Chapter 11 reorganization in United States Bankruptcy Court for the District of New Jersey (the "Chapter 11 case"). On September 30, 2025, the Court granted the motion for joint administration. During the Chapter 11 Case, the Company is deemed to no longer control PDX as its activities are subject to review and oversight by the Bankruptcy Court. Therefore, PDX was deconsolidated from the Company's condensed consolidated financial statements prospectively as of September 22, 2025.

Status of the Chapter 11 Cases and Plan Development. The Chapter 11 cases are pending in the Bankruptcy Court and are being jointly administered. On November 13, 2025, the Bankruptcy Court entered an order authorizing the Debtors to retain Crown Medical Collections, LLC as special counsel for the collection of accounts receivable arising from prior COVID-19 diagnostic testing services. The Debtors are pursuing a plan of reorganization under Chapter 11. The Debtors' plan, as currently contemplated, is intended to be funded by multiple sources including, without limitation, recoveries from the receivables collection program, recoveries from preserved estate causes of action, third-party financing made available to the Debtors in the Chapter 11 cases on terms approved by the Bankruptcy Court, and operational cash flow generated by the Debtors from the operational reorganization of their CLIA-certified laboratory infrastructure in support of additional diagnostic and testing opportunities. Specific terms of any financing arrangements and of the Debtors' plan will be set forth in the Debtors' filings with the Bankruptcy Court. The development, filing, and confirmation of a plan are subject to Bankruptcy Court approval and to a number of factors that are uncertain and outside the Company's control. The Company is no longer deemed to control the Debtors; developments in the Chapter 11 cases are reflected in the Debtors' filings with the Bankruptcy Court rather than in the Company's reports under the Securities Exchange Act of 1934, except to the extent such developments are themselves required to be disclosed by the Company.

Deconsolidation of Bankrupt Subsidiaries

In order to deconsolidate PDX, the carrying values of the assets and liabilities of PDX were removed from the Company's consolidated balance sheet as of September 22, 2025, in accordance with ASC 810, Consolidation. The net

impact with removing the assets and liabilities held at PDX resulted in the recognition of the investment in unconsolidated affiliates of \$43.7 million, and a payable to unconsolidated affiliates of \$27.7 million on the Company's consolidated balance sheet as of September 22, 2025. Subsequent to the deconsolidation, the Company will account for the equity interest in PDX under the equity method of accounting as the Company is deemed to still have significant influence over PDX. For the period between September 22, 2025 and December 31, 2025, the Company recognized approximately \$166,000 loss from investment in PDX.

All post-deconsolidation activities between the Company and PDX are reported as third-party transactions recorded within the Company's Consolidated Statement of Operations. Since the Petition Date, there were no material transactions between the Company and PDX. The intercompany payable to the Company recognized on deconsolidation, and any other amounts owed by the Debtors to the Company, are subject to administration in the Chapter 11 cases and to the priority scheme of the Bankruptcy Code, and recovery of any such amounts is uncertain.

Treatment of Intercompany Balances

The Company had total payables to PDX of approximately \$27.7 million. As a result of the deconsolidation of PDX, the Company recognized \$27.7 million payable to the unconsolidated affiliates on the consolidated balance sheet as of September 22, 2025.

Note 19 – Fair Value Measurements

The following table presents the fair value of the Company's financial liabilities that are measured at fair value on a recurring basis as of December 31, 2025 (in thousands):

	As of December 31, 2025			
	Level 1	Level 2	Level 3	Total
Derivative liability	\$ —	\$ —	\$ 50	\$ 50

There were no transfers between Level 1, 2 or 3 during the year ended December 31, 2025 and 2024.

The following table presents changes in Level 3 liabilities measured at fair value for the year ended December 31, 2025. Both observable and unobservable inputs were used to determine the fair value of positions that the Company has classified within the Level 3 category. Unrealized gains and losses associated with liabilities within the Level 3 category include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable (e.g., changes in unobservable long- dated volatilities) inputs (in thousands).

	Warrant liability	Derivative liability
Balance at January 1, 2025	\$ —	\$ —
Issuance of invested warrants in conjunction with loan agreements	230	—
Issuance of convertible debt	—	2,070
Issuance of invested warrants as an additional consideration to the August Future Financing Agreement	120	—
Convertible notes redemptions	—	(1,583)
Change in fair value	225	(437)
Reclassification of liability classified warrants to equity	(575)	—
Balance at December 31, 2025	\$ —	\$ 50

A summary of the weighted average (in aggregate) significant unobservable inputs (Level 3 inputs) used in the Black-Scholes option pricing model measuring the Company's warrant liabilities and derivative liability that are categorized within Level 3 of the fair value hierarchy as of September 9, 2025, the date when the Company increased its

total authorized shares which resulted the liability classified warrants reclassified to equity, and as of December 31, 2025, are as follows:

	Warrant liability September 9, 2025		Derivative liability December 31, 2025	
Exercise price	\$	0.57	\$	0.76
Expected term (years)	\$	1.0		0.6
Expected stock price volatility		99.2 %		125.0 %
Risk-free rate of interest		3.6 %		3.5 %
Expected dividend yield (per share)		0 %		0 %

Note 20 – Subsequent Events

On January 13, 2026, the Company entered into a securities purchase agreement (the “Agreement”) with an individual investor (the “Holder”) providing for the issuance of a 10% convertible promissory note (the “Note”) in the principal amount of \$240,000. The Convertible Note permits the Holder to convert outstanding principal and accrued interest into shares of common stock at a conversion price that is 75% of the trailing five-day volume weighted average price (“VWAP”) immediately preceding the respective conversion date. The Company received cash proceeds of \$190,000, which is net of original issue discount of \$40,000 and issuance cost of \$10,000. The Note has a maturity date on January 13, 2027. Total payments of \$264,000 will be made in four monthly installment payments, which won't be started until July 13, 2026 in accordance with the payment schedule pursuant to the note agreement. In consideration for entering into the Agreement, the Company also issued 80,000 shares of common stock to the Investor in connection with the Note.

On January 27, 2026 (the “Issue Date”), the Company entered into a securities purchase agreement (the “January Labrys SPA”) with Labrys Fund II, LP (“Labrys”), pursuant to which the Company issued a 10% promissory note (the “January Labrys Note”) with a maturity date of January 27, 2027, in the principal sum of \$180,000. The Company received cash proceeds of \$140,000, which is net of original issue discount of \$30,000 and issuance cost of \$10,000. In addition, the Company issued 75,000 shares of its common stock to Labrys as a commitment fee pursuant to the January Labrys SPA. The January Labrys Note is convertible into the Company’s common stock (subject to the beneficial ownership limitations of 4.99% in the January Labrys Note) after 180 days after the Issue Date at a conversion price at 80% of the lowest traded price over the ten prior trading days immediately preceding the respective conversion date.

On March 10, 2026 (the “Issue Date”), the Company entered into another securities purchase agreement (the “March Labrys SPA”) with Labrys, pursuant to which the Company issued a 10% promissory note (the “March Labrys Note”) with a maturity date of March 10, 2027, in the principal sum of \$78,000. The Company received cash proceeds of \$55,000, which is net of original issue discount of \$13,000 and issuance cost of \$10,000. The March Labrys Note is convertible into the Company’s common stock (subject to the beneficial ownership limitations of 4.99% in the March Labrys Note) after 180 days after the Issue Date at a conversion price at 80% of the lowest traded price over the ten prior trading days immediately preceding the respective conversion date.

March 2026 Future Receipts Financing Agreements

On March 16, 2026, the Company entered into an agreement of sale of future receipts (the “First March Future Receipts Financing Agreement”) with Legendary Funding Group (“Legendary”) by which Legendary purchased from the Company, its future accounts and contract rights arising from the sale of goods or rendition of services to the Company’s customers. The purchase price was \$77,000, which was net of a \$3,000 origination fee and processing fee. The First March Future Receipts Financing Agreement requires 18 weekly payments of \$6,444 for a total repayment of \$116,000 over the term of the agreement.

On March 17, 2026, the Company entered into an agreement of sale of future receipts (the “Second March Future Receipts Financing Agreement”) with Immediate Capital Solutions LLC (“Immediate Advances”) by which Immediate Advances purchased from the Company, its future accounts and contract rights arising from the sale of goods or rendition of services to the Company’s customers. The purchase price was \$211,200, which was net of a \$8,800 origination fee. The Second March Future Receipts Financing Agreement requires 28 weekly payments of \$11,236 for a total repayment of \$314,600 over the term of the agreement.

2026 Equity Line of Credit – Generating Alpha Ltd.

On January 19, 2026, the Company entered into an Equity Line of Credit ("Generating ELOC") with a purchaser, Generating Alpha Ltd. ("Generating") whereby the Company has the right to sell up to an aggregate of \$10.0 million of shares of the Company's common stock.

In connection with entering into the Generating ELOC, the Company issued 549,105 shares of common stock and a prefunded common stock purchase warrant to acquire up to 240,369 shares of common stock as a commitment fee. The warrant has an exercise price of \$0.00 per share and is exercisable on a cashless basis, subject to customary ownership limitations.

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

None

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed with or submitted to the SEC 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 in our reports filed under the Exchange Act is accumulated and communicated to management, including our principal executive officer and principal financial and accounting officer, to allow timely decisions regarding required disclosure.

We carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of December 31, 2025. This evaluation was carried out under the supervision and with the participation of our principal executive officer and principal financial and accounting officer. Based on that review, our management, including our principal executive officer and principal financial and accounting officer, concluded that our disclosure controls and procedures were ineffective at the reasonable assurance level as of December 31, 2025.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed 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. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, 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 of compliance with the policies or procedures may deteriorate.

Management of the Company, including our CEO and Principal Financial and Accounting Officer, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2025. Based on this assessment, we determined that the Company's internal controls over financial reporting were not effective as of December 31, 2025.

Remediation Plan

We are in the process of continuing to evaluate the material weaknesses and developing a detailed plan for remediation of control deficiencies. We will not consider the material weakness remediated until the remedial controls operate for a sufficient period of time and we have concluded, through testing, that these controls are effectively designed and operating effectively. We will continue to assess the effectiveness of our remediation efforts in connection with our future assessments of the effectiveness of internal control over financial reporting and disclosure controls and procedures throughout 2026. As we continue to evaluate and work to improve our internal control over financial reporting, we may execute additional measures to address potential control deficiencies or modify the remediation plan described above. We will continue to review and make necessary changes to the overall design of our internal control.

Changes in Internal Control Over Financial Reporting

Except as described above in "Management's Report on Internal Control Over Financial Reporting", there was no change in our internal control over financial reporting identified in connection with evaluation required by paragraph (d) of

Rules 13a-15 or 15d-15 under the Exchange Act that occurred during the fourth quarter of the fiscal year ended December 31, 2025 that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required under this item is incorporated by reference from the sections of the Company's Proxy Statement for the 2026 Annual Meeting of Stockholders (the "2026 Proxy Statement") titled "Proposal 1 – Election of Board of Directors," "Executive Officers," "Governance Policies and Procedures – Code of Conduct," "Corporate Governance – Committees of the Board of Directors – Audit Committee." The 2026 Proxy Statement will be filed with the Securities and Exchange Commission ("SEC") not later than 120 days after the close of our fiscal year ended December 31, 2025 and is hereby incorporated by reference.

Insider Trading Policy and Procedures

We have adopted an insider trading policy governing the purchase, sale, and/or other dispositions of our securities by our directors, officers and employees and other covered persons. We believe these policies and procedures are reasonably designed to promote compliance with insider trading laws, rules and regulations and applicable listing standards. A copy of our Insider Trading Policy is filed as Exhibit 19.1 to this Annual Report on Form 10-K.

Item 11. Executive Compensation

The information required under this item is incorporated by reference from the section of the 2026 Proxy Statement titled "Executive and Director Compensation."

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

The information required under this item is incorporated by reference from the sections of the 2026 Proxy Statement titled "Equity Compensation Plan Information" and "Security Ownership."

Item 13. Certain Relationships and Related Transactions and Director Independence

The information required under this item is incorporated by reference from the sections of the 2026 Proxy Statement titled "Corporate Governance – Certain Relationships and Related Transactions," and "Corporate Governance – Director Independence."

Item 14. Principal Accountant Fees and Services

The information required under this item is incorporated by reference from the section of the 2026 Proxy Statement titled "Audit and Non-Audit Fees."

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) Financial Statements.

The following consolidated financial statements of ProPhase Labs, Inc., together with the report thereon of Friedman LLP, independent registered public accounting firms, are included in this Annual Report.

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(a)(2) Financial Statement Schedules.

All schedules have been omitted because they are not required or because the required information is given in the consolidated financial statements or Notes thereto set forth under Item 8 above.

(a)(3) Exhibits

Exhibit	Description
1	Underwriting Agreement dated November 7, 2024 between ProPhase Labs, Inc. and ThinkEquity LLC (incorporated by reference to Exhibit 1.1 of the Current Report on Form 8-K (File No. 000-21617) filed on November 13, 2024).
2.1†+	Manufacturing Agreement, dated March 29, 2017, by and between Meda Consumer Healthcare Inc., Pharnaloz Manufacturing, Inc. and Prophase Labs, Inc. (incorporated by reference to Exhibit 2.2 of the Current Report on Form 8-K (File No. 000-21617) filed on March 29, 2017).
2.2+	Stock Purchase Agreement dated January 16, 2025, between ProPhase Labs, Inc. and JL Projects, Inc. (incorporated by reference to Exhibit 2.1 of the Current Report on Form 8-K (File No. 000-21617) filed on January 23, 2025).
3.1	Certificate of Incorporation of the Company, (incorporated by reference to Exhibit 3.3 of the Current Report on Form 8-K (File No. 000-21617) filed on June 19, 2015).
3.2	Amended and Restated Bylaws of the Company (as of March 26, 2024) (incorporated by reference to Exhibit 3.2 of the Annual Report on Form 10-K (File No. 000-21617) filed on March 29, 2024).
3.2.1	Amended and Restated Bylaws of the Company (as of March 26, 2024, marked to show changes) (incorporated by reference to Exhibit 3.2.1 of the Annual Report on Form 10-K (File No. 000-21617) filed on March 29, 2024).
4.1	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 of Form 10-KSB/A (File No. 000-21617) filed on April 4, 1997).
4.2	Description of Common Stock (incorporated by reference to Exhibit 4.3 of the Annual Report on Form 10-K (File No. 000-21617) filed on March 26, 2020).
10.1	Form of Indemnification Agreement between the Company and each of its Officers and Directors, dated August 19, 2009 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K (File No. 000-21617) filed on August 19, 2009).
10.2*	Amended and Restated 2025 Equity Compensation Plan (incorporated by reference to Appendix B of the Company's Proxy Statement on Schedule 14A filed August 15, 2025).
10.3*	Amended and Restated 2025 Directors' Equity Compensation Plan (incorporated by reference to Appendix B of the Company's Proxy Statement on Schedule 14A filed August 15, 2025).
10.4*	Form of Non-Qualified Stock Option Agreement pursuant to 2022 Equity Compensation Plan

10.5*	Form of Incentive Stock Option Agreement pursuant to 2022 Equity Compensation Plan
10.6*	Form of Option Agreement pursuant to 2022 Directors' Equity Compensation Plan
10.7*	Amended and Restated 2015 Executive Employment Agreement with Ted Karkus, effective February 23, 2018 (incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K (File No. 000-21617) filed on April 16, 2018).
10.8	Lease agreement by and among ProPhase Diagnostics, Inc., BRG Office L.L.C. and Unit 2 Associates L.L.C. for the corporate headquarters and diagnostic lab facility located at 711 Stewart Avenue, Garden City, NY 11530 (incorporated by reference to Exhibit 10.18 of the Annual Report on Form 10-K (File No. 000-21617) filed on March 31, 2021).
10.9	Sales Agreement, dated December 28, 2021, between ProPhase Labs, Inc. and ThinkEquity LLC (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K (File No. 000-21617) filed on December 29, 2021).
10.10	Lease Agreement by and between ProPhase Diagnostics, Inc. and BRG Office L.L.C. and Unit 2 Associates L.L.C., as tenants in common, dated June 10, 2022 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K (File No. 000-21617) filed on June 13, 2022).
10.11	Guaranty dated June 10, 2022 (incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K (File No. 000-21617) filed on June 13, 2022).
10.12	First Amendment of Lease, dated June 10, 2022, by and between ProPhase Diagnostics, Inc. and BRG Office L.L.C. and Unit 2 Associates L.L.C., as tenants in common (incorporated by reference to Exhibit 10.3 of the Current Report on Form 8-K (File No. 000-21617) filed on June 13, 2022).
10.13	License Agreement by and between ProPhase BioPharma, Inc. and Global BioLife, Inc., dated July 19, 2022 (effective as of July 18, 2022), (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K (File No. 000-21617) filed on July 21, 2022).
10.14	Asset Purchase Agreement by and among Stella Diagnostics Inc., Stella DX, LLC and ProPhase Labs, Inc., dated December 15, 2022 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K (File No. 000-21617) filed on December 20, 2022).
10.15	Unsecured Promissory Note and Guaranty issued to JXVII Trust, dated January 26, 2023 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K (File No. 000-21617) filed on January 30, 2023).
10.16	Common Stock Purchase Warrant issued to JXVII Trust, dated January 27, 2023 (incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K (File No. 000-21617) filed on January 30, 2023).
10.17*†	Latkin Offer Letter, dated as of December 28, 2023, by and between the Company and Jed A. Latkin (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K (File No. 000-21617) filed on January 4, 2024).
10.18*	Inducement Option Award Agreement, effective as of January 1, 2024, by and between ProPhase Labs, Inc. and Jed A. Latkin (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K (File No. 000-21617) filed on May 9, 2024).
10.19†	Amended and Restated Unsecured Promissory Note and Guaranty issued to JXVII Trust, dated August 15, 2024 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K (File No. 000-21617) filed on August 21, 2024).
10.20	Common Stock Purchase Agreement, dated January 29, 2025, between ProPhase Labs, Inc. and the Investor (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K (File No. 000-21617) filed on January 30, 2025).
10.21*†	Hollenshead Offer Letter, dated as of February 14, 2025, by and between ProPhase Labs, Inc. and Stuart Hollenshead (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K (File No. 000-21617) filed on February 21, 2025).
10.22*	Inducement Option Award Agreement, effective as of February 17, 2025, by and between ProPhase Labs, Inc. and Stuart Hollenshead (incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K (File No. 000-21617) filed on February 21, 2025).
19.1	Insider Trading Policy (incorporated by reference to Exhibit 19.1 of the Annual Report on Form 10-K (File No. 000-21617) filed on March 29, 2024).
21.1**	Subsidiaries of ProPhase Labs, Inc.
31.1**	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1***	Certification of the Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

97.1 [Compensation Recovery Policy \(incorporated by reference to Exhibit 97.1 of the Annual Report on Form 10-K \(File No. 000-21617\) filed on March 29, 2024\).](#)

101 INS	Inline XBRL Instance Document
101 SCH	Inline XBRL Taxonomy Extension Schema Document
101 CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101 DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101 LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101 PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Indicates a management contract or compensatory plan or arrangement.

** Filed herewith.

*** Furnished herewith.

† Confidential treatment granted as to portions of the exhibit. The Company agrees to furnish supplementally a copy of any omitted schedule or exhibit to the Securities and Exchange Commission upon request.

+ Certain schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to furnish supplementally a copy of any omitted schedule or exhibit to the Securities and Exchange Commission upon request.

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, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PROPHASE LABS, INC.

By: /s/ Ted Karkus
Ted Karkus, Chairman of the Board,
Chief Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Title	Date
<u>/s/ Ted Karkus</u> Ted Karkus	Chairman of the Board and Chief Executive Officer (Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer)	June 1, 2026
<u>/s/ Louis Gleckel</u> Louis Gleckel	Director	June 1, 2026
<u>/s/ Carolina Abenante</u> Carolina Abenante	Director	June 1, 2026

SUBSIDIARIES OF PROPHASE LABS, INC.

Subsidiaries	State or other Jurisdiction of Incorporation	Ownership Percentage
Nebula Genomics Holdings, Inc.	Delaware	100 %
Nebula Genomics, Inc.	Delaware	100 %
ProPhase Biopharma, Inc.	Delaware	100 %
ProPhase Diagnostics, Inc.	Delaware	100 %
ProPhase Diagnostics NY, Inc.	Delaware	100 %
ProPhase Diagnostics UT, Inc.	Delaware	100 %
ProPhase Global Healthcare, Inc.	Delaware	100 %
ProPhase Digital Media, Inc.	Delaware	100 %
Quigley Pharma Inc.	Delaware	100 %
TK Supplements, Inc.	Delaware	100 %
ProPhase Billing Services, Inc.	Delaware	100 %
DNA Complete, Inc.	Delaware	100 %

The above subsidiaries are included in the consolidated financial statements for the year ended December 31, 2025.

**OFFICER'S CERTIFICATION PURSUANT TO
RULE 13a-14(a)/15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934**

I, Ted Karkus, certify that:

1. I have reviewed this Annual Report on Form 10-K of ProPhase Labs, Inc.;
2. Based on my knowledge, this Annual 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 Annual Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Annual 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 Annual Report;
4. The registrant's other certifying officers(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Annual 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 Annual 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: June 1, 2026

By: /s/ Ted Karkus

Ted Karkus
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer and Principal Financial Officer)

PROPHASE LABS, INC.
CERTIFICATION
PURSUANT TO RULE 13a-14(b) OF THE SECURITIES EXCHANGE ACT OF 1934
AND 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Ted Karkus, Chief Executive Officer of ProPhase Labs, Inc., a Delaware corporation (the “Registrant”), in connection with the Registrant’s Annual Report on Form 10-K for the period ended December 31, 2025, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), do hereby represent, warrant and certify, in compliance with Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my 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 Registrant.

/s/ Ted Karkus

Ted Karkus

Chairman of the Board and Chief Executive Officer
(Principal Executive Officer and Principal Financial Officer)

Date: June 1, 2026