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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, 2024

OR

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

For the transition period from _____ to _____

Commission file number 000-21617

ProPhase Labs, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**23-2577138**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
711 Stewart Avenue, Suite 200 **Garden City, New York**	**11530**
(Address of principal executive offices)	(Zip Code)

(215) 345-0919
(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**	**Nasdaq Capital Market**

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	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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

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

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

The aggregate market value of the registrant's voting and non-voting common stock held by non-affiliates was $7,230,869 as of June 30, 2024, based on the closing price of the common stock on The Nasdaq Capital Market on such date.

As of March 28, 2025, there were41,879,017 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 2025 annual meeting of stockholders (the "2025 Proxy Statement") are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. The 2025 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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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K ("Annual Report") contains "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements, other than statements of historical facts, included in this Annual Report, including statements related to future events and our future financial performance are forward-looking statements. Forward-looking statements typically are identified by use of terms such as "anticipate", "believe", "plan", "expect", "intend", "may", "will", "should", "estimate", "predict", "potential", "continue" and similar words although some forward-looking statements are expressed differently. Forward-looking statements include, but are not limited to, statements concerning:

- our anticipated expenses, ability to obtain funding for our operations and the sufficiency of our cash resources;
- our strategic plans for our businesses, product candidates and research programs;
- our anticipated timelines for clinical trials, regulatory filings and regulatory approvals for our product candidates, dietary supplements and diagnostics;
- the beneficial characteristics, therapeutic effects, and potential advantages of our product candidates, dietary supplements and diagnostics;
- our efforts to augment internal manufacturing capabilities and operation of our manufacturing facility;
- anticipated developments related to our competitors and our industry; and
- estimates regarding the sufficiency of our existing capital resources to fund our future operating expenses and capital expenditure requirements.

You are cautioned that forward-looking statements are not guarantees of performance and are subject to known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance, achievements or prospects to be materially different from any future results, levels of activity, performance or achievements expressed or implied by the forward-looking statements. Many of these factors are beyond our ability to predict.

You should also consider carefully the statements under other sections of this Annual Report, including the Risk Factors included in Item 1A, which are summarized below, which address risks that could cause our actual results to differ from those set forth in any forward-looking statements. Our forward-looking statements speak only as of the date of this Annual Report. We undertake no obligation to publicly update or review any forward-looking statements, whether as a result of new information, future developments or otherwise except as otherwise required by law.

SUMMARY OF RISK FACTORS

You should consider carefully the risks described under the "Risk Factors" section and elsewhere in this Annual Report. These risks, which include the following, could materially and adversely affect our business, financial condition, operating results, cash flow, and prospects, and cause the trading price of our common stock to decline:

Risks Related to Our Business Generally

- We have incurred significant net losses and accounts receivable that could materially, adversely affect our results.
- We have limited cash on hand and may need substantial additional funding by incurring indebtedness or issuing common stock or other securities to finance our operations.
- Our failure to manage our growth successfully could harm our growth and operating results.
- Our businesses are subject to significant competitive pressures.
- Unfavorable global economic conditions could adversely affect our business.
- Disruptions to our supply chain or increases in the price of materials could materially, adversely affect our results.
- The adulteration of materials could materially and adversely affect our business.
- We may be subject to product liability claims.
- Additional capital to support our businesses may not be available.
- System failures, security breaches or cyberattacks could adversely affect our business.
- We may not be successful without our key personnel.
- We may not be successful in executing our growth strategy.
- We may not be successful with our expansion in the Middle East and North Africa ("MENA") region.
- Servicing our debt will require a significant amount of cash, and we may not have sufficient cash flow from our business to pay our debt.
- Our projections of future performance may not be indicative of actual results.

Risks Related to Our Diagnostics Business

- We may be unable to substitute the revenues from our lab diagnostic services ortests with new business segments.
- Our ability to reduce our accounts receivable depends on our collection of payment for the diagnostic tests we delivered, which we may not be able to do successfully as the process is complex and time-consuming, and any delay in collecting claims could have an adverse effect on our revenue.

Risks Related to Our Personal Genomics Business

- We may not successfully establish our presence in the personal genetics market. Our estimate of total market for personal genomic services may be inaccurate
- Concerns regarding privacy and use of genetic information may decrease consumer demand for our product.
- If we lose a significant or sole supplier, our business and operations could be materially adversely affected.
- Any significant disruption in service could harm our reputation and may result in a loss of customers.
- Our personal genomics business is subject to seasonal fluctuations.

Risks Related to our Dietary Supplement Business

- Our dietary supplement businesses are subject to extensive governmental regulation.
- Our product development and commercialization efforts may be unsuccessful.
- If our products do not have the effects intended or cause undesirable side effects, our business may suffer.

Risks Related to Our Drug Development Operations

- Our product candidates are still in pre-clinical development, and it will be many years before our wholly owned subsidiary, ProPhase BioPharma, Inc. (“PBIO”), is able to commercialize a product candidate, if ever.
- We may expend our resources to pursue particular product candidates while failing to capitalize on other candidates or indications that may be more profitable or have a greater likelihood of commercial success.

- If we experience delays or enrollment difficulties in clinical trials, our ability to advance our product candidates through development and the regulatory process could be delayed or prevented.
- Clinical trials are expensive, time consuming, and subject to uncertainty.
- We may fail to demonstrate the safety and efficacy of our product candidates.
- If our product candidates cause serious adverse events or undesirable side effects, including injury and death, their commercial potential may be limited or extinguished.
- Even if we complete the necessary preclinical studies and clinical trials, we may be unable to obtain the regulatory approvals necessary for the commercialization of our product candidates or may face delays.
- If we are unable to establish marketing and sales capabilities or enter into agreements with third parties to market and sell our product candidates, we may not be able to generate product revenue.
- Our products may not gain market acceptance and the market may be smaller than we believe.
- Even if we are able to commercialize our product candidates, such products may be subject to unfavorable pricing regulations, third-party reimbursement practices, or healthcare reform initiatives, which could harm our business.

Risks Related to Our Intellectual Property

- Failure to protect our trademarks and other intellectual property could impact our business.
- With sufficient IP rights we may not be able to compete effectively in our markets.
- Claims of IP infringement may expose us to substantial liability and prevent our business efforts.
- Share our trade secrets or confidential information, which increases the possibility that our trade secrets or other confidential information will be misappropriated or disclosed.

Risks Related to Governmental Regulation

- FDA's finalized regulations on laboratory-developed tests may impact our operations adversely, and we may not be able to comply with the requirements.
- Laws and regulations regarding direct selling may prohibit or restrict our ability to sell our products in some markets or require us to make changes to our business model in some markets.
- We depend on third party service providers to comply with laws and regulations.
- We must comply with complex laws protecting privacy and security of health information and personal data.

Risks Related to Our Common Stock, Internal Controls and Governance Matters

- Our failure to meet the continued listing requirements of The Nasdaq Capital market could result in a delisting of our common stock.
- If our shares become subject to the penny stock rules, it would become more difficult to trade our shares.
- We have identified material weaknesses in our internal controls over financial reporting, which may adversely affect investor confidence in us, our business, results of operations and financial condition, and the trading price of our common stock.
- Sales of our common stock could adversely affect its trading price of and our ability to raise funds.
- If analysts don't publish reports about us or they issue an adverse opinion, our stock price could decline.
- Our CEO and Chairman owns a substantial amount of our common stock.
- Our Certificate of Incorporation and amended and restated bylaws ("Bylaws") contain certain provisions that may be barriers to a takeover.
- Our Bylaws provides that the Delaware Court of Chancery and the federal district courts are the exclusive forums for substantially all disputes with our stockholders.
- We have agreed to indemnify our officers and directors from liability.

PART I

Item 1. Business

Overview

We are a growth oriented and diversified next generation biotech, genomics and consumer products company 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 worldwide 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 esophageal cancer. 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 promising 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 prestigious 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. Currently, we plan to commercialize the BE-Smart test as a Laboratory Developed Test (“LDT”). However, on April 29, 2024, FDA released a final rule that classified LDTs as in vitro diagnostics that are regulated by FDA as medical devices under the federal Food, Drug, and Cosmetic Act. Under this approach, FDA proposed to phase out its general enforcement discretion approach for LDTs under a four-year period subject to certain continuing enforcement discretion policies. The final rule was published on May 6, 2024, and in the absence of a successful legal challenge, will become effective after a year, after which medical device regulatory requirements such as medical device reporting, registration and listing, quality system regulation requirements, and premarket authorization requirements, among others, will become applicable eventually. We plan to comply with such requirements, if the final rule is not modified or rescinded.

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 Barret’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, once fully validated, could also significantly reduce unnecessary endoscopies as

well as offer peace of mind to patients who are suffering with Barret's syndrome who are at greater risk of esophageal cancer.

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, 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 service, we have not completed any diagnostic testing services that we provide since the fourth quarter of 2024.

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 dramatically 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' 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.

Legendz XL® has distribution in Rite Aid, Walgreens, CVS, Walmart and other retailers, and via ecommerce.

In 2022, we restaged Triple Edge XL from a 56 count (“ct”) to a 20 ct at CVS, making the retail price more in line with competition. The result was a double digit increase in consumer sales and a 40% expansion increase in the number of stores carrying the item between the restaging of the product in September 2022 and January 2023. In January 2024, Triple Edge XL was reviewed by CVS and, based on its 2022 and 2023 sales, CVS has determined to maintain authorization for its fiscal year ending December 31, 2024. We also presented and marketed Triple Edge XL 20 ct to Walgreens and other major pharmacies, and we are waiting on final decisions on whether those pharmacies will agree to carry Triple Edge XL 20 ct. In the event all of the pharmacies at which we presented Triple Edge XL 20 ct accept the same of such product, we believe that such acceptances will increase demand for product inventory by over 100% in the 12 month period following all of the acceptances.

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. Nonetheless we are prepared to provide an increased volume of our diagnostic testing service if diagnostic testing is required due to a new COVID-19 outbreak. We have continued to ship COVID-19 antigen kits under an existing contract to our customer. In addition, in order to maintain licenses in certain states in which we operate, we currently perform several diagnostic tests each quarter to maintain our certified lab status, and we currently plan to do so for the foreseeable future.

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.

Our contract manufacturing revenues are subject to seasonal fluctuations. As the majority of products that we manufacture for our customers are OTC healthcare and cold remedy products, our revenues tend to be higher in the first, third and fourth quarters during the cold season. Generally, a cold season is defined as the period from September to March when the incidence of the common cold rises as a consequence of the change in weather and other factors. Revenues are generally at their lowest levels during the second quarter when contract manufacturing demand generally declines.

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 ("FFDCA") 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 FFDCA 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, 2024, we employed 96 full-time employees, of which 52 were engaged in our contract manufacturing operations and 34 employees were employed by other subsidiaries of the Company.

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 711 Stewart Avenue, Suite 200, Garden City, New York 11530 and our telephone number is 215-345-0919.

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

The following discussion addresses risks and uncertainties that could cause, or contribute to causing, actual results to differ from our expectations in material ways. In evaluating our business, investors should pay particular attention to the risks and uncertainties described below and in other sections of this Annual Report and in our subsequent filings with the SEC. These risks and uncertainties, or other events that we do not currently anticipate or that we currently deem immaterial, may also affect our results of operations, cash flows and financial condition. The trading price of our common stock could also decline due to any of these risks. The following information should be read in conjunction with Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and related notes included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report.

Risks Related to Our Business Generally

We have incurred significant losses and accounts receivable, have limited cash on hand, and anticipate that we may continue to incur losses for the foreseeable future.

We have had limited history of profitability. While we were profitable for years ended December 31, 2022 and 2021 due to the diagnostic services that we provided, there is no certainty that we will be profitable in future years. We incurred net losses of approximately $53.4 million as of December 31, 2024 and expect to continue to incur significant operating and capital expenditures. We anticipate that our expenses will increase substantially if, and as we:

- continue our current research programs and our preclinical and clinical development of product candidates;
- initiate preclinical studies and clinical trials for any other product candidates we identify and choose to develop;
- expand, maintain, enforce and/or defend our intellectual property;
- seek marketing approvals for any of our product candidates that successfully complete clinical trials;
- hire additional clinical, quality control and scientific personnel;
- establish, expand or contract for manufacturing capabilities;
- add operational, financial and management information systems and personnel, including personnel to support our product candidate development; and
- acquire or in-license other technologies.

Because of the numerous risks and uncertainties associated with our business, we are unable to predict the extent of any future losses or when we will become profitable, if at all. Even if we do become profitable, we may not be able to sustain or increase our profitability on a quarterly or annual basis.

With the significant reduction of our diagnostic services and as we fund capital expenditures, we also expect to experience limited cash flow for the foreseeable future. We cannot guarantee that revenues from the genomics business will be sufficient to supplant the reduction in the diagnostic services revenues. If these revenues are not sufficient to replace the revenues from our diagnostic services, then the Company may continue to suffer yearly losses. As a result, we will need to generate significant revenues in order to achieve profitability or raise significant capital. We may not be able to generate these revenues or raise capital in the future. Our failure to achieve or maintain profitability could negatively impact the value of our common stock. *Refer to risk factors under the section titled "Risks Related to Our Diagnostic Business" for more information relating to risks associated with our diagnostic services and the significant reduction of such services.*

We have limited cash on hand, and we will need substantial additional funding and if we are unable to raise additional capital when needed, we may need to incur indebtedness or issue common stock or other securities to finance our operations.

As of December 31, 2024, year-to-date cash used by operating activities was approximately $17.5 million and cash and cash equivalents and marketable securities available for sale were approximately $0.7 million. The Company believes that it has sufficient cash on hand to fund its operations into March of 2026. The exact duration that our liquidity will be sufficient to fund operations depends upon many factors, some of which are outside the control of the Company and is difficult to predict. Our future capital requirements will depend on, and could increase significantly as a result of, many factors, including:

- the scope, progress, results and costs of clinical trials, drug discovery, preclinical development, and laboratory testing for our wholly owned and partnered product candidates;
- the scope, prioritization and number of our research and development programs;
- the costs, timing and outcome of regulatory review of our products or product candidates;

- the costs of establishing and maintaining a supply chain for the development and manufacture of our customer's or our product candidates;
- the success of our collaborations with our third-party collaborators;
- our ability to establish and maintain additional collaborations on favorable terms, if at all;
- the achievement of milestones or occurrence of other developments that trigger payments under any additional collaboration agreements we obtain;
- the extent to which we are obligated to reimburse, or entitled to reimbursement of, clinical trial costs under future collaboration agreements, if any;
- the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending intellectual property-related claims;
- the costs of fulfilling our obligations under licensing agreements;
- the extent to which we acquire or in-license other product candidates and technologies;
- the costs of expanding our manufacturing capabilities;
- the costs of establishing or contracting for sales and marketing capabilities if we obtain regulatory approvals to market our product candidates; and
- our ability to establish and maintain healthcare coverage and adequate reimbursement.

In addition, as of December 31, 2024, we had a total of approximately $20.1 million in accounts receivable. These accounts receivable consist primarily of amounts due from government agencies and healthcare insurers, and there is no guarantee we will ever collect the balances. To the extent that we do not generate sufficient cash from operations or do not collect our accounts receivable, our cash balances will decline.

In the event 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 operations. Any additional fundraising efforts may divert our management from their day-to-day activities, which may adversely affect our ability to develop and commercialize our products or product candidates or expand our manufacturing capabilities. We cannot guarantee that future financing will be available in sufficient amounts or on terms acceptable to us, if at all. Moreover, the terms of any financing may adversely affect the holdings or the rights of our stockholders and the issuance of additional securities, whether equity or debt, by us, or the possibility of such issuance, may cause the market price of our shares to decline. The sale of additional equity or convertible securities would dilute all of our stockholders and the terms of these securities may include liquidation or other preferences that adversely affect your rights as a stockholder. The incurrence of indebtedness would result in increased fixed payment obligations and we may be required to agree to certain restrictive covenants, such as limitations on our ability to incur additional debt, limitations on our ability to acquire, sell or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. We could also be required to seek funds through arrangements with collaborators or otherwise at an earlier stage than otherwise would be desirable and we may be required to relinquish rights to some of our technologies or product candidates or otherwise agree to terms unfavorable to us, any of which may have a material adverse effect on our business, operating results and prospects.

If we are unable to obtain funding on a timely basis, we may be required to significantly curtail, delay or discontinue one or more of our research or development programs or the commercialization of any product or product candidate, or be unable to expand our manufacturing capabilities or operations or otherwise capitalize on our business opportunities, as desired, which could materially affect our business, financial condition and results of operations.

We will face legal, reputational, and financial risks if we fail to protect our customer data from security breaches or cyberattacks. Changes in laws or regulations relating to privacy or the protection or transfer of data relating to individuals, or any actual or perceived failure by us to comply with such laws and regulations or any other obligations relating to privacy or the protection or transfer of data relating to individuals, could adversely affect our business.

We receive and store a large volume of personally identifiable information, genetic information, and other data relating to our customers, as well as other personally identifiable information and other data relating to individuals such as our employees. Security breaches, employee malfeasance, or human or technological error could lead to potential unauthorized disclosure of our customers' personal information. Even the perception that the privacy of personal information is not satisfactorily protected or does not meet regulatory requirements could inhibit sales of our solutions and any failure to comply with such laws and regulations could lead to significant fines, penalties or other liabilities.

Increased global information technology security threats and more sophisticated and targeted computer crime pose a risk to the security of our systems and networks and the confidentiality, availability, and integrity of our data. There have been several recent, highly publicized cases in which organizations of various types and sizes have reported the

unauthorized disclosure of customer or other confidential information, as well as cyberattacks involving the dissemination, theft, and destruction of corporate information, IP, cash, or other valuable assets.

There have also been several highly publicized cases in which hackers have requested "ransom" payments in exchange for not disclosing customer or other confidential information or for not disabling the target company's computer or other systems.

A security compromise of our information systems or of those of businesses with whom we interact that results in confidential information being accessed by unauthorized or improper persons could harm our reputation and expose us to regulatory actions, customer attrition, remediation expenses, disruption of our business, and claims brought by our customers or others for breaching contractual confidentiality and security provisions or data protection laws. Breaches of health information and/or personal data may be extremely expensive to remediate, may prompt federal or state investigation, fines, civil and/or criminal sanctions and significant reputational damage. Monetary damages imposed on us could be significant and not covered by our liability insurance. Techniques used by bad actors to obtain unauthorized access, disable or degrade service, or sabotage systems evolve frequently and may not immediately produce signs of intrusion, and we may be unable to anticipate these techniques or to implement adequate preventative measures. In addition, a security breach could require that we expend substantial additional resources related to the security of our information systems and providing required breach notifications, diverting resources from other projects and disrupting our businesses. If we experience a data security breach, it could result in increased costs or loss of revenue; our reputation could be damaged; and we could be subject to additional litigation, regulatory risks and other business losses.

A security breach or privacy violation that leads to unauthorized disclosure or loss of unauthorized use or modification of, or that prevents access to or otherwise impacts the confidentiality, security, or integrity of, sensitive, confidential, or proprietary information we or our third-party service providers maintain or otherwise process, could require us to comply with breach notification laws, and cause us to incur significant costs for remediation, fines, penalties, notification to individuals, media and governmental authorities, implementation of measures intended to repair or replace systems or technology, and to prevent future occurrences, potential increases in insurance premiums, and forensic security audits or investigations. Our failure, or the failure by our third-party providers on our platform, to comply with applicable laws or regulations or any other obligations relating to privacy, data protection, or information security, or any compromise of security that results in unauthorized access to, or use or release of personally identifiable information or other data relating to our customers, or other individuals, or the perception that any of the foregoing types of failure or compromise have occurred, could damage our reputation, discourage new and existing customers from using our platform, or result in fines, investigations, or proceedings by governmental agencies and private claims and litigation, any of which could adversely affect our business, financial condition, and results of operations. Even if not subject to legal challenge, the perception of privacy concerns, whether or not valid, may harm our reputation and brand and adversely affect our business, financial condition, and results of operations.

Our failure to manage our growth successfully could harm our growth and operating results.

Since our sale of the Cold-EEZE™ business in March 2017, we have actively explored and pursued new product technologies, applications, product line extensions and other new product and business opportunities.

In October 2020, we purchased our first CLIA licensed laboratory in Old Bridge, New Jersey, where we offered a variety of important medical tests, including, among others, COVID-19 diagnostic testing and Influenza A and B. In December 2020, we expanded our diagnostic services to a second location in Garden City, New York. In August 2021, we acquired Nebula, a privately-owned personal genomics company. We have transitioned Nebula's whole genome sequencing services into the area where clinical diagnostic services were offered at our CLIA-certified molecular testing laboratories. In March 2022, we formed ProPhase Biopharma, Inc. for the licensing, development and commercialization of novel drugs, dietary supplements, and compounds. We may in the future consider and pursue investments and acquisitions in other sectors and industries.

We have and will continue to incur significant expenses as we grow our new businesses. In order for us to be profitable, we must generate sufficient revenue to cover our expenses. There can be no assurance that our different business lines will succeed or that we will be successful in initiating or acquiring any new lines of business in the future, or that any such new business lines will achieve profitability.

Our businesses are subject to significant competitive pressures.

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 companies, 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.

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.

Unfavorable global economic conditions, including any adverse macroeconomic conditions or geopolitical events, including a pandemic, epidemic or infectious disease outbreak, the conflict in Ukraine or Gaza Strip, and bank failures affecting the financial services industry, could adversely affect our business, financial condition, results of operations or liquidity, either directly or through adverse impacts on certain of the third parties that we rely upon for our business operations.

Our results of operations could be adversely affected by general conditions in the global economy and in the global financial markets, including but not limited to a pandemic, epidemic or infectious disease outbreak such as the conflict in Ukraine or Gaza Strip, and bank failures affecting the financial services industry. Global economic and business activities continue to face widespread uncertainties, and global credit and financial markets have experienced extreme volatility and disruptions in the past several years, including severely diminished liquidity and credit availability, rising inflation and monetary supply shifts, rising interest rates, labor shortages, declines in consumer confidence, declines in economic growth, increases in unemployment rates, recession risks, and uncertainty about economic and geopolitical

stability. A severe or prolonged economic downturn, or additional global financial or political crises, could result in a variety of risks to our business, including delayed clinical trials or preclinical studies, delayed approval of our product candidates, delayed ability to obtain patents and other intellectual property protection, weakened demand for our product or product candidates, if approved, or our ability to raise additional capital when needed on acceptable terms, if at all. The extent of the impact of these conditions on our operational and financial performance, including our ability to execute our business strategies and initiatives in the expected timeframe, as well as that of third parties upon whom we rely, will depend on future developments which are uncertain and cannot be predicted. A weak or declining economy also could strain our suppliers, possibly resulting in supply disruption. Any of the foregoing could harm our business and we cannot anticipate all of the ways in which the current economic climate and financial market conditions could adversely impact our business. Furthermore, our stock price may decline due in part to the volatility of the stock market and the general economic downturn.

Disruptions to our supply chain could materially and adversely affect our business, financial condition and results of operations.

Disruptions to our supply chain, including our access to testing supplies and personal protective equipment for our diagnostic services business, materials and equipment (such as our saliva collections kits) necessary for our personal genomics business, and raw materials and product components necessary for our manufacturing operations, could have a material impact on our business, financial condition and results of operations.

We do not have long-term contracts with most of our suppliers. Although we maintain relationships with suppliers with the objective of ensuring that we have adequate supply for the delivery of our products and services, increases in demand for such items and services can result in shortages and higher costs. Our suppliers may not be able to meet our delivery schedules. Further, we may experience shortages in certain items as a result of limited availability, increased demand, pandemics (such as the COVID-19 pandemic), epidemics or other infectious disease outbreaks, weather conditions and natural disasters, global economic conditions, as well as other factors outside of our control.

The COVID-19 pandemic adversely impacted, and it or another pandemic, epidemic or infectious disease outbreak may in the future adversely impact, third parties that are critical to our businesses, including vendors, suppliers, and business partners. While our businesses have not been significantly negatively impacted up to this point by the COVID-19 pandemic, it is difficult if not impossible to predict whether and how we could be impacted by the COVID-19 pandemic, or another pandemic, epidemic or infectious disease outbreak, in the future.

Increases in the price of testing supplies, equipment and raw materials needed for our businesses and costs associated with doing business could materially and adversely affect our business, financial condition and results of operations.

We purchase certain materials and equipment (such as our saliva collections kits) for our personal genomics business and certain key raw materials and product components for our manufacturing operations.

If the price of these supplies, equipment, raw materials, and components were to increase significantly, we may not be able to pass on such increases to customers who use our services or purchase our products, which could have a material adverse impact on our business, financial condition and results of operations.

Our freight costs may also increase due to factors such as limited carrier availability, increased fuel costs, increased compliance costs associated with new or changing government regulations, pandemics (such as the COVID-19 pandemic), epidemics or other infectious disease outbreaks, or inflation. Higher prices for natural gas, propane, electricity and fuel may also increase our production and delivery costs. The prices charged for our products may not reflect changes in our packaging material, freight, tariff and energy costs at the time they occur, or at all.

The adulteration of key testing materials and raw materials needed for our businesses could materially and adversely affect our business, financial condition and results of operations.

We are reliant upon the supply of genomics testing materials and raw materials that meet our specifications and the specifications of third parties for whom we manufacture. If any genomics testing material or raw material is adulterated and does not meet our specifications or third parties' specifications, it could significantly impact our ability to perform

genomic services or manufacture products and could materially and adversely impact our business, financial condition and results of operations.

We may be subject to product liability claims.

As a direct marketer and manufacturer of products designed for human consumption, we are subject to product liability claims if the use of our products or the products that we manufacture for third parties are alleged to have resulted in injury or to include inadequate instructions for use or inadequate warnings concerning possible side effects and interactions with other substances. Our current products and the products that we currently manufacture for third parties are not subject to pre-market regulatory approval in the United States and could contain contaminated substances.

While we currently maintain product liability insurance, a successful claim brought against us related to our branded products or products that we manufacture for third parties in excess of, or outside of, our existing insurance coverage, could result in increased costs and could adversely affect our reputation with customers, which could in turn materially adversely affect our business, financial condition and results of operations.

We may require additional capital to support our growing personal genomics business, product development and commercialization programs, and biopharmaceutical business, but additional funding may not be available to us on acceptable terms, or at all.

The amount of capital that may be needed to support our various businesses will depend on many factors which may include, but are not limited to (i) the revenue we generate from our personal genomics products and services and drug and dietary supplement lines; (ii) the expenses we incur in growing these businesses and services; (iii) the cost involved in applying for and obtaining FDA, international regulatory or other technical approvals, if required; and (iv) whether we elect to establish partnering or other strategic arrangements for the development, sales, manufacturing and marketing of our products and services.

Income from our various businesses may not generate all the funds we need to support the growth of these businesses. To the extent that we do not generate sufficient cash from operations, we may, in the short and long-term, seek to raise capital through the issuance of equity securities or through other financing sources. To the extent that we seek to raise additional funds by issuing equity securities, our stockholders may experience significant dilution. Any debt financing, if available, may include financial and other covenants that could restrict our use of the proceeds from such financing or impose other business and financial restrictions on us. In addition, we may consider alternative approaches such as licensing, joint venture, or partnership arrangements to provide long-term capital. Additional funding may not be available to us on acceptable terms, or at all.

Adverse credit market conditions may significantly affect our access to capital, cost of capital and ability to meet liquidity needs.

Disruptions, uncertainty or volatility in the credit markets could adversely impact the availability and cost of credit to us in the future. For example, the credit and financial markets may be adversely affected by the war in Ukraine and measures taken in response thereto. If the credit markets are not favorable, we may be forced to delay raising capital or pay unattractive interest rates, which could increase our interest expense, decrease our profitability and significantly reduce our financial flexibility. Longer-term disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation, reduced alternatives or failures of significant financial institutions could adversely affect our access to liquidity needed for our business. Any disruption could require us to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding for our business needs can be arranged. Such measures could include deferring capital expenditures or other discretionary uses of cash. Overall, our results of operations, financial condition and cash flows could be materially adversely affected by disruptions in the credit markets.

System failures could adversely affect our results of operations and financial condition.

Like many companies, our business is highly dependent upon our information technology infrastructure (websites, accounting and manufacturing applications, and product and customer information databases) to manage effectively and efficiently our operations, including order entry, customer billing, accurate tracking of purchases and volume incentives and managing accounting, finance and manufacturing operations. The occurrence of a natural disaster, security breach or other unanticipated problem could result in interruptions in our day-to-day operations that could adversely affect our

business. A long-term failure or impairment of any of our information systems could have a material adverse effect on our results of operations and financial condition.

We may not be successful without our key personnel.

Our success depends, in part, upon the continued service of key personnel, such as Mr. Ted Karkus, Chairman and Chief Executive Officer, and certain managers and strategists within the Company. The loss of the services of any one of them could have a material adverse effect on us.

In order to be successful, we must retain and motivate executives and other key employees, including those in managerial, technical, marketing and health product positions. In particular, our product generation efforts depend on hiring and retaining qualified health and science professionals. Competition for skilled employees who can perform the services that we require is intense and hiring, training, motivating, retaining and managing employees with the skills required is time-consuming and expensive. If we are not able to hire sufficient professional staff to support our operations, or to train, motivate, retain and manage the employees we do hire, it could have a material adverse effect on our business operations or financial results.

We may not be successful in executing our growth strategy to identify, discover, develop, in-license or acquire additional product candidates or technologies, and our growth strategy may not deliver the anticipated results or we may refine or otherwise alter our growth strategy. We may seek to acquire businesses or undertake business combinations, collaborations or other strategic transactions which may not be successful or on favorable terms, if at all, and we may not realize the intended benefits of such transactions.

We have acquired or in-licensed certain of our existing diagnostic tests, such as BE-Smart Esophageal Pre-Cancer diagnostic screening test, and product candidates, such as Linebacker LB-1 and LB-2. As part of our strategy, we plan to continue to identify products, diagnostic tests, product candidates or technologies that we believe are complementary to our existing products, diagnostic tests, and product candidates. We may do this through our internal discovery program, or by acquiring the rights to products, diagnostic tests, product candidates, and technologies through a variety of transaction types, including in-licensing, strategic transactions, mergers or acquisitions.

Research programs and business development efforts to identify new products, diagnostic tests, product candidates, and technologies require substantial technical, financial, and human resources. We may focus our efforts and resources on potential products, diagnostic tests, product candidates, technologies or businesses that ultimately prove to be unsuccessful. Our research programs and business development efforts, including businesses or technology acquisitions, collaborations or licensing attempts, may fail to yield additional complementary or successful products, diagnostic tests, and product candidates for clinical development and commercialization or successful business combinations for a number of reasons, including, but not limited to, the following:

- our research or business development methodology or search criteria and process may be unsuccessful in identifying potential product candidates or businesses with a high probability of success for development progression;
- we may not be able or willing to assemble sufficient resources or expertise to in-license, acquire or discover additional products, diagnostic tests, and product candidates, acquire businesses or undertake business combinations, collaborations, or other strategic transactions;
- we may not be able to agree to acceptable terms with potential licensors or other partners or with respect to business acquisitions;
- we may incur substantial liabilities as part of an acquisition or merger that may not be offset by the benefits of the acquired assets or the synergies we hope to realize; and
- any product candidates or technologies to which we acquire the rights or that we discover may not allow us to leverage our expertise and our development and commercial infrastructure as currently expected.

In addition, we cannot be certain that such discovery of, or transaction related to, targeted products, diagnostic tests product candidates or technologies will be on favorable terms; or that, following any such discovery or transaction, we will be able to realize the intended benefits of it. The consummation or performance of any acquisition, business combination, collaboration or other strategic transaction we may undertake in furtherance of our growth strategy or any

refined or otherwise altered strategy, may involve additional risks, such as difficulties in assimilating different workplace cultures, retaining personnel and integrating operations, which may be geographically dispersed, increased costs, exposure to liabilities, incurrence of indebtedness, or use a substantial portion of our available cash for all or a portion of the consideration or cause dilution to our existing stockholders if we issue equity securities for all or a portion of the consideration. If any of these events occurs or we are unable to meet our strategic objectives for any such transaction, we may not be able to achieve the expected benefits from the transaction and our business may be materially harmed.

Furthermore, in-licensing and acquisitions of products, diagnostic tests, product candidates, technologies or businesses often require significant payments and expenses and consume additional resources. We will need to continue to devote a substantial amount of time and personnel to research, develop and commercialize any such in-licensed or acquired products, diagnostic tests, product candidate or technologies, or integrate any new business, including extensive nonclinical or clinical testing, or both, and approval by the FDA and applicable foreign regulatory authorities, if any. All such products are prone to risks of failure inherent in pharmaceutical product development, including the possibility that the diagnostic tests, product candidate, or product developed based on in-licensed technology, will not be shown to be effective or sufficiently safe for approval by regulatory authorities. If intellectual property related to products, diagnostic tests, product candidates or technologies we in-license or acquire is not adequate, we may not be able to commercialize the affected products even after expending resources on their development. In addition, we may not be able to economically manufacture or successfully commercialize any product, diagnostic test or product candidate that we develop based on acquired or in-licensed technology that is granted regulatory approval, and such products may not gain wide acceptance or be competitive in the marketplace. Moreover, integrating any newly acquired or in-licensed product candidates could be expensive and time-consuming. If we cannot effectively manage these aspects of our business strategy, we may ultimately decide to reprioritize our efforts even after having expended resources on a particular prospect, and our business may be materially harmed.

If we are unable to identify, discover, develop (in-license or otherwise acquire), and integrate new products, diagnostic tests or product candidates, or their related companies, in accordance with this strategy, our growth strategy or strategic transactions may not deliver the anticipated results, our ability to pursue this component of our growth strategy would be limited, and we may need to refine or otherwise alter this strategy. We cannot be certain that we will be successful in such efforts.

We may not be able to successfully develop and commercialize our business units in the MENA region in accordance with our expansion strategy; regulatory requirements vary from country to country, including those in the MENA region; and changes in the value of the relevant currencies used in our operations, including those used in the MENA region, may adversely impact our operations.

In June 2023, we announced our intention to develop our business units in the MENA region, in particular, the Gulf Cooperation Council, an alliance of six Arab states in the Persian Gulf region, which includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates. Our entry into new markets may place a significant strain on our resources and increase demands on our executive management, personnel and operational systems, and our human, administrative and financial resources may be inadequate to meet these demands. Conducting and launching operations on an international scale requires close coordination of activities across multiple jurisdictions and time zones and consumes significant management resources. If we fail to coordinate and manage these activities effectively, our business, financial condition or results of operations could be adversely affected.

Each jurisdiction in the MENA region that we target for commercialization of our products requires regulatory approvals and compliance with numerous and sometimes varying regulatory requirements. The approval procedures vary among countries and may involve requirements for additional testing, and the time required to obtain approval may differ from country to country in the MENA region and from that required to obtain clearance or approval in the United States. Approval or clearance in the United States does not ensure approval or certification by regulatory authorities in other countries or jurisdictions, and approval or certification by one regulatory authority in the MENA region does not ensure approval or certification by regulatory authorities in other countries in the MENA region or the United States. Any non-U.S. regulatory approval or certification process may include similar risks associated with obtaining clearance or approval in the United States. In addition, some countries only approve or certify a product for a certain period of time, in which case we will be required to re-approve or re-certify our products in a timely manner prior to the expiration of our prior approval or certification. We may not obtain regulatory approvals that we seek on a timely basis, if at all. We may not be able to file for regulatory approvals or certifications and may not receive or maintain necessary approvals to commercialize our products in any MENA market. If we fail to receive or maintain necessary approvals or certifications to commercialize

our products in any MENA jurisdiction on a timely basis, or at all, or if we fail to have our products re-approved or re-certified, our business, results of operations and financial condition could be materially and adversely affected.

Even if we successfully receive regulatory approvals and can commercialize our products, diagnostic tests, and product candidates in one or more of the jurisdictions in the MENA region, international sales entail a variety of risks, including longer payment cycles and difficulties in collecting accounts receivable outside of the United States, currency exchange fluctuations, challenges in staffing and managing foreign operations, tariffs and other trade barriers, unexpected changes in legislative or regulatory requirements of foreign countries into which we sell our products, difficulties in obtaining export licenses or in overcoming other trade barriers, laws and business practices favoring local companies, political instability, including conflicts and tensions involving the Israel-Hamas war, economic instability, difficulties protecting or procuring intellectual property rights, and restrictions resulting in delivery delays and significant taxes or other burdens of complying with a variety of foreign laws. In addition, expansion into the MENA markets may be affected by local economic and market as well as geopolitical conditions of each MENA country.

Changes in the value of the relevant currencies in the MENA region may affect the cost of certain items required in our operations. Changes in currency exchange rates may also affect the relative prices at which we are able to sell products in the same market. Our revenue from customers in the MENA region may be negatively impacted as increases in the U.S. dollar relative to such customers' local currency could make our products more expensive, impacting our ability to compete. Our costs of materials from international suppliers may increase if in order to continue doing business with us they raise their prices as the value of the U.S. dollar decreases relative to their local currency. Foreign policies and actions regarding currency valuation could result in actions by the United States and other countries to offset the effects of such fluctuations. The recent global financial downturn has led to a high level of volatility in foreign currency exchange rates and that level of volatility may continue, which could adversely affect our business, financial condition or results of operations.

Servicing our debt will require a significant amount of cash, and we may not have sufficient cash flow from our business to pay our debt.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. We had, as of December 31, 2024, approximately $14.9 million of outstanding indebtedness, net of discounts and approximately $0.7 million in cash and cash equivalents. Our business may not generate cash flow from operations in the future sufficient to service our debt obligations and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

Our projections of future performance may not be indicative of actual results.

From time to time, we may provide statements to the marketplace in the form of press releases that contain projections related to our future performance. These include statements relating to our projected revenues, our projected collection of receivables, our estimates of future operating and financial results and our planned strategic initiatives including our potential discussions regarding strategic partnerships and M&A activity. Although this information reflects the good faith expectations and estimates of our management based on the information available at the time that such statements were made, there can be no assurance that our actual performance and results will not differ materially from those contained in these projections. Investors are cautioned not to place undue reliance on any projections that may be provided by us.

Risks Related to Our Diagnostics Business

We may be unable to substitute the revenues from our lab diagnostic services or tests with new business segments.

During years end December 31, 2024 and 2023, the net revenue from diagnostic services was zero and $24.8 million, respectively, which were 0% and 54.9% of our net revenue, respectively. By significantly decreasing our diagnostic services in 2023 and beyond, we will no longer generate the same level of revenues as we did in previous years

for this business segment. Unless we are able to increase our revenues from existing or new line of businesses, our overall revenue will be lower than they have been for these historical periods and could adversely impact our business.

Our ability to reduce our accounts receivable depends on our collection of payment for the diagnostic tests we delivered, which we may not be able to do successfully as the process is complex and time-consuming, and any delay in collecting claims could have an adverse effect on our revenue.

Billing for our diagnostic tests was complex, time-consuming and expensive. Depending on the billing arrangement and applicable law, we were required to bill different parties for our tests. This included billing customers directly, as in the case of our hospital and other medical institution customers, as well as billing through Medicare, Medicaid, insurance companies and patients, all of which may have different billing requirements. Collection of receivables from third-party payors and patients is our primary source of cash from our diagnostic testing service and is critical to our results of operations.

Our primary collection risks relate to uninsured patients and the portion of the bill that is the patient's responsibility, which primarily includes co-payments and deductibles. We faced and continue to face increased risk in our collection efforts due to the complexities of billing requirements, long collection cycles and lower collection rates, which adversely affected and could continue to affect our business, results of operations and financial condition. Our collection risks also include the potential for default or bankruptcy by the party responsible for payment and other risks associated with payment collection generally.

We also have substantial receivables due to us from certain government-based funding programs. Our payor base for our COVID-19 and influenza tests were principally comprised of governmental bodies, municipalities, and large corporations who paid us directly or through third-party payors. 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, additional emergency funding were not allocated to the HRSA uninsured program. The expiration of the federal Public Health Emergency on May 11, 2023 also changed regulatory guidelines around COVID-19 testing including billing codes and reimbursement rates of in and out of network laboratories. Approximately 28.0% of our diagnostic services revenue for the year ended December 31, 2022 was generated from the HRSA program for the uninsured. None of our diagnostic revenues for the year ended December 31, 2024 was generated from the HRSA program for the uninsured.

At December 31, 2024, insurers had significantly aged balances that we are continuing to work to collect. For the years ended December 31, 2024 and 2023, our accounts receivable were approximately 83.6% and 89.3%, respectively, from diagnostic testing services. We estimate our provisions for doubtful accounts based on a number of factors such as payer mix, the agings of the receivables, historical collection experience and assessment of probability of future collections. We routinely review accounts receivable balances in conjunction with these factors and other economic conditions that might ultimately affect the collectability of the patient accounts and make adjustments to our allowances as warranted. In addition, in determination of our year-end reserve balance, our management considered the specific facts and circumstances related to each of the individual payors. However, there will inevitably be billings that are rejected by the insurance carriers and associated receivables that will not be collected. While past history is helpful in informing the determination of an appropriate reserve, its utility is somewhat limited by the circumstances underlying a significant portion of these aged balances; specifically, an unprecedented volume of activity related COVID-19 diagnostic testing. Accordingly, the determination of an appropriate year-end reserve balance required significant management judgment, and the year-end reserve balance established may not be sufficient due to the changes in the facts and circumstances set forth above overtime. We have hired third-party collection providers to assist us with our collection efforts. However, we cannot ensure that we or our third-party collection provider will be successful in collecting outstanding balances. Our inability to collect outstanding balances and reduce our accounts receivable could cause our revenue and ability to achieve profitability to decline and adversely affect our business, prospects and financial condition.

Risks Related to Our Personal Genomics Business

Prior to our acquisition of Nebula, we had no specific experience operating a personal genomics business. Our success in this industry will depend, in large part, on our ability to establish our presence in the personal genetics market, provide customers with a high level of service at a competitive price, achieve sufficient sales volume to realize economies

of scale, and create innovative new features, products, and services to offer to our customers. Our failure to achieve any of these outcomes could adversely affect our business.

Prior to our acquisition of Nebula in 2021, we had no specific experience operating a personal genomics business. Our success in this industry will depend, in large part, on our ability to establish and maintain our presence in this market, provide customers with a high level of service at competitive prices, achieve sufficient sales volume to realize economies of scale, and create innovative new features, products and services to offer to our customers. If customers do not perceive our personal genomic reports to be reliable and of high quality, if we fail to introduce new and improved products and services, or if we introduce new products or services that are not favorably received by the market, we may not be able to attract or retain customers.

The growth and expansion of our genomics business and service offerings will place a continuous strain on our management, operational and financial resources. We will be required to manage multiple relationships with various strategic suppliers, customers and other third parties, including regulatory agencies. To effectively manage our growth, we must continue to implement and improve our operational, financial and management information systems and to expand, train and manage our employee base. In the event of further growth of our operations or in the number of our third-party relationships, our supply, systems, procedures or internal controls may not be adequate to support our operations and our management may not be able to manage any such growth effectively.

If our estimates of the total addressable market for personal genomic services and the potential for market growth prove to be inaccurate, our business, financial condition, results of operations and prospects may be negatively affected.

Our estimates and forecasts for the personal genomic service market are based on a number of complex assumptions, internal and third-party estimates, and other business data, including assumptions and estimates relating to our ability to leverage our diagnostic testing facilities to generate revenue from personal genomic services. While we believe our assumptions and the data underlying our estimates are reasonable, there are inherent challenges in measuring or forecasting such information. As a result, these assumptions and estimates may not be correct and the conditions supporting our assumptions or estimates may change at any time, thereby reducing the predictive accuracy of these underlying factors and indicators. Consequently, our estimates of the total addressable market and our forecasts of market growth and future revenue from our products and services may prove to be incorrect. For example, if the annual total addressable market or the potential market growth for our products and services is smaller than we have estimated or if the key business metrics we utilize to forecast revenue are inaccurate, it may impair our sales growth and have an adverse impact on our business, financial condition, results of operations and prospects.

Media reports have in the past reported on consumer privacy concerns and the use of genetic information accessed from other genetic databases by law enforcement and governmental agencies. These reports may decrease the overall consumer demand for personal genetic products and services, including ours.

Companies offering personal genomic services and products have received a high degree of media coverage in recent years. Unfavorable publicity or consumer perception of our product and service offerings, including consumer privacy concerns related to any of our existing or future collaborations, could adversely affect our reputation, resulting in a negative impact on the size of our customer base, the loyalty of our customers, the percentage of our customers that consent to participate in any future research programs, and our ability to attract new customers.

If we lose a significant or sole supplier, our business and operations could be materially adversely affected.

Currently, we rely on two suppliers to manufacture our saliva collection kits and tubes used by customers who purchase our personal genomics services. Change in the supplier or design of certain of the materials that we rely on, in particular the saliva collection kit, could result in a requirement for additional premarket review from the FDA before making such a change.

Any new laboratory or laboratories that are engaged to support our personal genomics business must first be validated in accordance with certain governmental standards before we are able to utilize their services for our U.S. customers. We cannot be certain that we will be able to secure alternative laboratory processing services, materials and equipment, and bring such alternative materials and equipment online and revalidate them without experiencing interruptions in our workflow, or that any alternative materials will meet our quality control and performance requirements of our current contracted laboratories that support our personal genomics business.

Any significant disruption in service on our website, mobile applications, or in our computer or logistics systems, whether due to a failure with our information technology systems or that of a third-party vendor, could harm our reputation and may result in a loss of customers.

Customers purchase our personal genomics testing services and access Nebula offerings through our website or our mobile applications. Our reputation and ability to attract, retain and serve our customers is dependent upon the reliable performance of our and our partners' websites, mobile applications, network infrastructure and content delivery processes. Interruptions to any of these systems, whether due to system failures, computer viruses or physical or electronic break-ins, could affect the security or availability of our or our partner websites or mobile applications, including our databases, and prevent our customers from accessing and using our services.

Our systems and operations are also vulnerable to damage or interruption from fire, flood, power loss, telecommunications failure, terrorist attacks, acts of war, electronic and physical break-ins, earthquake and similar events. In the event of any catastrophic failure involving our or our partner websites, we may be unable to serve our customer web traffic. The occurrence of any of the foregoing risks could result in damage to our systems or could cause them to fail completely, and our insurance may not cover such risks or may be insufficient to compensate us for losses that may occur.

Additionally, our business model is dependent on our ability to deliver testing kits to customers and have kits processed and returned to us. This requires coordination between our logistics providers and third-party shipping services. Operational disruptions may be caused by factors outside of our control such as hostilities, political unrest, terrorist attacks, natural disasters, pandemics, epidemics and other infectious disease outbreaks affecting the geographies where our operations and customers are located. We may not be effective at preventing or mitigating the effects of such disruptions, particularly in the case of a catastrophic event which could cause failure to deliver pre-implantation genetic screening (PGS) kits. Any such disruption may result in lost revenues, a loss of customers and reputational damage, which would have an adverse effect on our business, results of operations and financial condition.

Our personal genomics business is subject to seasonal fluctuations.

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, due to seasonal holiday demand and the fact that kits that are ordered during the holiday season (which occurs during the fourth quarter of our fiscal year) will generally be recognized as revenue when the customer sends in their kit to the laboratory to be processed and genetic reports are delivered to the customer, which for holiday purchases we expect will occur in the following fiscal quarter. Purchasing patterns of kit sales may also align with other gift-giving and family-oriented holidays such as Mother’s Day and Father’s Day. This seasonality could cause our operating results to vary considerably from quarter to quarter.

We may also experience an increase in lab processing times and costs associated with shipping orders due to freight surcharges due to peak capacity constraints and additional long-zone shipments necessary to ensure timely delivery for the holiday season. Such delays could lead to an inability to meet advertised estimated lab processing times, resulting in customer dissatisfaction or reputational damage. If too many customers access our website within a short period of time, we may experience system interruptions that make our website unavailable or prevent us from efficiently fulfilling orders, which may reduce the volume of kits sold. Also, third-party delivery and direct ship vendors may be unable to deliver merchandise on a timely basis.

We have integrated, and may continue to integrate in the future, machine learning and AI to help us in relation to production and other areas of our business. Machine learning and AI technology present various operational, compliance and reputational risks and if any such risks were to materialize, our business and results of operations may be adversely affected.

We have integrated AI into our production processes and may continue to integrate machine learning and AI. We may continue to integrate machine learning and AI technology into other aspects of our business. Given that machine learning and AI is a new and rapidly developing technology that is in its early stages of business use, it presents a number of operational, compliance and reputational risks. AI algorithms are currently known to sometimes produce unexpected results and behave in unpredictable ways that can generate irrelevant, nonsensical, deficient or incorrect content and results. We expect that there will continue to be new laws or regulations concerning the use of machine learning and AI technology, which might be burdensome for us to comply with and may limit our use of new tools and features based on machine learning and AI technology. Further, the use of machine learning and AI technology involves complexities and

may require specialized expertise. We may not be able to attract and retain top talent to support any machine learning and AI technology initiatives and maintain our systems and infrastructure. A disruption or failure in any machine learning and AI systems or infrastructure could result in delays and operational challenges. If any of the operational, compliance or reputational risks were to materialize, our business and results of operations may be adversely affected.

Risks Related to our Dietary Supplement Business

Our dietary supplement businesses are subject to extensive governmental regulation.

Our dietary supplement businesses are subject to laws and regulations that cover:

- the formulation, manufacturing, packaging, labeling, distribution, importation, sale and storage of our products;
- the health and safety of our products;
- trade practice and direct selling laws; and
- product claims and advertising.

Compliance with these laws and regulations is time consuming and expensive. Moreover, new regulations could be adopted that would severely restrict the products we sell or manufacture or our ability to continue our business. We are unable to predict the nature of any future laws, regulations, interpretations or applications, nor can we predict what effect additional governmental regulations or administrative orders, when and if promulgated, would have on our business in the future. These future changes could, however, require the reformulation or elimination of certain products; imposition of additional record keeping and documentation requirements; imposition of new federal reporting and application requirements; modified methods of importing, manufacturing, storing or distributing certain products; and expanded or different labeling and substantiation requirements for certain products and ingredients. Any or all of these requirements could harm our business.

In July 2011, the FDA issued draft guidance governing the notification of new dietary ingredients ("NDIs") and in August 2016, the FDA issued revised draft guidance. Although FDA guidance is not mandatory, it is a strong indication of the FDA's current views, including its position on enforcement. We believe that the draft guidance, if implemented as proposed, could have a material impact on our operations. FDA enforcement of the NDI guidance as written could require us to incur additional expenses, which could be significant, and negatively affect our business in several ways, including, but not limited to, the detention and refusal of admission of imported products, the injunction of manufacturing of any dietary ingredients or dietary supplements until the FDA determines that those ingredients or products are in compliance, and the potential imposition of penalties for non-compliance.

Our failure to comply with FTC regulations could result in substantial monetary penalties and could adversely affect our operating results.

The FTC exercises jurisdiction over the advertising of dietary supplements and has instituted numerous enforcement actions against OTC drug companies for failure to have adequate substantiation for claims made in advertising or for the use of false or misleading advertising claims. Failure by us to comply with applicable regulations could result in substantial monetary penalties, which could have a material adverse effect on our financial condition or results of operations.

Our product development and commercialization efforts may be unsuccessful.

There are numerous risks associated with dietary supplement product development and commercialization. We may be subject to delays and/or be unable to successfully implement our business plan and strategy to develop and commercialize one or more dietary supplements, including Equivir. The successful commercialization and market acceptance of any products we develop will be subject to, among other things, consumer purchasing trends, health and wellness trends, regulatory factors, retail acceptance and overall economic and market conditions. As a consequence, we may suspend or abandon some or all of our proposed new products before they ever become commercially viable. Even if we successfully develop a new product, if we cannot successfully commercialize it in a timely manner, our business and financial condition may be materially adversely affected.

If our products do not have the effects intended or cause undesirable side effects, our business may suffer.

Although many of the ingredients in our current dietary supplement products are vitamins, minerals, and other substances for which there is a long history of human consumption, they also contain innovative ingredients or combinations of ingredients. While we believe that all of these products and the combinations of ingredients in them are safe when taken as directed, the products could have certain undesirable side effects if not taken as directed or if taken by a consumer who has certain medical conditions. In addition, these products may not have the effect intended if they are not taken in accordance with certain instructions, which include certain dietary restrictions. Furthermore, there can be no assurance that any of the products, even when used as directed, will have the effects intended or will not have harmful side effects in an unforeseen way or on an unforeseen cohort. If any of our products or products we develop or commercialize in the future are shown to be harmful or generate negative publicity from perceived harmful effects, our business, financial condition, results of operations, and prospects could be harmed significantly.

Risks Related to Our Drug Development Operations

Our product candidates are still in pre-clinical development and it will be many years before our wholly owned subsidiary, PBIO, is able to commercialize a product candidate, if ever.

Our Equivir G (Rx) product candidate and Linebacker portfolio (LB-1 and LB-2) product candidates are still in pre-clinical development. Our ability to generate revenue from our product candidates, which we do not expect will occur for several years, if ever, will be a result of the successful development and eventual commercialization of these product candidates, which may never occur. Our product candidates may have adverse side effects or fail to demonstrate safety and efficacy. Additionally, our product candidates may have other characteristics that may make them impractical or prohibitively expensive for large-scale manufacturing. Furthermore, our product candidates may not receive regulatory approval or, if they do, they may not be accepted by the medical community or patients or may not be competitive with other products that become available.

We must submit IND applications to the FDA to initiate clinical trials in the United States. The filing of IND applications is subject to additional preclinical research, research-scale and clinical-scale manufacturing, and other factors yet to be identified. In addition, commencing any new clinical trial is subject to review by the FDA based on the acceptability and sufficiency of our chemistry, manufacturing, and controls, and preclinical information provided to support our IND applications. If the FDA or foreign regulatory authorities require us to complete additional preclinical studies or we are required to satisfy other requests for additional data or information, our clinical trials may be delayed. Even after we receive and incorporate guidance from the FDA or foreign regulatory authorities, these regulatory authorities could disagree that we have satisfied all requirements to initiate our clinical trials or they may change their position on the acceptability of our trial design or the clinical endpoints selected. They could impose a clinical hold, which may require us to complete additional preclinical studies or clinical trials. The success of our product candidates will depend on several factors, including the following:

- sufficiency of our financial and other resources;
- completion of preclinical studies;
- clearance of IND applications to initiate clinical trials;
- successful enrollment in, and completion of, our clinical trials;
- data from our clinical trials and support an acceptable risk-benefit profile of our product candidates for our intended patient population and indications and demonstrate safety and efficacy;
- establishment of agreements with contract manufacturing organizations (“CMOs”) for clinical and commercial supplies and scaling up of manufacturing processes and capabilities to support our clinical trials;
- successful development of our internal process development and transfer to larger-scale facilities;
- receipt of regulatory and marketing approvals from applicable regulatory authorities;
- receiving regulatory exclusivity for our product candidates;
- establishment, maintenance, enforcement, and defense of patent and trade secret protection and other intellectual property rights;
- not infringing, misappropriating, or otherwise violating third-party intellectual property rights;
- establishing sales, marketing, and distribution capabilities for commercialization of our product candidates, if and when approved, whether by us or in collaboration with third parties;
- maintenance of a continued acceptable safety profile of products post-approval;

- acceptance of product candidates, if and when approved, by patients, the medical community, and third-party payors;
- effective competition with other therapies and treatment options;
- establishment and maintenance of healthcare coverage and adequate reimbursement; and
- expanding indications and patient populations for our products post-approval.

We may not be successful in our efforts to identify and successfully research and develop additional product candidates and may expend our resources to pursue particular product candidates or indications while failing to capitalize on other product candidates or indications that may be more profitable, or for which there is a greater likelihood of commercial success.

Part of our business strategy involves identifying and developing new product candidates. The process by which we identify product candidates may fail to yield successful product candidates for a number of reasons, including:

- we may not be able to assemble sufficient resources to identify or acquire additional product candidates;
- competitors may develop alternative therapies that render new product candidates obsolete or less attractive;
- product candidates we develop or acquire may be covered by third-party intellectual property rights;
- new product candidates may, on further study, be shown to have adverse side effects, toxicities, or other characteristics that indicate that they are unlikely to receive marketing approval or achieve market acceptance;
- new product candidates may not be safe or effective;
- the market for a new product candidate may change so that the continued development of that product candidate is no longer reasonable; and
- we may not be able to produce new product candidates in commercial quantities at an acceptable cost, or at all.

We are focused initially on Equivir G (Rx) and our Linebacker portfolio (LB-1 and LB-2) product candidates and, as a result, we may forego or delay pursuit of opportunities with other product candidates or for other indications that later prove to have greater commercial potential. At anytime, we may choose to divert our attention and financial resources to a certain product candidate within our portfolio at the expense of another if we deem that our resources would be better allocated to pursue such product candidate. Our resource allocation decisions may cause us to fail to timely capitalize on viable commercial products or profitable market opportunities. Our spending on current and future product candidates for specific indications may not yield any commercially viable products. If we do not accurately evaluate the commercial potential or target market for a particular product candidate, we may relinquish valuable rights to that product candidate through collaboration, licensing, or other royalty arrangements when it would have been more advantageous for us to retain sole development and commercialization rights to that product candidate.

If we experience delays or difficulties enrolling patients in the clinical trials for our product candidates, our ability to advance our product candidates through clinical development and the regulatory process could be delayed or prevented.

The timely completion of clinical trials depends, among other things, on our ability to enroll a sufficient number of patients who remain in the trial until its conclusion. We may encounter delays in enrolling or be unable to enroll a sufficient number of patients to complete any of our clinical trials and, even if patients are enrolled, they may withdraw from our clinical trials before completion. Any clinical trials for our other product candidates will compete for enrollment of patients with other clinical trials for product candidates that are intended for the same or similar study populations as our product candidates. This competition will reduce the number and types of patients available to us because some patients who might opt to enroll in our trials may instead opt to enroll in a trial being conducted by one of our competitors. Additionally, since the number of qualified and experienced clinical investigators for therapeutic areas is limited, some of our clinical trial sites may be also conducting clinical trials for some of our competitors, which may reduce the number of patients who are available for our clinical trials at that clinical trial site.

In addition, the enrollment of patients depends on many factors, including:

- size of the patient population and process for identifying patients;
- design of the clinical trial protocol;
- regulatory hold on clinical trial recruitment because of unexpected safety events;
- design of the clinical trial protocol;
- availability of eligible prospective patients who may also be eligible patients for competitive clinical trials;

- availability and efficacy of approved alternative treatments for the disease under investigation;
- ability to obtain and maintain patient consent;
- risk that enrolled patients will drop out before completion of the trial;
- eligibility and exclusion criteria for the trial in question;
- perceived risks and benefits of our product candidates;
- efforts by clinical sites and investigators to facilitate timely enrollment in clinical trials;
- patient referral practices of physicians;
- physicians' ability to monitor patients adequately during and after treatment because of patient healthcare access issues, including those caused by COVID-19, other pandemics, epidemics or infectious disease outbreaks;
- proximity and availability of clinical trial sites for prospective patients; and
- interruptions, delays, or staffing shortages resulting from the COVID-19 pandemic, other pandemics, epidemics or infectious disease outbreaks.

Enrollment delays in our clinical trials may result in increased development costs for any product candidates we may develop, which may cause our stock price to decline and limit our ability to obtain additional financing. If we have difficulty enrolling a sufficient number of patients to conduct our clinical trials as planned, we may need to delay, limit, or terminate ongoing or future clinical trials, and postpone or forgo seeking marketing approval, any of which would have an adverse effect on our business, financial condition, results of operations, and prospects.

Clinical trials are expensive, time consuming, and subject to uncertainty. We cannot guarantee that any of our clinical trials will be conducted as planned or completed on schedule, if at all. Issues may arise that could suspend or terminate our clinical trials. A failure of one or more of our clinical trials may occur at any stage of testing, and our future clinical trials may not be successful.

Events that may prevent successful or timely completion of clinical development include:

- FDA or comparable foreign regulatory authorities disagreeing as to the design or implementation of our clinical trials;
- delays or failure to obtain regulatory clearance to initiate our clinical trials, as well as delays or failures to obtain any necessary approvals by the clinical sites;
- delays, suspension, or termination of our clinical trials by the clinical sites;
- modification of clinical trial protocols;
- delays in reaching agreement on acceptable terms with prospective contract research organizations ("CROs") and clinical trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and clinical trial sites, as well as possible future breaches of such agreements;
- failure to manufacture sufficient quantities of our product candidates for use in our clinical trials;
- failure by third-party suppliers, CMOs, CROs, and clinical trial sites to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all;
- imposition of a temporary or permanent clinical hold by us, IRBs for the institutions at which such trials are being conducted, or by the FDA or other regulatory authorities for safety or other reasons, such as a result of a new safety finding in a clinical trial on a similar product by one of our competitors, that presents unreasonable risk to clinical trial participants;
- changes in regulatory requirements and guidance that require amending or submitting new clinical protocols;
- changes in the standard of care on which we developed our clinical development plan, which may require new or additional trials;
- the cost of clinical trials of our product candidates being greater than we anticipated;
- insufficient funding to continue clinical trials with our product candidates;
- the emergence of unforeseen safety issues or undesirable side effects;
- clinical trials of our product candidates producing negative or inconclusive results, which may result in our deciding, or regulators requiring us, to conduct additional clinical trials or abandon development of our product candidates;
- inability to establish clinical trial endpoints that applicable regulatory authorities consider clinically meaningful, or, if we seek accelerated approval, that applicable regulatory authorities consider likely to predict clinical benefit;

- regulators withdrawing their approval of a product or imposing restrictions on its distribution; and
- interruptions, delays, or staffing shortages resulting from the COVID-19 pandemic, other pandemics, epidemics or infectious disease outbreaks.

If (i) we are required to extend the duration of any clinical trials or to conduct additional preclinical studies or clinical trials or other testing of our product candidates beyond those that we currently contemplate; (ii) we are unable to successfully complete preclinical studies or clinical trials of our product candidates or other testing; (iii) the results of these trials, studies, or tests are negative or produce inconclusive results; (iv) there are safety concerns; or (v) we determine that the observed safety or efficacy profile would not be competitive in the marketplace, we may:

- abandon the development of one or more product candidates;
- incur unplanned costs;
- be delayed in obtaining marketing approval for our product candidates or not obtain marketing approval at all;
- obtain marketing approval in some jurisdictions and not in others;
- obtain marketing approval with labeling that includes significant use restrictions or safety warnings, including black box warnings;
- be subject to additional post-marketing requirements; or
- have regulatory agencies remove the product from the market or we voluntarily withdraw the product from the market after obtaining marketing approval.

Our preclinical studies or clinical trials may fail to adequately demonstrate the safety and efficacy of our product candidates and the development of our product candidates may be delayed or unsuccessful, which could prevent or delay regulatory approval and commercialization.

If we encounter safety or efficacy problems in our preclinical studies or clinical trials, our developmental plans could be delayed or prevented. Product candidates in later stages of clinical trials may fail to show the desired safety profiles and efficacy results despite having progressed through initial preclinical studies and clinical trials. A number of companies in the pharmaceutical industry have suffered significant setbacks in advanced clinical trials due to lack of efficacy or adverse safety profiles, notwithstanding promising results in earlier trials. Based upon negative or inconclusive results, we may decide, or regulatory agencies may require us, to conduct additional clinical trials or preclinical studies. In addition, data obtained from clinical trials are susceptible to varying interpretations, and regulatory agencies may not interpret our data as favorably as we do, which may delay, limit, or prevent regulatory approval.

In addition, the design of a clinical trial can determine whether its results will support approval of our product candidates, and flaws in the design of a clinical trial may not be apparent until the clinical trial is well advanced. We have limited experience designing clinical trials and may be unable to design and execute a clinical trial that will support regulatory approval.

From time to time, we may publish initial, interim, or preliminary data from our clinical trials. Initial, interim, or preliminary data from clinical trials are subject to the risk that one or more of the clinical outcomes may materially change as patient enrollment continues and more patient data become available. We also make assumptions, estimations, calculations, and conclusions as part of our analyses of data, and we may not have received or had the opportunity to fully evaluate all data at the time of publishing initial, interim, or preliminary data. These data also remain subject to audit and verification procedures that may result in the final data being materially different from the data we previously published. As a result, initial, interim, and preliminary data should be viewed with caution until the final data are available. Moreover, initial, interim, and preliminary data are subject to the risk that one or more of the clinical outcomes may materially change as more patient data become available when patients mature on study, patient enrollment continues, or, for final data, as other ongoing or future clinical trials with a product candidate further develop. Past results of clinical trials may not be predictive of future results. Unfavorable differences between initial, interim, or preliminary data and final data could significantly harm our business prospects and may cause the trading price of our common stock to decline significantly.

If our product candidates cause serious adverse events or undesirable side effects, including injury and death, or have other properties that could delay or prevent regulatory approval, their commercial potential may be limited or extinguished.

Product candidates we develop may be associated with undesirable or unacceptable side effects, unexpected characteristics, or other serious adverse events, including death. Inadequate recognition or management of the potential side

effects of our product candidates could result in patient injury or death. If any undesirable or unacceptable side effects, unexpected characteristics, or other serious adverse events occur, our clinical trials could be suspended or terminated, and our business and reputation could suffer substantial harm.

There can be no assurance that we will resolve any adverse event related to any of our products to the satisfaction of the FDA or any regulatory agency in a timely manner or at all. If in the future we are unable to demonstrate that such adverse events were caused by factors other than our product candidates, the FDA or other regulatory authorities could order us to cease further clinical trials of, or deny approval of, our product candidates. Even if we demonstrate that such serious adverse events are not product candidate-related, such occurrences could affect patient recruitment or the ability of enrolled patients to complete our clinical trials. Moreover, if we elect, or are required, to delay, suspend, or terminate any clinical trial of any of our product candidates, the commercial prospects of such product candidates may be harmed and our ability to generate product revenues from these product candidates may be delayed or eliminated.

The FDA or other regulatory agencies may disagree with our regulatory plans and we may fail to obtain regulatory approval of our product candidates.

Although the FDA has found substantial evidence to support approval outside of the traditional phase 1, phase 2, and phase 3 framework for certain therapies, the general approach for FDA approval of a new drug is for the sponsor to provide dispositive data from at least two adequate and well-controlled clinical trials of the relevant biologic in the applicable patient population. Such clinical trials typically involve hundreds of patients, have significant costs, and take years to complete. We do not have agreement or guidance from the FDA that our regulatory development plans will be sufficient for submission of a NDA.

In addition, the standard of care may change with the approval of new products in the same indications to which our product candidates are directed. This may result in the FDA or other regulatory authorities requesting additional studies to show that our product candidate is comparable or superior to the new products.

Our clinical trial results may also not support marketing approval. In addition, our product candidates could fail to receive regulatory approval for many reasons, including:

- the FDA or other regulatory authorities may disagree with the design or implementation of our clinical trials;
- we may be unable to demonstrate to the satisfaction of the FDA or other regulatory authorities that our product candidates are safe and effective for their proposed indications;
- the results of clinical trials may not meet the level of statistical significance required by the FDA or other regulatory authorities for approval, including due to heterogeneity of patient populations;
- we may be unable to demonstrate that the clinical and other benefits of our product candidates outweigh the safety risks;
- the data collected from clinical trials of our product candidates may not be sufficient to the satisfaction of the FDA or other regulatory authorities to support the submission of a NDA or a similar filing in a foreign jurisdiction or to support commercial reimbursement;
- the FDA or other authorities will review our manufacturing processes and inspect our CMOs' facilities and may not approve our manufacturing processes or CMOs' facilities; and
- the approval policies or regulations of the FDA or other regulatory authorities may significantly change in a manner rendering our clinical data insufficient for approval.

Even if we comply with all FDA requests, we may still fail to obtain regulatory approval. We cannot be sure that we will ever obtain regulatory clearance for our product candidates.

Even if we complete the necessary preclinical studies and clinical trials, the regulatory approval process is expensive, time-consuming, and uncertain, and we may be unable to obtain the regulatory approvals necessary for the commercialization of our product candidates; furthermore, if there are delays in obtaining regulatory approvals, we may not be able to commercialize our products, may lose competitive lead time, and our ability to generate revenues from such products will be materially impaired.

The process of obtaining marketing approvals, both in the United States and in other jurisdictions, is expensive, may take many years, if approval is obtained at all, and can vary substantially based upon a variety of factors, including the

type, complexity, and novelty of the product candidates involved. It is impossible to predict if or when any of our product candidates will prove to be safe and effective in humans or if we will receive regulatory approval for such product candidates. The risk of failure through the development process is high. Any product candidates we may develop, and the activities associated with their development and commercialization, including their manufacture, preclinical and clinical development, safety, efficacy, recordkeeping, labeling, storage, advertising, promotion, sale, and distribution, are subject to comprehensive regulation by the FDA and other regulatory authorities.

Failure to obtain marketing approval for a product candidate will prevent us from commercializing the product candidate in a given jurisdiction. PBIO has not received approval or authorization to market any product candidates from regulatory authorities in any jurisdiction and it is possible that none of its product candidates or any product candidates it may seek to develop in the future will ever obtain marketing approval or commercialization. PBIO has have not previously submitted a NDA to the FDA or made a similar submission to any foreign regulatory authority. ANDA must include extensive preclinical and clinical data and supporting information to establish a drug product candidate's safety and efficacy for each desired indication. The NDA must also include significant information regarding the chemistry, manufacturing, and controls for our product. Any drug product candidates we develop may not be effective; may be only moderately effective; or may prove to have undesirable or unintended side effects, toxicities, or other characteristics that may preclude our obtaining marketing approval or prevent or limit commercial use. The FDA and other regulatory authorities have substantial discretion in the approval process and may refuse to accept our NDA applications and decide that our data are insufficient and require additional preclinical studies or clinical trials. The same may happen with review of our drug product candidates by foreign regulatory authorities. In addition, varying interpretations of the data obtained from preclinical studies and clinical trials could delay, limit, or prevent marketing approval of our drug product candidates. Any marketing approval we ultimately obtain may be limited or subject to restrictions or post-approval commitments that render our approved product not commercially viable. If we experience delays in obtaining approval or if we fail to obtain approval of any drug product candidates we may develop, the commercial prospects for those drug product candidates and our ability to generate revenues will be materially impaired and we may lose competitive lead time as similar products enter the market.

If ProPhase Biopharma, Inc. (PBIO) is unable to establish marketing and sales capabilities or enter into agreements with third parties to market and sell our product candidates, we may not be able to generate product revenue.

To achieve commercial success for any approved product for which PBIO retains sales and marketing responsibilities, PBIO must develop and build a sales and marketing team or make arrangements with third parties to perform these services. There are risks involved with both establishing internal sales and marketing capabilities and entering into arrangements with third parties to perform these services. For example, recruiting and training a sales force is expensive and time consuming and could delay product launch. PBIO will have to compete with other supplement, pharmaceutical and biotechnology companies to recruit, hire, train, and retain marketing and sales personnel. If the commercial launch of a product for which we have recruited a sales force and established marketing capabilities is delayed or does not occur for any reason, we would have prematurely or unnecessarily incurred these commercialization expenses, which may be costly and our investment will be lost if we cannot retain or reposition our sales and marketing personnel.

Factors that may inhibit our efforts to commercialize our products on our own include:

- our inability to recruit, hire, train, and retain adequate numbers of effective sales, marketing, customer service, medical affairs, and other support personnel;
- our inability to equip sales personnel with effective materials, including sales literature, to help them educate physicians and other healthcare providers regarding our product candidates and their approved indications;
- our inability to effectively manage a geographically dispersed sales and marketing team;
- the inability of medical affairs personnel to negotiate arrangements for reimbursement and other acceptance by payors;
- the inability to price our products at a sufficient price point to ensure an adequate and attractive level of profitability; and
- unforeseen costs and expenses associated with creating an independent sales and marketing organization.

If we are unable or decide not to establish internal sales, marketing, and distribution capabilities, we will need to enter into arrangements with third parties to perform sales, marketing, and distribution services. In such cases, our product revenue or the profitability to us from these revenue streams is likely to be lower than if we were to market and sell any product candidates that we develop ourselves. In addition, we may not be successful in entering into arrangements with third parties to sell and market our product candidates or may be unable to do so on terms that are favorable to us. We likely will have little control over those third parties and they may fail to devote the necessary resources and attention to

sell and market our product candidates effectively. If we do not establish sales and marketing capabilities successfully, either on our own or in collaboration with third parties, we may not be successful in commercializing our product candidates, and our business, financial condition, results of operations, and prospects will be materially adversely affected.

Our products may not gain market acceptance among physicians, patients, hospitals, cancer treatment centers, and others in the medical community.

The use of Equivir G (Rx) for antiviral applications and/or the Linebacker portfolio (LB-1 and LB-2) as potential cancer co-therapies may not become broadly accepted by physicians, patients, hospitals, cancer treatment centers, and others in the medical community. Even with the requisite approvals from the FDA and other regulatory authorities internationally, the commercial success of any product candidates we develop will depend, in significant part, on the acceptance of physicians, patients, and healthcare payors of products as medically necessary, cost-effective, safe, and effective therapies.

Additional factors will influence whether our product candidates are accepted in the market, including:

- the clinical indications for which our product candidates are approved;
- physicians, hospitals, cancer treatment centers, and patients considering our product candidates as safe and effective treatments;
- the potential and perceived advantages of our product candidates over alternative treatments;
- the prevalence, identification, or severity of any side effects;
- product labeling or product insert requirements of the FDA or other regulatory authorities, including limitations or warnings contained in the product labeling;
- the timing of market introduction of our product candidates as well as competitive products;
- the cost of treatment of our product candidates in relation to alternative treatments;
- the availability of coverage and adequate reimbursement by third-party payors and government authorities;
- the willingness of patients to pay out-of-pocket for our product candidates in the absence of coverage;
- relative convenience and ease of administration, including as compared to alternative treatments and competitive therapies; and
- the effectiveness of our sales and marketing efforts.

If our product candidates are approved but fail to achieve market acceptance among physicians, patients, hospitals, cancer treatment centers, or others in the medical community, we will not be able to generate significant revenue. Even if our products achieve market acceptance, we may not be able to maintain that market acceptance over time if new products or technologies, or other therapeutic approaches, are introduced that are more favorably received than our products, are more cost effective, or render our products obsolete.

The market opportunities for our product candidates may be smaller than we currently believe and limited to those patients who are ineligible for or have failed prior treatment, which may adversely affect our business.

Our projections of both the number of patients who have the indications we are targeting, and who have the potential to benefit from treatment with our product candidates, are based on our beliefs and estimates. New studies may change the estimated incidence or prevalence of these cancers. The number of eligible patients may turn out to be lower than we expected. Additionally, the potentially addressable patient population for our product candidates may be limited or may not be amenable to treatment with our product candidates. The effort to identify patients with diseases we seek to treat is in early stages, and we cannot accurately predict the number of patients for whom treatment might be possible.

Additionally, the potentially addressable patient population for each of our product candidates may be limited or may not be amenable to treatment with our product candidates, and new patients may become increasingly difficult to identify or gain access to, which would adversely affect our business, financial condition, results of operations, and prospects. Even if we obtain significant market share for our product candidates, because the potential target populations are small, we may never achieve profitability without obtaining regulatory approval for additional indications.

Even if we are able to commercialize our product candidates, such products may be subject to unfavorable pricing regulations, third-party reimbursement practices, or healthcare reform initiatives, which could harm our business.

The regulations that govern marketing approvals, pricing, and reimbursement for new products vary widely from country to country. Some countries require approval of the sale price of a product before it can be marketed. In many countries, the pricing review period begins after marketing approval is granted. In some non-U.S. markets, prescription pharmaceutical pricing remains subject to continuing governmental control even after initial marketing approval is granted. As a result, we might obtain marketing approval for our product candidates in a particular country, but then be subject to price regulations that delay our commercial launch of such product candidates, possibly for lengthy time periods, and such delays would negatively impact the revenues we are able to generate from the sale of our product candidates in that country. Pricing limitations may hinder our ability to recoup our investment in one or more product candidates, even if any product candidates we may develop obtain marketing approval.

Uncertainty exists as to the coverage and reimbursement status of any of our products candidates for which we obtain regulatory approval. Additionally, reimbursement coverage may be more limited than the indications for which our products are approved. The marketability of our products may suffer if government and other third-party payors fail to provide coverage and adequate reimbursement. Furthermore, coverage policies and third-party reimbursement rates may change at any time. Even if favorable coverage and reimbursement status is attained for one or more of our product candidates for which we receive regulatory approval, less favorable coverage policies and reimbursement rates may be implemented in the future.

Moreover, eligibility for reimbursement does not imply that our product candidates will be paid for in all cases or at a rate that will cover our costs, including research, development, manufacture, sale, and distribution. Interim reimbursement levels for new products, if applicable, may also not be sufficient to cover our costs and may not be made permanent. Reimbursement rates may vary according to the use of our product candidate and the clinical setting in which it is used, may be based on reimbursement levels already set for lower cost products, and may be incorporated into existing payments for other services. Net prices for our product candidates may be reduced by mandatory discounts or rebates required by government healthcare programs or private payors and by any future relaxation of laws that presently restrict imports of products from countries where our product candidates may be sold at lower prices than in the United States.

Third-party payors, whether domestic or foreign, governmental or commercial, are developing increasingly sophisticated methods of controlling healthcare costs. In both the United States and certain foreign jurisdictions, there have been a number of legislative and regulatory changes to healthcare systems that could impact our ability to sell our product candidates, if approved, profitably. There have been, and likely will continue to be, legislative and regulatory proposals at the federal and state levels directed at broadening the availability of, and containing or lowering the cost of, healthcare. The implementation of cost containment measures that third-party payors and healthcare providers are instituting and any other healthcare reforms may prevent us from being able to generate, or may reduce, our revenues from the sale of our product candidates, if approved, and our product candidates may not be profitable. Such reforms could have an adverse effect on anticipated revenue from product candidates for which we may obtain regulatory approval and may affect our overall financial condition and ability to develop product candidates. Even if our product candidates are successful in clinical trials and receive marketing approval, we cannot provide any assurances that we will be able to obtain and maintain third-party payor coverage or adequate reimbursement for our product candidates in whole or in part.

Enacted and future healthcare legislation may increase the difficulty and cost for us to obtain approval of and commercialize our product candidates and could adversely affect our business.

The Affordable Care Act brought significant changes to the way healthcare is financed by both the government and private insurers, and significantly impacted the U.S. pharmaceutical industry, including expanding the list of covered entities eligible to participate in the 340B drug pricing program and establishing a new Medicare Part D coverage gap discount program. We expect that these and other healthcare reform measures in the future, may result in more rigorous coverage criteria and lower reimbursement, and in addition, exert downward pressure on the price that we receive for any approved product. Any reduction in reimbursement from Medicare or other government-funded programs may result in a similar reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms may hinder us in generating revenue, attaining profitability, or commercializing our products once, and if, marketing approval is obtained.

In the European Union ("EU"), coverage and reimbursement status of any product candidates for which we obtain regulatory approval are provided for by the national laws of EU member states. The requirements may differ across the EU member states. In markets outside the United States and the EU, reimbursement and healthcare payment systems vary significantly by country, and many countries have instituted price ceilings or other price controls on specific products and therapies.

We cannot predict the likelihood, nature, or extent of government regulation that may arise from future legislation or administrative action in the United States, the EU, or any other jurisdiction. If we or any third parties we may engage are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we or those third parties are not able to maintain regulatory compliance, our product candidates may lose any regulatory approval that we may have obtained and we may not achieve or sustain profitability.

Risks Related to Our Intellectual Property

Failure to protect our trademarks and other intellectual property could impact our business.

We will rely on trademark laws to protect our proprietary rights in any products we develop and commercialize. Monitoring the unauthorized use of our intellectual property will be difficult. Litigation may be necessary to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Litigation of this type could result in substantial costs and diversion of resources, may result in counterclaims or other claims against us and could significantly harm our results of operations. In addition, the laws of some foreign countries do not protect our proprietary rights to the same extent as do the laws of the United States. From time to time, we may apply to have certain trademarks registered. There is no guarantee that such trademark registrations will be granted. The unauthorized reproduction of our trademarks could diminish the value of our brand and its market acceptance, competitive advantages or goodwill, which could adversely affect our business.

If we, or our licensors are unable to maintain effective patents or we are unable to maintain our license rights for our approved products, product candidates or any future product candidates, or if the scope of the patent or license rights obtained is not sufficiently broad, we may not be able to compete effectively in our markets.

We have traditionally in-licensed all patent rights protecting our products and/or our product candidates. Commensurate with our purchase of the Stella Purchased Assets, we became the owner of certain patents, patent applications and their foreign counter-parts. Our success depends in large part on our, and our licensors' ability to obtain and maintain patents and other intellectual property protection in the United States and in other countries, as well as our license rights, with respect to our proprietary technology, products and product candidates.

The patent position of biotechnology and pharmaceutical companies generally is highly uncertain and involves complex legal and factual questions for which legal principles remain unsolved. The patent applications that we own, acquire (previously, or in the future), or in-license may fail to result in issued patents with claims that cover our products or product candidates in the United States or in foreign countries. Publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the United States and other jurisdictions remain confidential for a period of time after filing, and some remain so until issued. Therefore, we cannot be certain that we, our predecessors (as to patents and patent applications acquired), or our licensors were the first to file any patent application related to our products or product candidates, or whether we, or they, were the first to make the inventions claimed in the patents or pending patent applications that we own, in-license or acquire. As a result, the issuance, scope, validity, enforceability and commercial value of our owned, acquired, or licensed patent rights are highly uncertain. There is no assurance that all potentially relevant prior art relating to such patents and patent applications has been found, which can invalidate a patent or prevent a patent from issuing from a pending patent application. Even if patents do successfully issue, and even if such patents cover our products or product candidates, third parties may challenge their validity, enforceability or scope, which may result in such patents being narrowed, found unenforceable or invalidated, which could allow third parties to commercialize our technology or products and compete directly with us, without payment to us, or result in our inability to manufacture or commercialize products without infringing third-party patent rights. Furthermore, even if they are unchallenged, such patents and patent applications may not adequately protect our intellectual property, provide exclusivity for our products or product candidates, prevent others from designing around our claims or provide us with a competitive advantage. Any of these outcomes could impair our ability to prevent competition from third parties.

Any successful opposition to any patents owned, acquired, or licensed to us after patent issuance, or the loss or other impairment of any owned, acquired, or licensed rights relating to our products or product candidates, could deprive us of rights necessary for the successful commercialization of any products or product candidates that we may develop.

Further, if we, or our licensors, encounter delays in regulatory approvals, the period of time during which we could market a product or product candidate under patent protection could be reduced. In addition, our, or our licensors' patent positions might not protect us against competitors with similar products or technologies because competing products or technologies may not infringe our owned, acquired, or licensed patents.

We, our licensors may not have sufficient patent terms to effectively protect our products and business.

Patents have a limited lifespan. In the United States, the natural expiration of a patent is generally 20 years after it is first filed. Although various extensions may be available, the life of a patent, and the protection it affords, is limited. Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such product candidates are commercialized. As a result, our owned, acquired, or licensed patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours or otherwise provide us with a competitive advantage. Even if patents covering our products or product candidates are obtained, once the patent life has expired for a product, we may be open to competition from generic medications.

Third-party claims of intellectual property infringement may expose us to substantial liability or prevent or delay our development and commercialization efforts.

Our commercial success depends in part on our ability to develop, manufacture, market and sell our products that have been approved for sale, and to use our proprietary technology without alleged or actual infringement, misappropriation or other violation of the patents and proprietary rights of third parties. There have been many lawsuits and other proceedings involving patent and other intellectual property rights in the biotechnology and pharmaceutical industries, including patent infringement lawsuits, interferences, oppositions and reexamination proceedings before the USPTO, and corresponding foreign patent offices. Numerous U.S. and foreign issued patents and pending patent applications, which are owned by third parties, exist in the fields in which we will market products and are developing product candidates. Some claimants may have substantially greater resources than we do and may be able to sustain the costs of complex intellectual property litigation to a greater degree and for longer periods of time than we could. In addition, patent holding companies that focus solely on extracting royalties and settlements by enforcing patent rights may target us. As the biotechnology and pharmaceutical industries expand and more patents are issued, the risk increases that our products and product candidates may be subject to claims of infringement of the intellectual property rights of third parties.

Third parties may assert that we are employing their proprietary technology without authorization. There may be third-party patents or patent applications with claims to compositions, formulations, methods of manufacture or methods of treatment related to the use or manufacture of our products or our product candidates. We cannot be sure that we know of each and every patent and pending application in the United States and abroad that is relevant or necessary to the commercialization of our products or our product candidates. Because patent applications can take many years to issue, there may be currently pending patent applications that may later result in issued patents upon which our products or product candidates may infringe. In addition, third parties may obtain patents in the future and claim that use of our technologies infringes upon these patents. If any third-party patents were held by a court of competent jurisdiction to cover the manufacturing process of any of our products or product candidates, any compositions formed during the manufacturing process or any final product itself, the holders of any such patents may be able to block our ability to commercialize such product or product candidate unless we obtained a license under the applicable patents, or until such patents expire or are finally determined to be invalid or unenforceable. Similarly, if any third-party patents were held by a court of competent jurisdiction to cover aspects of our compositions, formulations, or methods of treatment, prevention or use, the holders of any such patents may be able to block our ability to develop and commercialize the applicable product or product candidate unless we obtained a license or until such patent expires or is finally determined to be invalid or unenforceable. In either case, such a license may not be available on commercially reasonable terms, or at all. Even if we were able to obtain a license, it could be non-exclusive, thereby giving our competitors access to the same technologies licensed to us.

Our reliance on third parties requires us to share our trade secrets or confidential proprietary information, which increases the possibility that a competitor will discover them or that our trade secrets confidential proprietary information will be misappropriated or disclosed.

Because we rely on third parties to develop and manufacture our product candidates, we must, at times, share trade secrets or confidential proprietary information with them. We seek to protect our proprietary technology in part by entering into confidentiality agreements and, if applicable, material transfer agreements, collaborative research agreements, consulting agreements or other similar agreements with our collaborators, advisors, employees, and consultants prior to

beginning research or disclosing proprietary information. These agreements typically limit the rights of the third parties to use or disclose our confidential information, such as trade secrets. Despite the contractual provisions employed when working with third parties, the need to share trade secrets and other confidential information increases the risk that such trade secrets become known by our competitors, are inadvertently incorporated into the technology of others, or are disclosed or used in violation of these agreements. Given that our proprietary position is based, in part, on our know-how and trade secrets, a competitor's discovery of our trade secrets or other unauthorized use or disclosure would impair our competitive position and may harm our business.

Protecting and enforcing our intellectual property rights could consume monetary funds needed for other company objectives.

Protecting and enforcing our intellectual property rights and combating unlicensed copying and use of our intellectual property can be difficult and expensive. Litigation filed by Company and excessive legal costs could result in insufficient cash available to continue our business objective. Similarly, reductions in the legal protection of our intellectual property.

We may not be able to prevent disclosure of confidential and proprietary information

We receive confidential and proprietary information from collaborators, prospective licensors and licensees and other third parties. In addition, we employ individuals who were previously employed at other biotechnology or pharmaceutical companies. We may be subject to claims that we or our employees, consultants or independent contractors have inadvertently or otherwise used or disclosed confidential information of these third parties or our employees' former employers. Litigation may be necessary to defend against these claims, which can result in significant costs if we are found to have improperly used the confidential or proprietary information of others. Even if we are successful in defending against these claims, litigation could result in substantial costs and diversion of personnel and resources.

Risks Related to Governmental Regulation

FDA's finalized regulations on laboratory-developed tests may impact our operations adversely, and we may not be able to comply with the requirements.

We market our genetic tests as laboratory-developed tests ("LDT"), and plan to also initially market our BE-Smart Esophageal Pre-Cancer as an LDT. Until recently, the FDA has exercised enforcement discretion on LDTs that are marketed in the United States, provided that the LDTs can meet certain conditions that the FDA has outlined. However, on May 6, 2024, the FDA issued a final rule aimed at helping to ensure the safety and effectiveness of laboratory developed tests (LDTs). The rule amends the FDA's regulations to make explicit that in vitro diagnostic products ("IVD") are medical devices under the Federal Food, Drug, and Cosmetic Act (FD&C Act) including when the manufacturer of the IVD is a laboratory. Along with this amendment, the FDA is finalizing a policy under which the FDA will provide greater oversight of IVDs offered as LDTs through a phaseout of its general enforcement discretion approach for LDTs over the course of four years, as well as targeted enforcement discretion policies for certain categories of IVDs manufactured by laboratories. As a result of the final regulations, premarket review, clearance, or approvals may be required by FDA for the products that we are currently marketing or plan to market as LDTs. Our business and operations may be adversely affected because we may be required to cease sales of such products and be required to expend significant resources into collecting data from clinical trials, ensuring compliance with the applicable requirements for medical devices, and preparing and submitting premarket applications for the FDA's review. We may not be able to complete the required clinical trials to enable marketing of our tests due to resource constraints, or we may not be able to complete them in a timely manner. We also may not be able to comply with the associated regulatory requirements including those of premarket authorization, medical device reporting, quality system regulations, and others. In addition, even if we are able to comply with such requirements or complete the clinical trials in a timely manner, there is no guarantee that FDA will clear or approve our products. FDA may also determine that our tests are not safe or effective, and that they must be removed from the market. The FDA may bring enforcement actions against LDTs that are on the market by sending warning letters, untitled letters, it-has-come-to-our-attention letters, or through other actions such as seizure, recalls, civil monetary penalties, injunction, and import refusals and import alerts, among others. If we cannot obtain the required premarket review, clearance, or approval, we may be forced to stop the marketing of our products, which will impact our operations and financial conditions adversely.

Laws and regulations regarding direct selling may prohibit or restrict our ability to sell our products in some markets or require us to make changes to our business model in some markets.

Direct selling companies are subject to laws and regulations by various government agencies. These laws and regulations are generally intended to prevent fraudulent or deceptive practices and to protect consumers. The FTC

periodically investigates and brings enforcement actions against direct selling companies based on alleged pyramid selling activity and/or false and misleading claims made by the direct selling company or its independent distributors. Direct selling companies that have been the subject of an FTC enforcement action have generally been required to make significant changes to their business model and pay significant monetary fines. Being the target of an investigation or enforcement action by the FTC could have a material adverse effect on our results of operations and financial condition.

We depend on third parties to provide services critical to our businesses and we depend on them to comply with applicable laws and regulations.

We depend on third parties to provide services critical to our businesses, including laboratory service providers, raw material and equipment suppliers, ground and air transport of clinical and diagnostic services supplies and specimens, research services (including ancestry report generation), and people, among other services. Third parties that provide services to us are subject to similar risks related to security of customer-related information and compliance with U.S., state, local, or international environmental, health and safety, and privacy and security laws and regulations as we are. Any failure by third parties to comply with applicable laws, or any failure of third parties to provide services more generally, could have a material impact on us, whether because of the loss of the ability to receive services from the third parties, our legal liability for the actions or inactions of third parties, or otherwise.

We must comply with complex and overlapping laws protecting the privacy and security of health information and personal data.

There are a number of state, federal and international laws protecting the privacy and security of health information and personal data.

Under the administrative simplification provisions of HIPAA, HHS has issued regulations which establish uniform standards governing the conduct of certain electronic health care transactions and protecting the privacy and security of PHI used or disclosed by health care providers and other covered entities.

The privacy regulations regulate the use and disclosure of PHI by health care providers engaging in certain electronic transactions or "standard transactions." They also set forth certain rights that an individual has with respect to his or her PHI maintained by a covered health care provider, including the right to access or amend certain records containing PHI or to request restrictions on the use or disclosure of PHI. The HIPAA security regulations establish administrative, physical, and technical standards for maintaining the integrity and availability of PHI in electronic form. These standards apply to covered health care providers and also to "business associates" or third parties providing services involving the use or disclosure of PHI. The HIPAA privacy and security regulations establish a uniform federal "floor" and do not supersede state laws that are more stringent or provide individuals with greater rights with respect to the privacy or security of, and access to, their records containing PHI. As a result, we may be required to comply with both HIPAA privacy regulations and varying state privacy and security laws.

Moreover, HITECH, among other things, established certain health information security breach notification requirements. In the event of a breach of unsecured PHI, a covered entity must notify each individual whose PHI is breached, federal regulators and in some cases, must publicize the breach in local or national media. Breaches affecting 500 individuals or more are publicized by federal regulators who publicly identify the breaching entity, the circumstances of the breach and the number of individuals affected.

These laws contain significant fines and other penalties for wrongful use or disclosure of PHI. Given the complexity of HIPAA and HITECH and their overlap with state privacy and security laws, and the fact that these laws are rapidly evolving and are subject to changing and potentially conflicting interpretation, our ability to comply with the HIPAA, HITECH and state privacy requirements is uncertain and the costs of compliance are significant. Adding to the complexity is that our planned operations are currently evolving, and the requirements of these laws will apply differently depending on such things as whether or not we bill electronically for our services or provide services involving the use or disclosure of PHI and incur compliance obligations as a business associate. The costs of complying with any changes to the HIPAA, HITECH and state privacy restrictions may have a negative impact on our operations. Noncompliance could subject us to criminal penalties, civil sanctions and significant monetary penalties as well as reputational damage.

We are also required to collect and maintain personal information about our employees as well as receive and transfer certain payment information, to accept payments from our customers, including credit card information. Most

states have adopted laws requiring notification of affected individuals and state regulators in the event of a breach of personal information, which is a broader class of information than the health information protected by HIPAA. Many state laws impose significant data security requirements, such as encryption or mandatory contractual terms to ensure ongoing protection of personal information. Activities outside of the United States implicate local and national data protection standards, impose additional compliance requirements, and generate additional risks of enforcement for non-compliance. The collection and use of such information may be subject to contractual obligations as well. If the security and information systems that we or our outsourced third-party providers use to store or process such information are compromised or if we, or such third parties, otherwise fail to comply with these laws, regulations, and contractual obligations, we could face litigation and the imposition of penalties that could adversely affect our financial performance.

Numerous additional local, municipal, state, federal, and international laws and regulations address privacy and the collection, storing, sharing, use, disclosure, and protection of certain types of data, including the California Online Privacy Protection Act, the Personal Information Protection and Electronic Documents Act, the Telephone Consumer Protection Act of 1991, Section 5 of the Federal Trade Commission Act, and effective as of January 1, 2020, the CCPA. These laws, rules, and regulations evolve frequently, and their scope may continually change, through new legislation, amendments to existing legislation, and changes in enforcement, and may be inconsistent from one jurisdiction to another. For example, the CCPA, which went into effect on January 1, 2020, among other things, requires new disclosures to California consumers and affords such consumers new abilities to opt out of certain sales of personal information. The CCPA provides for fines of up to $7,500 per violation. Aspects of the CCPA and its interpretation and enforcement remain uncertain. The effects of this legislation potentially are far-reaching and may require us to modify our data processing practices and policies and incur substantial compliance-related costs and expenses. The CCPA has been amended on multiple occasions, resulting in further uncertainty and requiring us to incur additional costs and expenses in an effort to comply. The CPRA became operative on January 1, 2023 (and applies to consumer data collected on or after January 1, 2022, (the “lookback period”), with enforcement beginning July 1, 2023. While the CCPA will remain operative and enforceable from now until July 1, 2023, we will continue to monitor developments related to the CPRA. The effects of this legislation potentially are far-reaching, however, and may require us to modify our data processing practices and policies and incur substantial compliance-related costs and expenses. Additionally, many laws and regulations relating to privacy and the collection, storing, sharing, use, disclosure, and protection of certain types of data are subject to varying degrees of enforcement and new and changing interpretations by courts.

New laws governing the privacy of consumer health data, including information concerning genetic information, individual health conditions, and treatment have also passed in the United States. For example, Washington’s My Health My Data Act which broadly defines consumer health data, places restrictions on processing consumer health data (including imposing stringent requirements for obtaining consumer consent), provides consumers certain rights with respect to their health data, and creates a private right of action to allow individuals to sue for violations of the law. Other states, including California, could adopt similar laws.

Additionally, the General Data Protection Regulation ('GDPR") imposes stringent requirements on the processing of "personal data", including health and sensitive data, by business who target EU consumers or operate in the EU. The GDPR is wide-ranging in scope and imposes numerous requirements on companies that process personal data, including requirements relating to certain health data, obtaining consent of the individuals to whom the personal data relates, providing information to individuals regarding data processing activities, implementing safeguards to protect the security and confidentiality of the personal data, providing notification of data breaches, and taking specific measures when disclosing the personal data to third parties. Penalties for businesses who are not compliant with the GDPR can reach up to 4% of global revenues. Additionally, post-Brexit, the UK has adopted its version of the GDPR (UK GDPR) alongside amendments to its Data Protection Act 2018, creating a separate regulatory environment that may impact global economic conditions and market operations.

Changes in laws or regulations relating to privacy, data protection, breach notifications, and information security, particularly any new or modified laws or regulations, or changes to the interpretation or enforcement of such laws or regulations, that require enhanced protection of certain types of data or new obligations with regard to data retention, transfer, or disclosure, could greatly increase the cost of providing our platform, require significant changes to our operations, or even prevent us from providing our platform in jurisdictions in which we currently operate and in which we may operate in the future.

We may face audits or investigations by one or more domestic government agencies or our customers pursuant to our contractual obligations relating to our compliance with these regulations. Complying with changing regulatory requirements requires us to incur substantial costs, exposes us to potential regulatory action or litigation, and may require

changes to our business practices in certain jurisdictions, any of which could materially adversely affect our business operations and operating results. Despite our efforts to comply with applicable laws, regulations, and other obligations relating to privacy, data protection, and information security, it is possible that our interpretations of the law, practices, or platform could be inconsistent with, or fail or be alleged to fail to meet all requirements of, such laws, regulations, or obligations.

Risks Related to Our Common Stock, Internal Controls and Governance Matters

Our failure to meet the continued listing requirements of The Nasdaq Capital market could result in a delisting of our common stock.

Our common stock is listed on the Nasdaq Capital Market under the symbol "PRPH." In order to maintain that listing, we must satisfy minimum financial and other requirements, including, without limitation, the minimum stockholders' equity requirement and the minimum bid price requirement. There can be no assurances that we will be successful in maintaining, or if we fall out of compliance, in regaining compliance with the continued listing requirements and maintaining the listing of our common stock on the Nasdaq Capital Market. Delisting from Nasdaq could adversely affect our ability to raise additional financing through the public or private sale of equity securities, and we would incur additional costs under requirements of state "blue sky" laws in connection with any sales of our securities. Delisting could also have other negative results, including the potential loss of confidence by employees, the loss of institutional investor interest, and fewer business development opportunities. If Nasdaq delists our common stock, the price of our common stock may decline, and our common stock may be eligible to trade on the OTC Bulletin Board, another over-the-counter quotation system, or on the pink sheets, which would negatively affect the liquidity of our common stock and an investor may find it more difficult to dispose of their common stock or obtain accurate quotations as to the market value of our common stock.

On September 23, 2024, we notified the Nasdaq Stock Market LLC ("Nasdaq") that we not in compliance with the audit committee requirement under Nasdaq Listing Rule 5605(c)(2)(A) solely due to a vacancy on the audit committee of our Board resulting from Eleanor McBrier's resignation from the Board.

On September 26, 2024, we received a notice from Nasdaq indicating that the Company no longer complies with the audit committee requirements as set forth in Nasdaq Listing Rule 5605 and confirming our opportunity to regain compliance within the cure period provided in Nasdaq Listing Rule 5605(c)(4), which is the earlier of our next annual meeting of stockholders or September 20, 2025, or if the next annual stockholders' meeting is held before March 19, 2025, then we must evidence compliance no later than March 19, 2025. We are evaluating the membership of the audit committee and intends to regain compliance with Nasdaq Listing Rule 5605(c)(2)(A) prior to the expiration of the applicable cure period described above.

On December 26, 2024, we received a letter from the Listing Qualifications Staff (the "Staff") of Nasdaq indicating that the bid price for our common stock for the last 30 consecutive business days had closed below the minimum $1.00 per share required for continued listing under Nasdaq Listing Rule 5550(a)(2).

Under Nasdaq Listing Rule 5810(c)(3)(A), we have been granted a 180 calendar day grace period, or until June 24, 2025, to regain compliance with the minimum bid price requirement. The continued listing standard will be met if we evidence a closing bid price of at least $1.00 per share for a minimum of 10 consecutive business days during the 180 calendar day grace period. In order for Nasdaq to consider granting us additional time beyond June 24, 2025, we would be required, among other things, to meet the continued listing requirement for market value of publicly held shares as well as all other standards for initial listing on Nasdaq, with the exception of the minimum bid price requirement. In the event the we do not regain compliance with the $1.00 bid price requirement by June 24, 2025, eligibility for Nasdaq's consideration of a second 180 day grace period would be determined on our compliance with the above referenced criteria on June 24, 2025.

We continue to actively monitor our performance with respect to the listing standards and will consider available options to resolve any deficiency and maintain compliance with the Nasdaq rules. There can be no assurance that we will be able to maintain compliance or, if we fall out of compliance, regain compliance with any deficiency, or if we implement an option that regains our compliance, maintain compliance thereafter. If we fail to regain compliance with the Nasdaq continued listing standards, our common stock will be subject to delisting from Nasdaq.

If our shares become subject to the penny stock rules, it would become more difficult to trade our shares.

The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a price of less than $5.00, other than securities registered on certain national securities exchanges or authorized for quotation on certain automated quotation systems, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system. If we do not retain a listing on The Nasdaq Capital Market and if the price of our common stock is less than $5.00, our common stock will be deemed a penny stock. The penny stock rules require a broker-dealer, before a transaction in a penny stock not otherwise exempt from those rules, to deliver a standardized risk disclosure document containing specified information. In addition, the penny stock rules require that before effecting any transaction in a penny stock not otherwise exempt from those rules, a broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive (i) the purchaser's written acknowledgment of the receipt of a risk disclosure statement; (ii) a written agreement to transactions involving penny stocks and (iii) a signed and dated copy of a written suitability statement. These disclosure requirements may have the effect of reducing the trading activity in the secondary market for our common stock, and therefore, stockholders may have difficulty selling their shares.

Future sales of shares of our common stock in the public market could adversely affect the trading price of shares of our common stock and our ability to raise funds in future offerings.

Future sales of substantial amounts of shares of our common stock in the public market, or the perception that such sales are likely to occur, could adversely affect the prevailing trading prices of our common stock. Moreover, the perceived risk of potential dilution could cause stockholders to attempt to sell their shares and investors to "short" our stock, a practice in which an investor sells shares that he or she does not own at prevailing market prices, hoping to purchase shares later at a lower price to cover the sale. All of these events could combine to make it difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate.

If securities or industry analysts do not publish research or reports about our business or if they issue an adverse or misleading opinion regarding our stock, our stock price and trading volume could decline.

The trading market for our common stock may be influenced by the research and reports that industry or securities analysts publish about us or our business. If any of the analysts who cover us issue an adverse or misleading opinion regarding us, our business model, products or stock performance, our stock price could decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline. Moreover, the unpredictability of our financial results likely reduces the certainty, and therefore reliability, of the forecasts by securities or industry analysts of our future financial results, adding to the potential volatility of our stock price.

Our Chief Executive Officer and Chairman of the Board of Directors owns a substantial amount of our common stock any may be able to exert significant influence over the outcome of matters submitted to stockholders for approval.

As of March 28, 2025, our Chief Executive Officer and Chairman of the Board of Directors beneficially owned approximately 6.9% of our common stock. As such, our Chief Executive Officer may exert significant influence over the outcome of matters submitted to stockholders for approval. Consequently, he exercises substantial influence over major decisions including major corporate actions such as mergers and other business combinations transactions which could result in or prevent a change of control of the Company. Circumstances may occur in which the interests of our Chief Executive Officer could be in conflict with the interests of other stockholders. Accordingly, a stockholder's ability to influence us through voting their shares may be limited.

Our Certificate of Incorporation and Bylaws contain certain provisions that may be barriers to a takeover.

Our Certificate of Incorporation and Bylaws contain certain provisions which may deter, discourage, or make it difficult for another person or entity to gain control of the Company through a tender offer, merger, proxy contest or similar transaction or series of transactions, including provisions that:

- authorize our board of directors authorize "blank check" preferred stock without stockholder approval, which may provide for voting, liquidation, dividend, and other rights superior to our common stock;
- specify that special meetings of our stockholders can be called only by our chairman or the board of directors;

- prohibit stockholder action by written consent;
- establish an advance notice procedure for stockholder matters to be brought before an annual meeting of our stockholders, including proposed nominations of persons for election to our board of directors;
- provide that vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum; and
- expressly authorized our board of directors to make, alter, amend, or repeal our amended and restated bylaws.

These provisions may deter a future tender offer or other takeover attempt which could include a premium over the market price of our common stock at the time. Such provisions could depress the trading price of our common stock.

Our Bylaws provides that the Court of Chancery of the State of Delaware and the federal district courts of the United States of America will be the exclusive forums for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, executive officers, or employees.

Our amended and restated bylaws provide that the Court of Chancery of the State of Delaware is the exclusive forum for the following types of actions or proceedings under Delaware statutory or common law: for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Corporation to the Corporation or the Corporation's stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law or the Certificate of Incorporation or Bylaws (as either may be amended from time to time), or (iv) any action asserting a claim governed by the internal affairs doctrine shall be the Court of Chancery in the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware). This provision would not apply to suits brought to enforce a duty or liability created by the Securities Act of 1933 or the Exchange Act. Furthermore, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such Securities Act actions. Accordingly, both state and federal courts have jurisdiction to entertain such claims.

Although the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions. In such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provisions of our Certificate of Incorporation. This may require significant additional costs associated with resolving such action in other jurisdictions and there can be no assurance that the provisions will be enforced by a court in those other jurisdictions.

This exclusive forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, executive officers, or other employees, which may discourage lawsuits against us and our directors, executive officers, and other employees. If a court were to find the exclusive forum provision in our Certificate of Incorporation to be inapplicable or unenforceable in an action, we may incur further significant additional costs associated with resolving the dispute in other jurisdictions, all of which could seriously harm our business.

We have agreed to indemnify our officers and directors from liability.

Our Certificate of Incorporation and our Bylaws provide that we will indemnify, to the fullest extent permitted by the Delaware General Corporation Law, any person who is or was made a party to, or is or was threatened to be made a party to, any pending, completed, or threatened action, suit or proceeding because he or she is or was a director, officer, employee or agent of the Company or is or was serving at the Company's request as a director, officer, employee or agent of any corporation, partnership, joint venture, trust or other enterprise. These provisions permit us to advance expenses to an indemnified party in connection with defending any such proceeding, upon receipt of an undertaking by the indemnified party to repay those amounts if it is later determined that the party is not entitled to indemnification. We entered into indemnity agreements with each member of our board of directors. These agreements provide, among other things, that we will indemnify each officer and director in the event they become a party or otherwise a participant in any action or proceeding on account of their service as a director or officer of the Company (or service for another corporation or entity in any capacity at the request of the Company) to the fullest extent permitted by applicable law. The indemnification provisions may reduce the likelihood of derivative litigation against directors and officers and discourage or deter stockholders from suing directors or officers for breaches of their duties to the Company, even though such an action, if

successful, might otherwise benefit the Company or its stockholders. In addition, to the extent that we expend funds to indemnify directors and officers, funds will be unavailable for operational purposes.

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 an IT consultant who reports to our Chief Operating 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 Information Officer and Chief Operating Officer are primarily responsible to assess and manage our material risks from cybersecurity threats with assistance from third-party service providers.

Our Chief Information Officer and Chief Operating Officer oversee 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 Information Officer and IT consultants provide periodic briefings to theaudit committee regarding our company's cybersecurity risks and activities, including any recent cybersecurity incidents and related responses.

Item 2. Properties

Our corporate headquarters are located in Garden City, New York. We leased this property commencing in December 2020 and leased additional space at this property commencing in November 2022 . Our headquarters are approximately 30,000 square feet and are comprised of lab diagnostic area with storage area and office space. Our second location is approximately 4,000 square feet and is comprised of lab diagnostic area with storage area and office space in Old Bridge, NJ.

Item 3. Legal Proceedings

From time to time, we have been and may again become involved in legal proceedings arising in the ordinary course of business. We are not presently a party to any material litigation.

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 Nasdaq Capital Market under the trading symbol "PRPH."

As of March 28, 2025, there were approximately 147 holders 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, 2024	—	$ —	—	$ 5,411,119
November 1 through November 30, 2024	—	—	—	5,411,119
December 1 through December 31, 2024	—	—	—	5,411,119
	—	$ —	—	$ 5,411,119

(1) There was no other purchases of equity securities for the three months ended December 31, 2024.

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 diversified company that offers a range of services including genomics testing, diagnostic testing and human genomic testing. We are also focused on licensing, developing and commercializing novel drugs, dietary supplements, compounds and diagnostics.

We conduct our operations through two operating segments: diagnostic services and consumer products.

Until late fiscal year 2020, we were engaged primarily in the research, development, manufacture, distribution, marketing and sale of OTC consumer healthcare products and dietary supplements in the United States. This includes the development and marketing of dietary supplements under the TK Supplements® brand. However, commencing in December 2020, we also began offering COVID-19 diagnostic testing and were prepared to validate other Respiratory Pathology Panel Molecular tests through our diagnostic service business. In August 2021, we began offering personal genomics products and services, and in July 2022 we began focusing on the licensing, development and commercialization of novel drugs, dietary supplements, compounds and diagnostics.

Our wholly owned subsidiary, ProPhase Diagnostics, Inc. (“ProPhase Diagnostics”), which was formed on October 9, 2020, offers a broad array of clinical diagnostic and testing services at its Clinical Laboratory Improvement Amendments (“CLIA”) certified laboratories including polymerase chain reaction (“PCR”) testing for COVID-19. Critical to COVID-19 testing, we provide fast turnaround times for results. We also offer best-in-class rapid antigen testing for COVID-19. On October 23, 2020, we completed the acquisition of all of the issued and outstanding shares of capital stock of Confucius Plaza Medical Laboratory Corp. (“CPM”), which owned a 4,000 square foot CLIA accredited laboratory located in Old Bridge, New Jersey for approximately $2.5 million. In December 2020, we expanded our diagnostic service business with the build-out of a second, larger CLIA accredited laboratory in Garden City, New York. Operations at this second facility commenced in January 2021.

On August 10, 2021, we acquired Nebula, a privately owned personal genomics company, through our new wholly owned subsidiary, ProPhase Precision Medicine Inc. (“PPM”). Subsequently in 2022, PPM legal name was changed to Nebula Genomics ("Nebula"). Nebula focuses on genomics sequencing technologies, a comprehensive method for analyzing entire genomes, including the genes and chromosomes in 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.

Our wholly owned subsidiary, PBIO, was formed on June 28, 2022, for the licensing, development and commercialization of novel drugs, dietary supplements and compounds, beginning with Equivir and Equivir G. PBIO announced a second licensing agreement for two small molecule PIM kinase inhibitors, Linebacker LB-1 and LB-2, in July 2022, with plans to pursue development and commercialization of LB-1 as a cancer co-therapy.

In January 2023, we acquired exclusive rights to the BE-Smart Esophageal Pre-Cancer Diagnostic Screening Test and related intellectual property assets.

Our wholly owned subsidiary, 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. In January 2025, we sold our PMI to JL Projects.

Our diagnostic service business continued to be impacted by the level of demand for COVID-19 and other diagnostic testing and our ability to collect payment or reimbursement for our testing services for the years ended December 31, 2023 and 2022. Due to the significant decrease in demand and reimbursement rate for our diagnostic testing service, we have reduced the amount of diagnostic testing services that we provide since the second half of 2023. We have not provided any diagnostics services in the year ended December 31, 2024. Nonetheless we are prepared to provide an increased volume of our diagnostic testing service if diagnostic testing is required due to a new COVID-19 outbreak. In addition, in order to maintain licenses in certain states in which we operate, we currently perform several diagnostic tests each quarter to maintain our certified lab status, and we currently plan to do so for the foreseeable future.

Our personal genomics business is and will continue to be impacted 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

the OTC healthcare and cold remedy products that we manufacture, which is largely a function of the timing, length and severity of each cold season. Generally, a cold season is defined as the period from September to March when the incidence of the common cold rises as a result of the change in weather and other factors. We generally experience in the first, third and fourth quarter higher levels of net revenues from our contract manufacturing business. Revenues are generally at their lowest levels in the second quarter when customer demand generally declines.

In addition, we continue to actively pursue acquisition opportunities for other companies, technologies and products within and outside the consumer products industry.

Results of Operations

December 31, 2024 compared with December 31, 2023

Net revenue for the year ended December 31, 2024, decreased $28.2 million, or 80.6%, to $6.8 million compared to $35.0 million for the year ended December 31, 2023. The decrease in net revenue was the result of an $24.8 million decrease from diagnostic services, and a $3.4 million decrease from consumer products. The decrease in net revenue for diagnostic services was due to decreased COVID-19 testing volumes compared to the 2023 period. Overall diagnostic testing volume decreased from approximately 480,000 tests for the year ended December 31, 2023 to approximately zero tests for the year ended December 31, 2024.

Cost of revenues for the year ended December 31, 2024 was $6.9 million, comprised of $2.3 million for diagnostic services and $4.6 million for consumer products. Cost of revenues for the year ended December 31, 2023 were $19.4 million comprised of $11.8 million for diagnostic services and $7.6 million for consumer products.

We realized a gross loss of $0.2 million for the year ended December 31, 2024, as compared to a gross profit of $15.6 million for the year ended December 31, 2023. The decrease of $15.7 million was comprised of a decrease of $15.4 million in diagnostic services, partially offset by an increase of $0.3 million in consumer products. For the year ended December 31, 2024 and 2023 we realized an overall gross margin of (2.2)% and 44.5%, respectively. Gross margin for diagnostic services was —% and 52.6% for the year ended December 31, 2024 and 2023, respectively. Gross margin for consumer products was 32.2% and 24.6% for the year ended December 31, 2024 and 2023, respectively. 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.

Diagnostic expenses for the year ended December 31, 2024 were zero as compared to $1.9 million of diagnostic expenses for the year ended December 31, 2023. The decrease in diagnostic expenses of $1.9 million was primarily due to was due to decreased COVID-19 testing volumes for the year ended December 31, 2024 compared to the year ended December 31, 2023 as a result of the Omicron variant, which emerged in early 2022.

General and administration expenses increased $4.4 million for the year ended December 31, 2024 to $37.9 million, as compared to $33.4 million for the year ended December 31, 2023. The increase in general and administration expenses for the year ended December 31, 2024 as compared to the year ended December 31, 2023 was related to the costs to run our genomics operations, and marketing and professional fees associated with the Company's strategic initiatives.

Research and development costs for the year ended December 31, 2024 and 2023 were $0.6 million and $1.4 million, respectively. The decrease in research and development costs for the year ended December 31, 2024 as compared to the year ended December 31, 2023 was principally due to less, and the completion of certain studies. Research and development activities include product research and field testing.

Interest and other income for the years ended December 31, 2024 and 2023 was zero and $78,000, respectively. The decrease in interest income for the year ended December 31, 2024 as compared to the year ended December 31, 2023 was primarily due to the lower account balance of our investment account that bears interest.

Interest expense for the years ended December 31, 2024 and 2023 was $3.4 million and $1.3 million, respectively. The increase in interest expense for the year ended December 31, 2024 as compared to the year ended December 31, 2023 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, 2024 was $53.4 million, or $(2.61) per share, as compared to a net loss of $16.8 million, or $(0.98) per share, for the year ended December 31, 2023. Diluted net loss per share for the years ended December 31, 2024 and 2023 were $(2.61) and $(0.98), 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, 2024	December 31, 2023
GAAP loss from continuing operations [1]	$ (49,525)	$ (16,380)
Interest, net	3,350	1,188
Income tax expense	7,195	(6,018)
Depreciation and amortization	6,187	6,050
EBITDA	(32,793)	(15,160)
Share-based compensation expense	3,638	3,536
Non-cash rent expense [2]	240	117
Credit loss expense	—	91
Adjusted EBITDA from continuing operations	$ (28,915)	$ (11,416)

[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.

Liquidity and Capital Resources

Our aggregate cash and cash equivalents as of December 31, 2024 were $0.7 million as compared to $1.6 million at December 31, 2023. Our working capital was $(1.5) million and $26.7 million as of December 31, 2024 and 2023,

respectively. The decrease of $0.9 million in our cash and cash equivalents for the year ended December 31, 2024 was primarily due tocash used in operating activities and capital expenditures of $0.9 million.

The principal sources of capital to fund our operations have historically 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 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.

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, the COVID-19 pandemic and/or the war in Ukraine 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

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%. See Part I, Item 1, "Business - Licensing Agreements" for additional details regarding this agreement.

Linebacker License Agreement

Under the terms of our Linebacker License Agreement with Global BioLife for the worldwise 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. See Part I, Item 1, "Business - Licensing Agreements" for additional details regarding this agreement.

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, 2024, the Commercialization Event had not occurred

JXVII Trust Promissory Note

On January 26, 2023, we issued an unsecured promissory note and guaranty for an aggregate principal amount of $7.6 million (the "JXVII Note") 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. We have 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 JXVII. Repayment of the JXVII Note has been guaranteed by the Company's wholly-owned subsidiary, PMI. The Note was repaid as part of the sale of 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 from 10% to 15% per annum, and extending the maturity date from January 27, 2026 to August 15, 2027. The Company received $2.3 million 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.

As of December 31, 2024, the outstanding balance of the Amended JXVII Note was $9.9 million, net of debt discount of $127,000. The Note was subsequently satisfied with the Sale of PMI in January 2025 (See Footnote 18 to the Consolidated Financial Statements)

The JXVII Note contains customary events of default. If a default occurs and is not cured within the applicable cure period or is not waived, any outstanding obligations under the JXVII Note may be accelerated. The JXVII Note also contains certain restrictive covenants which, among other things, restrict our ability to create, incur, assume or permit to exist, directly or indirectly, any lien (other than certain permitted liens described in the JXVII Note) securing any indebtedness of the Company, and prohibits us from distributing or reinvesting the proceeds from any divestment of assets (other than in the ordinary course) without the prior approval of JXVII. (See Footnote 11 to the Consolidated Financial Statements).

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 "Term Note"). The Term Note has an implicit interest rate of 15%. The 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 end of term. There are no warrants or convertible features associated with this note.

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, 2024.

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.

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).

In April 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.

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 4,795,000 shares of common stock, including 625,000 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 $0.72 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 239,750 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 $0.90.

For the year ended December 31, 2023, we did not have any sales under the at-the-market facility.

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 our genomics services is recognized when the sequencing report is provided to the customer. 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.

Recently Issued Accounting Standards, Adopted

In March 2024, the FASB issued ASU No. 2024-01, "Compensation-Stock Compensation (Topic 718): Scope Applications of Profits Interests and Similar Awards" ("ASU 2024-01"). ASU 2024-01 adds an example to Topic 718 which illustrates how to apply the scope guidance to determine whether profits interests and similar awards should be accounted for as share-based payment arrangements under Topic 718 or under other topics of GAAP. ASU 2024-01 is effective for annual periods beginning after December 15, 2024, although early adoption is permitted. Upon adoption, ASU 2024-01 is not expected to have an impact on the Company's consolidated financial statements.

In March 2024, the FASB issued ASU 2024-02 Codification Improvements - Amendments to Remove References to the Concept Statements to provide amendments to the Codification that remove references to various FASB Concepts Statements. ASU 2024-02 is effective for annual periods beginning December 15, 2024, with early adoption permitted. ASU 2024-02 is not expected to have an impact on the Company's consolidated financial statements.

In November 2023, the FASB issued Accounting Standards Update ("ASU") No. 2023-07, "Improvements to Reportable Segment Disclosures (Topic 280)" which is intended to improve reportable segment disclosure requirements, primarily through incremental disclosures of segment information on an annual and interim basis for all public entities. The ASU expands public entities' segment disclosures by requiring disclosure of significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items and interim disclosures of a reportable segment's profit or loss and assets. The ASU is to be applied retrospectively to all prior periods presented in the financial statements and is effective for our Annual Report on Form 10-K for the fiscal year ended December 31, 2024, and interim periods thereafter. The adoption of this ASU as of December 31, 2024 resulted in enhanced disclosures, but did not materially impact the Company's consolidated financial statements.

Recently Issued Accounting Standards, Not Yet Adopted

In November 2024, the FASB issued ASU No. 2024-03, Disaggregation of Income Statement Expenses. This update improves the disclosures about a public entity's expenses, primarily through additional disclosures of specific information about certain costs and expenses in the notes to financial statements. The guidance is effective for the Company for annual reporting periods beginning after December 15, 2026 and interim reporting periods beginning after December 15, 2027. The requirements will be applied prospectively with the option for retrospective application. Early adoption is permitted. The Company is currently evaluating the impact this ASU will have on its consolidated financial statements.

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 does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Members of ProPhase Labs, Inc. and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of ProPhase Labs, Inc. ("the Company") as of December 31, 2024, and the related consolidated statements of operations and other comprehensive income (loss), stockholders' equity, and cash flows for the year then ended, 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, 2024, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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 audit. 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 audit 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 audit, 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 audit 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 audit 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 audit provides 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.

Valuation of Goodwill & Long-Lived Intangible Assets

Description of the Critical Audit Matter

As discussed in Note 2 of the consolidated financial statements, the Company reviews its goodwill and long-lived intangible assets at least annually for considerations that may indicate the carrying value may not be recoverable and to assess whether the carrying value of the intangible 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.

Accounts Receivable and Allowances

Description of the Critical Audit Matter

As described Note 2 of the consolidated financial statements, the Company carries its receivables at the amount of consideration for which it expects to receive less allowances. The Company considers expected reimbursements from insurance providers and government agencies and estimates allowances and credit losses based on historical collection experience, current economic conditions, expectations of future economic conditions, and the period of time in which receivables have been outstanding. The evaluation of potential collectability of accounts receivable may include subjective and potentially complex considerations from management, as well as requiring high degrees of auditor judgment to assess the appropriateness of the audit evidence to support the Company's assessment. Auditing management's assessment of collectability of receivables requires subjective auditor judgment and increased extent of effort.

How the Critical Audit Matter was Address in the Audit

Our principal audit procedures to evaluate management's evaluation receivable and allowance accounts included, among other procedures, the following:

- Gaining an understanding of management's billing and collection process.
- Testing the completeness and accuracy of management's assumptions used in developing the allowance for uncollectible accounts receivable.
- Performing an analysis of collection activity on deposits received during the year.
- Testing subsequent collections for a selection of accounts receivable balances, including both material and immaterial account balances at year end.
- Reviewing management's estimates by evaluating historical collection rates, current and future economic conditions and events, identification of specific allowances by type, and reasonableness of expected collections through third-party data and service providers.
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Fruci & Associates II, PLLC – PCAOB ID #05525
We have served as the Company's auditor since 2024.

Spokane, Washington
March 31, 2025

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Members of ProPhase Labs, Inc. and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of ProPhase Labs, Inc. and Subsidiaries (the Company) as of December 31, 2023, and the related consolidated statements of operations and comprehensive income, stockholders' equity, and cash flows for the year ended December 31, 2023, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the year ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 28, 2024 expressed an adverse opinion.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the 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 audit 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 consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the consolidated 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 consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the audit of the consolidated 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 consolidated 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 consolidated 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.

Diagnostic Service Revenue, Accounts Receivable, and Allowances

As described in Note 2 to the consolidated financial statements, the Company's diagnostic service revenue is derived from third party insurers and government agencies. Management estimates the amount of consideration it expects to receive for providing diagnostic services based on historical billing and collection information. Management takes into consideration expected reimbursements from insurance providers (including uncollectible billings) and government agency programs, including those for uninsured patients. Revenue and accounts receivable are billed based on standard test rates. Revenue and accounts receivable are recognized based on finalized tests and historical reimbursement rate based on the type of service performed and billing code requirements. Given the nature of these estimates, performing audit procedures to evaluate appropriate revenue recognition and allowances associated with diagnostic services with billing discrepancies required a high degree of auditor judgment and an increased extent of effort.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. The procedures included the following:

a. Gaining an understanding of diagnostic services' billing and collection process.
b. Testing the completeness and accuracy of the Company's billing system, which included, among other things, performing transaction testing on a sample of diagnostic tests performed, which included review of patient information including insurance carrier as estimated reimbursement rate is based on historical payments by insurance carrier, review of finalization of test results, and an analysis of the historical reimbursements rate to date for each payer.
c. Performing an analysis of the collections compared to the estimated rate used to record revenue based on historical collections.
d. Performing a cash reconciliation to ensure the revenue and accounts receivable recognized were reasonable, based on deposits received through December 31, 2023.
e. Reviewing management's estimated allowances as compared to historical collection rates, current and future economic conditions and events, and specific allowances for credit loss items based on longevity of the outstanding balance and specific reserve by type and payer for probability of payment through December 31, 2023.

Genomics Revenue and Deferred Revenue

As described in Note 2 to the consolidated financial statements, the Company's genomics revenue is derived from DNA kit sales direct to the consumer sales via website or through online retailers with upfront payments. Management estimates the breakout of the consideration it expects to receive for providing the kit sales and subscriptions. Management takes into consideration the standard price of kits and subscriptions when breaking out the recognition of revenue. Management satisfies product performance obligation at a point in time when the genetic testing results are provided to the customer. 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 the Company, potentially resulting in unexercised rights ("breakage") revenue, including lifetime subscription services. Management estimates 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, the company recognize breakage on any associated subscription services ratably over the term of the subscription.

Given the nature of these estimates, performing audit procedures to evaluate appropriate revenue recognition and allowances associated with genomics services required a high degree of auditor judgement and an increased extent of effort.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. The procedures included the following:

a. Gaining an understanding of the genomics' billing and standard pricing of kits and subscriptions.
b. Testing the completeness and accuracy of the Company's genomics revenue reports, which included, among other things, performing transaction testing on a sample of genomics tests performed, which included review of payment information as invoices were not available for all selections.
c. Performing a cash reconciliation for online retailers used to ensure the revenue and accounts receivable recognized were reasonable, based on deposits received through December 31, 2023.
d. Performing a cash reconciliation for all business to business customers to ensure the revenue and accounts receivable recognized were reasonable, based on collections through December 31, 2023.
e. Obtaining accounts receivable confirmation for business to business customers with outstanding balances as of December 31, 2023.
f. Reviewing management's estimated pricing assumptions based on type of kit and quantity of kit ordered through online retailers.
g. Reviewing calculation of management estimate regarding timing of breakage for kit recognition as of December 31, 2023.
h. Reviewing calculation of estimate regarding useful life of subscription revenue.

/s/ Morison Cogen LLP

We served as the Company's auditor from 2022 to 2024.

Blue Bell, Pennsylvania
March 28, 2024

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Members of ProPhase Labs, Inc. and Subsidiaries

Adverse Opinion on Internal Control over Financial Reporting

We have audited ProPhase Labs, Inc. and Subsidiaries' (the Company's) internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, because of the effect of the material weakness described in the following paragraph on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by COSO.

A material weakness is a control deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim consolidated financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management's assessment:

1. Certain account reconciliations contained misstatements, resulting in several proposed journal entries. In addition, it does not appear there was adequate review of the reconciliations or controls over the financial statement closing process. This reduces the likelihood of the Company achieving the objectives of the above-mentioned control criteria.

2. Several errors were made related to recording revenue in the proper period, calculating current period revenue, and following Company policy regarding principal versus agent considerations, resulting in misstatements in accounts receivable, deferred revenue, and revenue for multiple subsidiaries. The Company relies heavily on the manual input process for these areas and it does not appear there are controls in place to identify exceptions. In addition, in certain instances where revenue is recorded based on an estimation of rates, it appears the rates were not updated accordingly throughout the year. This reduces the likelihood of the Company achieving the objectives of the above-mentioned control criteria.

3. The Company relies heavily on the manual input process for calculating and recording deferred costs and cost of sales, resulting in misstatements in those areas. In addition, it does not appear there are adequate controls in place to identify discrepancies. This reduces the likelihood of the Company achieving the objectives of the above-mentioned control criteria.

These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2023 consolidated financial statements, and this report does not affect our report dated March 28, 2024, on those consolidated financial statements.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets and the related consolidated statements of operations and comprehensive income, stockholders' equity, and cash flows of the Company, and our report dated March 28, 2024, expressed an unqualified opinion.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the 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 audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Morison Cogen LLP

We have served as the Company's auditor since 2022 to 2024.

Blue Bell, Pennsylvania
March 28, 2024

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

	December 31, 2024	December 31, 2023
ASSETS		
Current assets		
Cash and cash equivalents	$ 678	$ 1,609
Marketable securities, available for sale	—	3,127
Accounts receivable, net	20,058	35,814
Inventory, net	1,143	2,291
Prepaid expenses and other current assets	2,615	1,955
Current assets held-for-sale	6,143	2,789
Total current assets	30,637	47,585
Property, plant and equipment, net	7,501	10,330
Prepaid expenses, net of current portion	217	832
Operating lease right-of-use asset, net	4,115	4,572
Intangible assets, net	9,750	12,333
Goodwill	5,231	5,231
Deferred tax asset	—	7,313
Other assets	310	1,163
Non-current assets held-for-sale	5,439	2,568
TOTAL ASSETS	**$ 63,200**	**$ 91,927**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 13,717	$ 8,644
Accrued diagnostic services	31	314
Accrued advertising and other allowances	151	24
Finance lease liabilities	2,147	1,840
Operating lease liabilities	1,214	953
Short-term loan payable, net of discount of $237	3,207	—
Deferred revenue	1,698	2,382
Income tax payable	1,987	3,279
Other current liabilities	2,115	2,586
Current liabilities held-for-sale	5,867	835
Total current liabilities	32,134	20,857

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

	December 31, 2024	December 31, 2023
Non-current liabilities:		
Unsecured promissory notes, net of discount of $127 and $266	$ 9,873	$ 7,334
Unsecured long-term debt, net of discount of $423	1,779	—
Due to sellers (see Note 3)	2,000	2,000
Deferred revenue, net of current portion	784	1,100
Finance lease liabilities, net of current portion	2,591	4,092
Operating lease liabilities, net of current portion	3,762	4,237
Non-current liabilities held-for-sale	2,924	2,924
Total non-current liabilities	23,713	21,687
Total liabilities	55,847	42,544
COMMITMENTS AND CONTINGENCIES		
Stockholders' equity		
Preferred stock authorized 1,000,000, $0.0005 par value, no shares issued and outstanding	—	—
Common stock authorized 50,000,000, $0.0005 par value, 29,874,029 and 18,045,029 shares outstanding, respectively	23	18
Additional paid-in capital	129,921	118,694
Accumulated deficit	(58,393)	(5,029)
Treasury stock, at cost, 12,940,967 [(1)] and 18,940,967 shares, respectively	(64,000)	(64,000)
Accumulated other comprehensive loss	(198)	(300)
Total stockholders' equity	7,353	49,383
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 63,200**	**$ 91,927**

(1) This is net of 6,000,000 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, 2024	**December 31, 2023**
Revenues, net	$ 6,770	$ 34,984
Cost of revenues	6,920	19,428
Gross (loss) profit	(150)	15,556
Operating expenses:		
Diagnostic expenses	—	1,932
General and administration	37,885	33,442
Research and development	594	1,402
Total operating expenses	38,479	36,776
Loss from operations	(38,629)	(21,220)
Interest income, net	—	78
Interest expense	(3,350)	(1,266)
Debt extinguishment loss	(333)	—
Other income	(18)	10
Loss from operations before income taxes	(42,330)	(22,398)
Income tax (expense) benefit	(7,195)	6,018
Loss from continuing operations after income taxes	(49,525)	(16,380)
Discontinued operations:		
Loss from discontinued operations, net of tax	(3,839)	(402)
Net loss	**$ (53,364)**	**$ (16,782)**
Other comprehensive (loss) income:		
Unrealized income (loss) on marketable securities	102	(1,057)
Total comprehensive loss	$ (53,262)	$ (17,839)
Net loss per share:		
Loss from continuing operations, basic and diluted	$ (2.42)	$ (0.95)
Loss from discontinued operations, basic and diluted	$ (0.19)	$ (0.02)
Net loss per share, basic and diluted	$ (2.61)	$ (0.98)
Weighted average common shares outstanding:		
Basic	20,463	17,207
Diluted	20,463	17,207

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) Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance as of January 1, 2023	**16,210,776**	**$ 16**	**$ 109,138**	**$ 11,753**	**$ 757**	**$ (58,033)**	**$ 63,631**
Issuance of common stock in asset acquisition	100,000	1	999	—	—	—	1,000
Repurchases of common shares	(69,628)	—	—	—	—	(588)	(588)
Issuance of common stock to convert outstanding convertible notes	800,000	1	2,399	—	—	—	2,400
Issuance of common stock upon exercise of warrants	400,000	—	1,200	—	—	—	1,200
Issuance of common stock upon stock options cashless exercise	603,881	—	—	—	—	—	—
Issuance of warrants with unsecured promissory note	—	—	398	—	—	—	398
Treasury shares repurchased to satisfy tax withholding obligations	—	—	—	—	—	(5,379)	(5,379)
Unrealized loss on marketable securities, net of taxes	—	—	—	—	(1,057)	—	(1,057)
Stock-based compensation (including $1,024 in prepaid expense)	—	—	4,560	—	—	—	4,560
Net loss	—	—	—	(16,782)	—	—	(16,782)
Balance as of December 31, 2023	**18,045,029**	**18**	**118,694**	**(5,029)**	**(300)**	**(64,000)**	**49,383**
Issuance of common stock for cash, net of offering cost of $577	5,829,000	2	7,592	—	—	—	7,594
Issuance of treasury shares as collateral for a loan	6,000,000	3	(3)	—	—	—	—
Unrealized gain on marketable debt securities	—	—	—	—	102	—	102
Stock-based compensation (including $569 in prepaid expense)	—	—	3,638	—	—	—	3,638
Net loss	—	—	—	(53,364)	—	—	(53,364)
Balance as of December 31, 2024	**29,874,029**	**$ 23**	**$ 129,921**	**$ (58,393)**	**$ (198)**	**$ (64,000)**	**$ 7,353**

See accompanying notes to consolidated financial statements

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

	For the years ended	
	December 31, 2024	**December 31, 2023**
Cash flows from operating activities		
Net loss	$ (53,364)	$ (16,782)
Less: loss from discontinued operations, net of tax	(3,839)	(402)
Net loss from continuing operations	(49,525)	(16,380)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Realized loss on marketable debt securities	18	(22)
Depreciation and amortization	6,187	6,050
Amortization of debt discount	1,485	132
Amortization on right-of-use assets	457	421
Gain from disposal of fixed assets	(91)	(23)
Stock-based compensation expense	3,638	3,536
Accounts receivable allowances	11,018	724
Inventory valuation reserve	(212)	—
Credit loss expense, direct write-offs	—	91
Debt extinguishment loss	333	—
Changes in operating assets and liabilities:		
Accounts receivable	4,738	(617)
Inventory	1,360	170
Prepaid expenses and other current assets	(45)	(216)
Deferred tax asset	7,150	(7,313)
Other assets	853	—
Accounts payable and accrued expenses	5,066	2,862
Accrued diagnostic services	(283)	(695)
Accrued advertising and other allowances	127	(75)
Deferred revenue	(1,000)	(76)
Deferred tax liability	—	(307)
Lease liabilities	(1,408)	(181)
Income taxes payable	(1,292)	(911)
Other liabilities	(377)	637
Net cash used in operating activities - continuing operations	(11,803)	(12,193)
Net cash (used in) provided by operating activities - discontinued operations	(5,735)	305
Net cash used in operating activities	(17,538)	(11,888)
Cash flows from investing activities		
Business acquisitions, escrow received	—	478
Business acquisitions, net of cash acquired	—	(2,904)
Purchase of marketable securities	—	(3,819)
Proceeds from sales of marketable securities	—	3,817
Proceeds from maturities of marketable securities	3,374	4,168
Proceeds from dispositions of property and other assets, net	229	46

	For the years ended	
	December 31, 2024	**December 31, 2023**
Capital expenditures	(906)	(2,084)
Net cash provided by (used in) investing activities - continuing operations	2,697	(298)
Net cash used in investing activities - discontinued operations	(275)	(1,071)
Net cash provided by (used in) investing activities	2,422	(1,369)
Cash flows from financing activities		
Proceeds from issuance of common stock from public offering, net	7,594	—
Proceeds from issuance of note payable	9,862	7,600
Proceeds from exercise of warrants	—	1,200
Repayment of common stock for payment of statutory taxes on cashless exercise of stock options	—	(5,379)
Repayment of note payable	(4,249)	—
Repurchases of common shares	—	(588)
Net cash provided by financing activities - continuing operations	13,207	2,833
Net cash (used in) provided by financing activities - discontinued operations	978	2,924
Net cash provided by financing activities	14,185	5,757
Decrease in cash, cash equivalents and restricted cash	(931)	(7,500)

Cash and cash equivalents at the beginning of the year	1,609	9,109
Cash and cash equivalents at the end of the year	**$ 678**	**$ 1,609**
Supplemental disclosures:		
Cash paid for income taxes	$ 1,126	$ 3,000
Interest payment on the promissory notes	$ 3,105	$ 932
Supplemental disclosure of non-cash investing and financing activities:		
Assets obtained in exchange for new finance lease obligations	$ 3,783	$ 5,809
Issuance of treasury shares as collateral for a loan	$ 3	$ —
Stock-based compensation included in the prepaid expense	$ —	$ 1,024
Issuance of common shares for debt conversion	$ —	$ 2,400
Net unrealized loss, investments in marketable securities	$ 265	$ 1,520
Issuance of warrants with unsecured promissory note	$ —	$ 398
Common stock issued in asset acquisition	$ —	$ 1,000

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 diversified company that offers a range of services including genomics testing, diagnostic testing and contract manufacturing. We are also focused on licensing, developing and commercializing novel drugs, dietary supplements, compounds and diagnostics.

Until late fiscal year 2020, the Company was engaged primarily in the research, development, manufacture, distribution, marketing and sale of over-the-counter ("OTC") consumer healthcare products and dietary supplements in the United States.

In October 2020, the Company completed the acquisition of all of the issued and outstanding shares of capital stock of Confucius Plaza Medical Laboratory Corp. ("CPM"), which owned a 4,000 square foot Clinical Laboratory Improvement Amendments ("CLIA") accredited laboratory located in Old Bridge, New Jersey for approximately $2.5 million, and began offering COVID-19 diagnostic tests through our wholly-owned subsidiary, ProPhase Diagnostics, Inc. ("ProPhase Diagnostics") in December 2020. Also in December 2020, we expanded our diagnostic service business with the build-out of a second, larger CLIA accredited laboratory in Garden City, New York. Operations at this second facility commenced in January 2021. 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 through ProPhase Diagnostics, as well as rapid antigen and antibody/immunity testing for COVID-19. Due to the significant decrease in demand and reimbursement rate for our diagnostic testing service, we have reduced the amount of diagnostic testing services that we provide since the second half of 2023. Nonetheless we are prepared to provide an increased volume of our diagnostic testing service if diagnostic testing is required due to a new COVID-19 outbreak. In addition, in order to maintain licenses in certain states in which we operate, we currently perform several diagnostic tests each quarter to maintain our certified lab status, and we currently plan to do so for the foreseeable future.

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 acidDNA. 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.

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 own 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's wholly-owned subsidiary, Pharmaloz Manufacturing, Inc. ("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.

The Company also develops and markets dietary supplements 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.

The Company's wholly owned subsidiary, Pharmaloz Real Estate Holdings, Inc. ("PREH"), was formed in November 2023, for the purpose to receive additional investment to expand its current facility. There was no operation for

PREH as of December 31, 2024. In January 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 continues to actively pursue acquisition opportunities for other companies, technologies and products within and outside the consumer products industry.

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.

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.

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 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 and accompanying notes. 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, 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 diagnostic service business continued to be impacted by the level of demand for COVID-19 and other diagnostic testing, the prices we are able to receive for performing our testing services, our ability to collect payment or

reimbursement for our testing services and ultimately led to our revenues decreasing significantly for the year ended December 31, 2024. On March 22, 2022, the Health Resources & Services Administration ("HRSA") program stopped accepting claims for COVID-19 testing and treatment provided to uninsured individuals due to lack of sufficient funds. We recognized approximately 480,000 tests for the year ended December 31, 2023, of which28% were reimbursed by the HRSA uninsured program for the year ended December 31, 2022, and none were reimbursed from the HRSA uninsured program for the year ended December 31, 2023. We didnot recognize any tests for the year ended December 31, 2024. As a result, we have reduced the amount of diagnostic testing services that we provide since the fourth quarter of 2023.

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, 2024, $11.8 million was used by operating activities. The Company had cash, cash equivalents, and marketable securities of $0.7 million as of December 31, 2024. Based on management's current business plans, the Company estimates that it will have enough cash and liquidity to finance its operating requirements for at least one year from the date of filing these financial statements. However, due to the nature of the diagnostic business and the Company's focus thus far on COVID-19, there are inherent uncertainties associated with managements' business plan and cash flow projections if the Company is unable to grow its diagnostic testing business beyond COVID-19 testing services and to grow its other businesses.

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, 2024			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Corporate stock	$ 148	$ —	$ (148)	$ —
	$ 148	$ —	$ (148)	$ —

	As of December 31, 2023			
	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, 2024	December 31, 2023
Trade accounts receivable	$ 34,901	$ 39,678
Unbilled accounts receivable	—	—
	34,901	39,678
Less allowances	(14,843)	(3,864)
Total accounts receivable	$ 20,058	$ 35,814

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

Beginning balance as of January 1, 2023	$ 3,140
Current period provision for expected credit losses	724
Balance as of December 31, 2023	3,864
Current period provision for expected credit losses	11,018
Accounts written off	(39)
Balance as of December 31, 2024	$ 14,843

For Fiscal 2024 and 2023, we recorded $11.0 million and $0.3 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 $14.8 million and $3.9 million at December 31, 2024 and 2023, respectively.

At December 31, 2024, within the diagnostic services business, insurers had significantly aged balances that we are continuing to work to collect. The specific facts and circumstances related to each of these individual payors have been considered by our management, which informed the determination of the year-end reserve balance. We continue to pursue collection of amounts due. However, there will inevitably be billings that are rejected by the insurance carriers and associated receivables that will not be collected. We believe that the reserve established at December 31, 2024 is adequate to capture this collectability risk. While past history is helpful informing the determination of an appropriate reserve, its utility is somewhat limited by the circumstances underlying a significant portion of these aged balances; specifically, an unprecedented volume of activity related COVID 19 diagnostic testing. Accordingly, the determination of an appropriate reserve required significant management judgment and was informed by the unique facts and circumstances related to each of the three significant insurers.

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, 2024 and 2023, the components of inventory are as follows (in thousands):

	December 31, 2024	December 31, 2023
Diagnostic services testing material	$ 564	$ 623
Raw materials	147	448
Work in process	65	119
Finished goods	375	1,320
Inventory	$ 1,151	$ 2,510
Inventory valuation reserve	(8)	(219)
Inventory, net	$ 1,143	$ 2,291

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.

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, 2024, our cash and cash equivalents balance was $678,000. Of the total bank balance, $353,000 was covered by federal depository insurance and $325,000 was uninsured at December 31, 2024.

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. Management completed a qualitative assessment of Goodwill and it was not deemed impaired at December 31, 2024.

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 and finite-lived intangible assets, 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. For the fiscal years ended December 31, 2024 and 2023, 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 condensed consolidated statement of operations. The components of marketable securities are as follows (in thousands):

	As of December 31, 2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Corporate stock	$ —	$ —	$ —	$ —

	As of December 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Corporate stock	$ 3,127	$ —	$ —	$ 3,127

There were no transfers of marketable debt securities between Levels 1, 2 or 3 for the years ended December 31, 2024 and 2023.

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.

For genomic services, we satisfy our product performance obligation at a point in time when the genetic testing results are provided to the customer. 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, including lifetime subscription services. 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, 2024 and December 31, 2023, we have deferred revenue of$2.5 million and $3.5 million, respectively. Our new personal genomics business comprised $2.3 million of the deferred revenue as of December 31, 2024. 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 following table disaggregates our deferred revenue by recognition period (in thousands):

	As of December 31, 2024	As of December 31, 2023
Recognition Period		
0-12 Months	$ 1,698	$ 2,382
13-24 Months	784	1,110
Total	$ 2,482	$ 3,492

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 2024 and 2023 (in thousands):

	For the years ended	
Revenue by Customer Type	December 31, 2024	December 31, 2023
Diagnostic services	$ —	$ 24,849
Retail and others	1,492	2,378
Genomic products and services	5,278	7,757
Total revenue, net	$ 6,770	$ 34,984

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 2024 and 2023 were $0.3 million and $1.8 million, 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, 2024 and 2023 were$0.6 million and $1.4 million, 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.

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.

Recently Issued Accounting Standards, Adopted

In March 2024, the FASB issued ASU No. 2024-01, "Compensation-Stock Compensation (Topic 718): Scope Applications of Profits Interests and Similar Awards" ("ASU 2024-01"). ASU 2024-01 adds an example to Topic 718 which illustrates how to apply the scope guidance to determine whether profits interests and similar awards should be accounted for as share-based payment arrangements under Topic 718 or under other topics of GAAP. ASU 2024-01 is effective for annual periods beginning after December 15, 2024, although early adoption is permitted. Upon adoption, ASU 2024-01 is not expected to have an impact on the Company's consolidated financial statements.

In March 2024, the FASB issued ASU 2024-02 Codification Improvements - Amendments to Remove References to the Concept Statements to provide amendments to the Codification that remove references to various FASB Concepts Statements. ASU 2024-02 is effective for annual periods beginning December 15, 2024, with early adoption permitted. ASU 2024-02 is not expected to have an impact on the Company's consolidated financial statements.

In November 2023, the FASB issued Accounting Standards Update ("ASU") No. 2023-07, "Improvements to Reportable Segment Disclosures (Topic 280)" which is intended to improve reportable segment disclosure requirements, primarily through incremental disclosures of segment information on an annual and interim basis for all public entities. The ASU expands public entities' segment disclosures by requiring disclosure of significant segment expenses that are

regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items and interim disclosures of a reportable segment's profit or loss and assets. The ASU is to be applied retrospectively to all prior periods presented in the financial statements and is effective for our Annual Report on Form 10-K for the fiscal year ended December 31, 2024, and interim periods thereafter. The adoption of this ASU as of December 31, 2024 resulted in enhanced disclosures, but did not materially impact the Company's consolidated financial statements.

Recently Issued Accounting Standards, Not Yet Adopted

In November 2024, the FASB issued ASU No. 2024-03, Disaggregation of Income Statement Expenses. This update improves the disclosures about a public entity's expenses, primarily through additional disclosures of specific information about certain costs and expenses in the notes to financial statements. The guidance is effective for the Company for annual reporting periods beginning after December 15, 2026 and interim reporting periods beginning after December 15, 2027. The requirements will be applied prospectively with the option for retrospective application. Early adoption is permitted. The Company is currently evaluating the impact this ASU will have on its consolidated financial statements.

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 does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

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 100,000 shares of common stock, par value $0.0005 per share, of the Company at a value of $10.00 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, 2024, 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

During the year ended December 31, 2023, the Company acquired intangible assets of $6.8 million included with proprietary intellectual property, in connection with the acquisition of the Stella Purchased Assets. See Note 3.

Intangible assets as of December 31, 2024 and 2023 consisted of the following (in thousands):

	December 31, 2024	December 31, 2023	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	1,307	3
	19,101	19,101	
Less: accumulated amortization	(9,351)	(6,768)	
Total intangible assets, net	$ 9,750	$ 12,333	

Amortization expense for acquired intangible assets was $2.6 million and $2.9 million during the years ended December 31, 2024 and 2023, respectively. The estimated future amortization expense of acquired intangible assets as of December 31, 2024 is as follows (in thousands):

Year ended December 31, 2025	$ 2,583
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
Thereafter	2,445
	$ 9,750

Note 5 – Property, Plant and Equipment

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

	December 31, 2024	December 31, 2023	Estimated Useful Life
Leasehold improvements	1,241	374	Lesser of lease term or estimated useful life
Machinery	482	443	3-7 years
Lab equipment	11,813	12,667	3-7 years
Computer equipment and software	2,562	2,562	3-5 years
Furniture and fixtures	383	383	5 years
	16,481	16,429	
Less: accumulated depreciation	(8,980)	(6,099)	
Total property, plant and equipment, net	$ 7,501	$ 10,330	

Depreciation expense for Fiscal 2024 and 2023 were $4.2 million and $3.1 million, respectively.

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 December 31, 2024, the Company transferred the outstanding balance of PMI Note to current asset held-for-sale as a result of the disposal of PMI and PREH, which was closed on January 16, 2025 (see Note 17).

Collateralized Loan Agreement

On November 21, 2024 the Company entered into a financing agreement with CJEF Capital Partners PTE Ltd. ("CJEF"), to provide the Company with loan funding to be secured by 6 million common shares (the "Collateralized Loan Agreement"). Funding 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 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, 2024 the Company has been provided funding of $500,000 against the Collateralized Loan agreement, with the entire balance remaining outstanding.

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 "Term Note"). The Term Note has an implicit interest rate of 15%. The 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 end of term. There are no warrants or convertible features associated with this note.

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, 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 next 24 months. 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 recognized a long-term obligation at December 31, 2024 for $1.8 million, which is net of discount of $422,000.

2024 Third Future Receipts Financing

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 $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.

During the year ended December 31, 2024, the Company recognized $179,000 interest expense from the amortization of debt discount using the effective interest rate method. As of December 31, 2024, the outstanding balance under the Third Future Receipts Financing Agreement was $201,000, net of debt discount of $31,000.

2024 Second Future Receipts Financing and Amendment

On June 27, 2024, the Company entered into an agreement of 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 $42,000 origination fee. The Company also incurred $22,000 brokerage fee which was paid subsequently in July 2024. The Second Future Receipts Financing Agreement requires thirty two average 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 Second Future Receipts 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. The amendment to the Second Future Receipts Financing Agreement was accounted for as a debt extinguishment. As a result, the Company recognized approximately $333,000 of debt extinguishment loss during the year ended December 31, 2024.

During the year ended December 31, 2024, the Company recognized an aggregate of $621,000 interest expense from the amortization of debt discount for both the Second Future Receipts Financing Agreement and the Amended Second Future Receipts Financing Agreement using the effective interest rate method. As of December 31, 2024, the outstanding balance under the Amended Second Future Receipts Financing Agreement was $1.4 million, net of debt discount of $188,000.

2024 Future Receipts Financing

On February 14, 2024 (the "Commencement Date"), the Company entered into an agreement of 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 approximate $2.5 million, which was paid to the Company on February 16, 2024, net of $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 made payments in the aggregate amount of $166,000 to Libertas through September 30, 2024. 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, 2024, the Company recognized $484,000 interest expense from the amortization of debt discount using the effective interest rate method. As of December 31, 2024, the outstanding balance under the Future Receipts Financing Agreement was $759,000, net of debt discount of $18,000.

2023 Secured Mortgage Loan

On December 20, 2023, the Company's wholly-owned subsidiary PREH entered into an Open-End Mortgage Agreement (the "Mortgage Agreement"). The Mortgage provided for a loan of $3.3 million (the "Mortgage Loan") with stated maturity date on January 6, 2034, bore a fixed interest rate of 8.25% per annum and required monthly mortgage payments of principal and interest of $25,000. The obligations under the Mortgage Agreement were secured by PREH's certain real property in Pennsylvania. The Company incurred $341,000 issuance cost, which was recognized as a debt discount and will be amortized using the effective interest method over the term of the Mortgage Loan. The Company retains $627,000 and $540,000 cash in an escrow account as of December 31, 2024 and 2023, respectively. The outstanding balance of the Mortgage Loan was $2.9 million and $2.9 million as of December 31, 2024 and 2023, respectively. On December 31, 2024, the Company transferred the balance in escrow account and the outstanding loan balance to current asset held-for-sale and non-current liability held-for-sale on the Company's consolidated balance sheet, respectively as a result of the disposal of PMI and PREH, which was closed on January 16, 2025 (see Note 17).

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. In addition to the JXVII Note, the Company issued warrants to purchase 76,000 shares of the Company's common stock at an exercise price of $9.00 for a term of 5 years, vesting immediately. The warrants were valued at $400,000 fair value, using the Black-Scholes option pricing model to calculate the grant date fair value of the warrants, with the following assumptions: no dividend yield, expected volatility of 81.5%, risk free interest rate of 3.62% and expected warrant life of 5 years. The relative fair value of the warrant was $380,000 and was recorded as a discount to the note payable in accordance with ASC 835-30-25, Recognition, and is being accreted over the term of the note payable for financial statement purposes. As of December 31, 2023, the unpaid principal balance of the 2023 Note was $7.3 million, net of debt discount of $0.3 million.

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 from 10% to 15% per annum, and extending the maturity date from January 27, 2026 to August 15, 2027. The Company received $2.3 million 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.

As of December 31, 2024, the outstanding balance of the Amended JXVII Note was $9.9 million, net of debt discount of $127,000.

2020 Unsecured Convertible Notes Payable

On September 15, 2020, the Company issued two unsecured, partially convertible, promissory notes (the “September 2020 Notes”) for an aggregate principal amount of $10.0 million to two investors (collectively, the “Lenders”).

On February 28, 2022, the Company entered into a letter agreement (the “Letter Agreement”) with one of the Lenders providing for the payoff of its September 2020 Note in the principal amount of $2.0 million.

Pursuant to the terms of the Letter Agreement, (i) the Lender converted $0.6 million of the principal amount due to him under his September 2020 Note into 200,000 shares of Company common stock (the “Conversion Shares”) at a price of $3.00 per share as provided for under the terms of the September 2020 Note (the “Conversion”), (ii) the Company paid to the Lender $1.4 million in cash, representing $1.4 million of the remaining principal under the September 2020

Note following the Conversion plus $41,000 in accrued and outstanding interest under the September 2020 Note, and (iii) the Company repurchased the Conversion Shares at a price of $5.75 per share for an aggregate amount of $1.2 million (for a total aggregate payment to the Lender of $2.6 million).

In November 2022, the Company paid the remaining Lender $5.6 million in principal on the remaining September 2020 Note.

On September 10, 2023, the Lender converted the remaining $2.4 million principal into 800,000 shares of the Company's common stock. The September 2020 Note was settled in full as of December 31, 2023. For the year ended December 31, 2023, the Company incurred $0.8 million in interest expense under the September 2020 Notes.

Note 7 – Stockholders' Equity

Our authorized capital stock consists of 50 million shares of common stock, $0.0005 par value, and one million shares of preferred stock, $0.0005 par value.

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, 2024, 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, 2024.

Common Stock

Stock Repurchase Program

On March 15, 2023, the Company announced that its board of directors had approved a new stock repurchase program. Under the stock repurchase program, the Company is authorized to repurchase up to $6.0 million of its outstanding shares of common stock from time to time, over a nine-month period. The number of shares to be repurchased and the timing of the repurchases, if any, will depend on a number of factors, including, but not limited to, price, trading volume and general market conditions, along with the Company's working capital requirements and general business conditions. The board of directors will re-evaluate the program from time to time and may authorize adjustments to its terms.

Following the Commencement Date (as defined in the stock repurchase agreement), and for a period of nine months thereafter, repurchases may be made through open market transactions (based on prevailing market prices), privately negotiated transactions, block trades, or any combination thereof, in accordance with applicable federal securities laws, including Rule 10b-18 of the Securities Exchange Act of 1934, as amended.

On July 26, 2022, the Company announced that its board of directors had approved new stock repurchase programs. Under each of the stock repurchase programs, the Company was authorized to repurchase up to $6.0 million of its outstanding shares of common stock from time to time, over a six-month period.

The Company repurchased 69,628 shares during the year ended December 31, 2023 pursuant to the stock repurchase programs for an aggregate amount of $0.6 million, including commissions. The Company did not repurchase any shares during the year ended December 31, 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 $100,000,000, 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.

Public Offering

On November 12, 2024 ("Closing Date"), the Company closed on an underwritten firm commitment public offering whereby the Company sold 4,795,000 shares of common stock, including 625,000 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 $0.72 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 239,750 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 $0.90.

Collateral Shares

Pursuant to an agreement entered into on November 21, 2024, the Company provided CJEF 6 million 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 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 300,000 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 150,000 shares.

The Company issued 210,000 and 120,000 options issued under this plan during the year ended December 31, 2024 and 2023, respectively. In addition, during the year ended December 31, 2024, 300,000 options held by a former director were forfeited. As of December 31, 2024, there were 300,000 shares of common stock available to be issued under the 2022 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 authorizes the issuance of up to 775,000 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 2022 Equity Compensation Plan

On May 19, 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 provides for an increase in the number of shares reserved for issuance under the plan by1,000,000 shares and provides 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 Equity Compensation Plan (the “Amended 2022 Plan”) at the 2023 Annual Meeting of Stockholders of the Company. The Amended 2022 Plan provides for an increase in the number of shares reserved for issuance under such plan by 700,000 shares.

During the year ended December 31, 2024 and 2023, there were1,080,000 and 1,015,000 stock options issued under the 2022 Plan, respectively.

As of December 31, 2024, there were405,785 shares of common stock available to be issued under the 2022 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 4,900,000 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 purpose of the 2018 Stock Plan is to advance the interests of the Company and its stockholders by providing an incentive to attract, retain, and reward persons performing services for the Company and by motivating such persons to contribute to the growth and profitability of the Company. The 2018 Stock Plan provides that the total number of shares that may be issued pursuant to the 2018 Stock Plan is 2,300,000 shares. At April 12, 2018, all 2,300,000 shares had been granted in the form of stock options to Ted Karkus (the “CEO Option”), the Company's Chief Executive Officer.

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 $0.60 per share after the latest special cash dividend paid on June 3, 2022.

During the years ended December 31, 2024 and 2023,0 and 1,100,000 stock options were exercised under the 2018 Stock Plan, respectively. No share based compensation expense will be recognized in forward periods related to the 2018 Stock Plan.

Inducement Option Awards

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 500,000 shares of the Company’s common stock at an exercise price of $6.00 per share. The COO Award vested 25% on the date of grant and the remaining portion will vest 25% per year for the next three years on each of the first three anniversaries of the commencement date of Mr. Latkin’s employment, subject to his continued service on each vesting date. The COO Award expires on the seventh anniversary of the grant date. 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 April 15, 2024, the Company issued an inducement award to an employee pursuant to his employment agreement to purchase up to50,000 shares (the "April Award") of the Company’s common stock at an exercise price of

$6.20 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.

There were no issuances of inducements awards during the year end December 31, 2023.

All inducement awards have been granted outside of the Company's equity compensation plans pursuant to Nasdaq Listing Rule 5635(c)(4).

Summary of all option grants

The following table summarizes stock options activity during Fiscal 2024 and 2023 (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, 2023	3,952	$ 5.35	3.8	$ 20,379
Granted	1,135	8.65	5.0	—
Exercised	(1,348)	0.98	—	—
Forfeited	(788)	8.64	—	—
Outstanding as of December 31, 2023	2,951	7.30	4.8	693
Granted	1,840	6.01	7.0	—
Forfeited	(910)	7.48	—	—
Outstanding as of December 31, 2024	3,881	$ 6.64	4.9	$ —
Options vested and exercisable	2,108	$ 6.55	4.1	$ —

The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying options and the closing stock price of $0.76 and $4.52 for the Company's common stock on December 31, 2024 and 2023, respectively.

During the year ended December 31, 2023, certain holders of stock options elected to exercise their stock options pursuant to a cashless exercise provision resulting in the net issuance of 603,881 shares of common stock and the return of 744,369 shares to the Company. The Company also made a cash payment of approximately $5.4 million to repurchase 603,881 shares of treasury stock to satisfy tax withholding obligations related to the cashless exercise of these stock options.

During the year ended December 31, 2024 and 2023, the Company granted options to purchase 1,840,000 and 1,135,000 shares of the Company's common stock to various employees and consultants, respectively. The options grant date fair value was valued at $5.5 million and $4.2 million during the year ended December 31, 2024 and 2023, 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 2024 and 2023:

	For the years ended December 31,	
	2024	2023
Exercise price	$ 6.01	$ 8.65
Expected term (years)	4.5	4.7
Expected stock price volatility	80 %	80 %
Risk-free rate of interest	4.2 %	3.7 %
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

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 239,750 shares of common stock. The Representative's Warrants will be exercisable at a per share exercise price of $0.90. 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, using the Black-Scholes option pricing model to calculate the grant date fair value of the warrants, with the following assumptions: no dividend yield, expected volatility of 85.6%, risk free interest rate of 4.3% and expected warrant life of 5 years. 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.

Between August and September 2023, the Company received $1.2 million from the exercise of outstanding warrants with an exercise price at $3.00 per share. The Company issued approximately 400,000 shares of common stock upon these warrant exercises.

On April 6, 2023, the Company issued warrants to a consultant to purchase 250,000 shares of the Company's common stock at an exercise price of $9.00 for a term of 5 years, vesting immediately. The warrants were valued at $1.4 million, using the Black-Scholes option pricing model to calculate the grant date fair value of the warrants, with the following assumptions: no dividend yield, expected volatility of 80.4%, risk free interest rate of 3.6% and expected warrant life of 5 years, which was initially recognized as a prepaid expense and to be expensed over the term of the consulting agreement. As of December 31, 2024, $0.6 million was remained in the prepaid expense and other current assets on the consolidated balance sheet.

On January 27, 2023, the Company issued five-year warrants to purchase 76,000 shares of the Company's common stock with the unsecured promissory note (see Note 6).

On January 12, 2023, the Company issued warrants to an advisory firm to purchase 50,000 shares of the Company's common stock at an exercise price of $10.00 for a term of 5 years, vesting immediately. The warrants were valued at $300,000 fair value, using the Black-Scholes option pricing model to calculate the grant date fair value of the warrants, with the following assumptions: no dividend yield, expected volatility of 80.9%, risk free interest rate of 3.5% and expected warrant life of 5 years. These warrants were expensed over the 1 year term of the engagement which ended on December 31, 2023.

The following table summarizes warrant activities during Fiscal 2024 and 2023 (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, 2023	855	$ 8.23	0.9
Warrants granted	376	9.13	4.2
Warrants exercised	(400)	3.00	
Outstanding as of December 31, 2023	831	11.16	1.9
Warrants granted	240	0.90	5.0
Warrants expired	(455)	12.83	
Outstanding as of December 31, 2024	616	$ 5.93	3.8
Warrants vested and exercisable	376	$ 5.93	3.8

The Company recognized $3.6 million and $3.5 million of share-based compensation expense during the year ended December 31, 2024 and 2023, respectively. The Company will recognize an aggregate of approximately $5.2 million of remaining share-based compensation expense related to outstanding stock options and warrants over a weighted average period of 3.3 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, 2024 and 2023 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, 2024	December 31, 2023
Continuing Operations		
Current		
Federal	$ —	$ 772
State	45	284
	$ 45	$ 1,056
Deferred		
Federal	5,336	(5,459)
State	1,814	(1,615)
	$ 7,150	$ (7,074)
Income taxes provision (benefit) from continuing operations	$ 7,195	$ (6,018)

A reconciliation of the statutory federal income tax expense (benefit) to the effective tax is as follows (in thousands):

	2024	2023
Statutory Rate - federal	$ (7,382)	$ (4,788)
State taxes, net of federal benefit	(2,373)	(1,133)
Research & development tax credit	—	(350)
Permanent differences and other	521	510
Income taxes from continuing operations before valuation allowance	(9,234)	(5,761)
Change in valuation allowance	16,429	(257)
Income tax expense (benefit)	$ 7,195	$ (6,018)
Total	$ 7,195	$ (6,018)

The tax effects of the primary “temporary differences” between values recorded for assets and liabilities for financial reporting purposes and values utilized for measurement in accordance with tax laws giving rise to our deferred tax assets are as follows (in thousands):

	For the years ended	
	December 31, 2024	December 31, 2023
Net operating loss and capital loss carryforward	$ 12,033	$ 4,649
Right of use asset	(1,403)	(1,464)
Other	4,944	4,972
Capital lease obligations	1,403	1,464
Depreciation	783	(479)
Amortization	(997)	(1,612)
Tax credit	350	350
Valuation allowance	(17,113)	(567)
Total	—	7,313

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, 2024, 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.
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As of December 31, 2024 there is a valuation allowance of $17.1 million compared to $0.6 million as of December 31, 2023. As of December 31, 2024, the Company has state net operating loss ("NOL") carryforwards of $8.6 million, which begin to expire in 2025 and federal NOL carryforwards of $3.4 million as well as an R&D tax credit carryforward of $0.3 million which can be carried forward indefinitely. 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, 2024.

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, 2024 and 2023, respectively (in thousands):

	December 31, 2024	December 31, 2023
Accrued payroll	$ 75	$ 127
Accrued bonus	—	1,000
Accrued expenses	1,945	1,423
Accrued returns	32	3
Accrued benefits and vacation	63	33
Total other current liabilities	$ 2,115	$ 2,586

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 $120,000 and $0.6 million in general and administrative expenses that are included in the Consolidated Statements of Operations and Comprehensive Income (Loss) for the year ended December 31, 2024 and 2023, 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 currently anticipate trial completion in the third quarter of 2024 and anticipate launching Equivir (dietary supplement) in the United States toward the end of 2024.

In connection with the license agreement relating to Equivir, for the years ended December 31, 2024 and 2023, the Company has incurred approximately $100,000 and $0.4 million 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, and in connection with the Asset acquisition of Stella, we announced a collaboration for the continued development of its BE-Smart Esophageal Pre-Cancer diagnostic screening test. We are pursuing initial commercialization of the BE-Smart test as an LDT (Laboratory Developed Test) and RUO (Research Use Only) for the third quarter of 2025 with full commercialization backed by insurance expected by the third quarter of 2025.

In connection with the license agreement relating to BE-Smart License Agreement, for the years ended December 31, 2024 and 2023, the Company has incurred approximately $170,000 and $0.3 million in general and administrative expenses that are included in the Consolidated Statements of Operations and Comprehensive Income (Loss), respectively. No clinical studies have begun under this agreement.

Litigation

In the normal course of our business, we may be named as a defendant in legal proceedings. It is our policy to vigorously defend litigation or to enter into a reasonable settlement where management deems it appropriate.

Note 12 – Leases

Operating Leases

New Jersey Laboratory Lease

On October 23, 2020, the Company completed the acquisition of CPM, which included the acquisition of a4,000 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 rent remains the same at $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.

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.

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) to perform Whole Genome Sequencing (WGS) and an array of genetic diagnostic test offerings for both clinical and research purposes.

The NY First Floor Lease became effective as of June 10, 2022 and will commence upon the date of the Landlord's substantial completion of certain improvements to the NY First Floor Leased Premises (the "First Floor Commencement Date"), as set forth in the NY First Floor Lease, targeted to be approximately five months from the execution of the NY First Floor Lease. The initial term of the NY First Floor Lease will expire on July 15, 2031, unless sooner terminated as provided in the NY First Floor Lease. The Company may extend the term of the NY First Floor Lease forone additional option period of five years pursuant to the terms described in the NY First Floor Lease. The Company has the option to terminate the NY First Floor Lease effective July 31, 2027 (the "Early Termination Date"), provided the Company gives the Landlord written notice not less than nine months and not more than 12 months prior to the Early Termination Date and pays the Landlord a termination fee as more particularly described in the Lease.

For the first year of the NY First Floor Lease, the Company will pay a base rent of $11,290 per month (subject to an eight month abatement period), with a gradual rental rate increase of approximately 2.75% for each twelve month period thereafter, culminating in a monthly base rent of $14,026 during the final months of the initial term of the NY First Floor Lease. In addition to the monthly base rent, the Company is responsible for its proportionate share of real estate tax escalations in accordance with the terms of the NY First Floor Lease. The Landlord will provide a construction allowance to the Company in an aggregate amount not to exceed $203,000, to reimburse the Company for the cost of certain improvements to be made by the Company to the First Floor Leased Premises. During the year ended December 31, 2023, the Company recognized additional $0.8 million right-of-use asset and operating lease liability for the NY First Floor Lease.

At December 31, 2024 and 2023, the Company had operating lease liabilities for the New York and New Jersey leases of approximately $5.0 million and $5.2 million, respectively, and right of use assets of approximately $4.1 million and $4.6 million, respectively, which were included in the consolidated balance sheets.

Finance Leases

On April 19, 2023, the Company entered into a master lease agreement for a 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 was calculated based on an interest rate of 8.0%, which was recognized in finance lease liabilities in the 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 was calculated based on an interest rate of 7.4%, which was recognized in finance lease liabilities in the consolidated balance sheet.

At December 31, 2024 and 2023, the Company had finance lease liabilities of approximately $4.7 million and $5.9 million, respectively, and finance lease assets within property and equipment, net of approximately $4.2 million and $5.8 million, respectively, which were included in the consolidated balance sheets.

Finance Leases - Held-for-Sale

On September 26, 2023, the Company entered into a master lease agreement for a laboratory equipment (the "Third Equipment Lease") with a vendor. The Third Equipment Lease had a 3-year term starting on the commencement date. The commencement date is when the equipment is shipped and installed, then the Company will provide Final Acceptance Certificate to the vendor. On May 14, 2024, all three Final Acceptance Certificates in connection with certain Amended and Restated Lease Schedules to the Third Equipment Lease was delivered by the Company. The amended lease term for each lease schedule is 18-months with 6 quarterly payments. The aggregate present value of the minimum future obligations under these three lease schedules are approximately $3.3 million based on an interest rate of 12.3%, which was recognized in finance lease liabilities in the consolidated balance sheet. The Company also recognized an additional $0.5 million in finance lease assets, which was reclassed from prepaid expenses as of the commencement date.

At December 31, 2024, the Company had finance lease assets and liabilities of approximately $2.4 million and $2.4 million, respectively, which were both reclassed to assets held-for-sale and liabilities held-for-sale as a result of the disposal of PMI and PREH, which was closed on January 16, 2025 (see Note 17).

Depreciation and interest expense related to the Equipment Lease in continuing operation was $1.8 million and $1.0 million for the year ended December 31, 2024 and 2023, respectively.

The following summarizes quantitative information about the Company's operating and finance leases (in thousands):

	For the Years Ended	
	December 31, 2024	December 31, 2023
Operating leases:		
Operating lease cost	$ 956	$ 956
Total operating lease expense	$ 956	$ 956
Finance leases:		
Interest lease cost	$ 399	$ 259
Depreciation expense	1,356	760
Total finance lease expense	$ 1,755	$ 1,019
Finance leases held-for-sale:		
Interest lease cost- discontinued operations	$ 199	$ —
Depreciation lease cost- discontinued operations	1,394	—
Total finance lease expense - discontinued operations	$ 1,593	$ —

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

	For the Years Ended	
	December 31, 2024	December 31, 2023
Operating cash flows used in operating leases	$ (716)	$ (839)

	December 31, 2023	December 31, 2022
Weighted-average remaining lease term – operating leases (in years)	6.5	7.4
Weighted-average remaining lease term – finance leases (in years)	2.2	3.8
Weighted-average discount rate – operating leases	10.00 %	10.00 %
Weighted-average discount rate – finance leases	9.13 %	7.56 %
Finance lease asset (1)	$ 4,242	$ 5,809
Finance lease asset held-for-sale (2)	$ 2,389	$ —

(1) As of December 31, 2024 and 2023, the Company had recorded accumulated depreciation of approximately $2.3 million and $0.8 million, respectively for the finance lease asset. 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 held-for-sale. Finance lease assets held-for-sale are recorded within other assets held-for-sale on the Company’s consolidated balance sheets.

Minimum lease payments over the remaining lease periods as of December 31, 2024 are as follows (amounts in thousands):

	Operating Lease	Finance Lease	Total
Year Ended December 31, 2025	$ 1,214	$ 4,606	$ 5,820
Year Ended December 31, 2026	941	1,840	2,781
Year Ended December 31, 2027	955	1,188	2,143
Year Ended December 31, 2028	982	121	1,103
Year Ended December 31, 2029	1,009	—	1,009
Thereafter	1,661	—	1,661
Total lease payments	6,762	7,755	14,517
Less present value discount	(1,786)	(661)	(2,447)
Less liabilities held-for-sale	—	(2,356)	(2,356)
Total	$ 4,976	$ 4,738	$ 9,714

Note 13 – Significant Customers Concentrations

Revenue for years ended December 31, 2024 and 2023 was $6.8 million and $35.0 million, respectively. The Company had no Diagnostic Services for the year ended December 31, 2024 and Diagnostic Services accounted for 71% of the Company's net revenue for the year ended December 31, 2023. The Company decreased its diagnostic services business since the second half of 2023 due to the significant decrease in demand for our diagnostic testing services. For the year ended December 31, 2024 and 2023, there were no consumer products customers that accounted for 10% or more of our total revenues. Collections of diagnostic services revenues are driven by payers, which are government agencies (primarily HRSA), insurance providers, and client payers. For the year ended December 31, 2024,requisitions from government agencies including Medicaid and Medicare were approximately 19% and 81%, respectively. For the year ended December 31, 2023, requisitions from government agencies including Medicaid and Medicare were approximately 17% and insurance providers were 83%.

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. Three diagnostic services payers generated 34.8%, 19.3% and 5.3% of our total reimbursement receivable balances from government agencies and healthcare issuers at December 31 2024, and 32.6%, 18.7% and 12.6% of our total reimbursement receivable balances from government agencies and healthcare issuers at December 31 2023.

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 2024 and 2023 (in thousands):

	For the years ended	
	December 31, 2024	December 31, 2023
Net revenues		
Diagnostic services	$ —	$ 24,849
Consumer products	6,770	10,135
Consolidated net revenue	6,770	34,984
Cost of revenue		
Diagnostic services	2,329	11,790
Consumer products	4,591	7,638
Consolidated cost of revenue	6,920	19,428
Depreciation and amortization expense		
Diagnostic services	1,604	2,618
Consumer products	4,583	3,432
Total Depreciation and amortization expense	6,187	6,050
Operating and other expenses		
Diagnostic services	15,928	12,245
Consumer products	4,484	7,533
Unallocated corporate	15,581	12,126
Total operating and other expenses	35,993	31,904
Loss from operations, before income taxes		
Diagnostic services	(19,861)	(1,804)
Consumer products	(6,888)	(8,468)
Unallocated corporate	(15,581)	(12,126)
Total loss from operations, before income taxes	(42,330)	(22,398)
Income tax (expense) benefit	(7,195)	6,018
Net loss from continuing operations	$ (49,525)	$ (16,380)

The following table is a summary of segment information for Fiscal 2024 and Fiscal 2023 (in thousands):

	December 31, 2024	December 31, 2023
ASSETS		
Diagnostic services	$ 26,069	$ 44,221
Consumer products	19,745	23,284
Unallocated corporate	5,804	19,065
Assets held-for-sale	11,582	5,357
Total assets	$ 63,200	$ 91,927

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, 2024	December 31, 2023
Loss from continuing operations after income taxes	$ (49,525)	$ (16,380)
Loss from discontinued operations, net of tax	(3,839)	(402)
Net loss	$ (53,364)	$ (16,782)
Weighted average common shares outstanding:		
Basic	20,463	17,207
Diluted	20,463	17,207
Net loss per share:		
Loss from continuing operations, basic and diluted	$ (2.42)	$ (0.95)
Loss from discontinued operations, basic and diluted	$ (0.19)	$ (0.02)
Net loss per share, basic and diluted	$ (2.61)	$ (0.98)

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):

	For the years ended	
Anti-dilutive securities	**December 31, 2024**	**December 31, 2023**
Common stock purchase warrants	616	831
Stock Options	3,881	2,951
Anti-dilutive securities	4,497	3,782

Note 16 – Related Parties

The Company's Executive Vice President and Co-Chief Operations Officer of ProPhase Diagnostics, is a related party to the Company's Chairman and Chief Executive Officer. For the years ended December 31, 2024 and 2023, there were no payments made to the Executive Vice President outside compensation and benefitsfor 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. 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, 2024, consulting services from 10pm Curfew totaled $165,000. Amounts payable 10PM Curfew as of December 31, 2024 was $10,000. The Company continues to utilize 10PM Curfew for consulting services.

Note 17 – Discontinued Operations

Effective January 16, 2025, the Company completed the sale of the Pharmaloz Manufacturing Inc. business and Pharmaloz Real Estate Holdings, Inc. (collectively "Pharmaloz") to JH Partners (see Note 18). The occurrence of the sale of the Pharmaloz reporting unit met the criteria to be reported as a discontinued operation, as the disposal of these

components represents a strategic shift for the Company based on the quantitative benchmarks. As of December 31, 2024, the Pharmaloz reporting unit meets all the criteria for held-for-sale accounting.

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, 2024 and 2023 (amount in thousands):

	For the Years Ended	
	December 31, 2024	**December 31, 2023**
Revenues, net	$ 6,442	$ 9,400
Cost of revenues	7,364	8,717
Gross (loss) profit	(922)	683
Operating expenses:		
General and administration	2,569	1,060
Research and development	—	16
Total operating expenses	2,569	1,076
Loss from operations	(3,491)	(393)
Interest expense	(378)	(9)
Other income	30	—
Loss from discontinued operations, net of tax	**$ (3,839)**	**$ (402)**

The following table presents a reconciliation of the carrying amounts of assets and liabilities of the Company that were reclassified to assets held-for-sale and liabilities held-for-sale as of December 31, 2024 and 2023 (amount in thousands):

	December 31, 2024	**December 31, 2023**
Restricted cash	$ 627	$ 540
Accounts receivable, net	605	499
Inventory, net	1,487	1,550
Prepaid expenses and other current assets	3,424	200
Total current assets held-for-sale	6,143	2,789
Property, plant and equipment, net	4,895	2,568
Other assets	544	—
Total non-current assets held-for-sale	5,439	2,568
Total assets held-for-sale	**$ 11,582**	**$ 5,357**

	December 31, 2024	**December 31, 2023**
Accounts payable	$ 2,432	$ 739
Secured promissory note payable	1,000	—
Finance lease liability	2,356	—
Other current liabilities	79	96
Total current liabilities held for sale	5,867	835
Secured long-term debt, net of discount of $318 and $341	2,924	2,924
Total non-current liabilities held-for-sale	2,924	2,924
Total liabilities held-for-sale	**$ 8,791**	**$ 3,759**

Note 18 – Subsequent Events

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 Pharmaloz Manufacturing, Inc., a Delaware corporation and a wholly-owned subsidiary of the Company ("PMI"), and Pharmaloz 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.

On January 29, 2025, the Company entered into a common stock purchase agreement with Keystone Capital partners, LLC ("Keystone"), a Delaware limited liability company, whereby the Company may offer and sell, from time to time at its sole discretion, and whereby Keystone has committed to purchase, up to an aggregate of $7,730,973 shares of the Company's common stock, subject to the conditions and limitations set forth in the common stock purchase agreement.

The Company has evaluated subsequent events through March 31, 2025, which is the date the consolidated financial statements were available to be issued. There were no additional subsequent events that required adjustment to or disclosure in the consolidated financial statements.

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

None

Item 9A. Controls and Procedures 0

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, 2024. 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 effective at the reasonable assurance level as of December 31, 2024.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. Our system of internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets;

- provide reasonable assurance that our transactions are recorded as necessary to permit preparation of our financial statements in accordance with accounting principles generally accepted in the United States of America, and that our receipts and expenditures are being made only in accordance with authorizations of our management and our directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Further, because of changes in conditions, effectiveness of internal controls over financial reporting may vary over time. Our system contains self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified.

Our management conducted an evaluation of our effectiveness of the system of internal control over financial reporting based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework). Based upon our review, our management, including our principal executive officer and principal financial and accounting officer, concluded that the Company's internal controls over financial reporting were not effective as of December 31, 2024 due to material weaknesses described below.

Remediation of Material Weakness

In connection with our 2023 Annual Report on Form 10-K, our management concluded that the Company's internal controls over financial reporting were not effective as of December 31, 2023, due to material weaknesses. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our financial statements could occur but will not be prevented or detected on a timely basis.

The material weaknesses that were identified related to our inability to adequately review certain account reconciliations or controls over the financial statement closing process, issues related to recording revenue in the proper period and regarding principal versus agent considerations, and the Company not maintaining adequate controls over the identification of discrepancies relating to the calculated and recorded deferred costs and cost of sales. The material weaknesses are also attributable to the Company not having sufficient personnel in place to perform the accounting functions and ensure timely close and reporting or timely preparation of accounting records.

Management is committed to remediating the material weaknesses. We have begun the process of implementing changes to our internal control over financial reporting to remediate the control deficiencies that gave rise to the material weaknesses, including making significant improvements to our revenue recognition procedures and working papers to adequately calculate and support revenues associated correct periods including deferrals. We also performed a review financial statement close process and related reconciliations, inclusive of procedures and systems and continue to explore including implementing new automated financial systems related to recording transactions and account reconciliation preparation and review, which will significantly reduce the amount of processes that rely on manual inputs.

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 throughout 2025.

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, 2024 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 2025 Annual Meeting of Stockholders (the "2025 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 2025 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, 2024 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 2025 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 2025 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 2025 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 2025 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.

(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., Pharmaloz 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 2022 Equity Compensation Plan (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K (File No. 000-21617) filed on June 20, 2023).
10.3*	Amended and Restated 2022 Directors' Equity Compensation Plan (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K (File No. 000-21617) filed on June 20, 2023).
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 onMay 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).
16.1	Letter from Morison Cogen, dated October 4, 2024(incorporated by reference to Exhibit 16.1 of the Current Report on Form 8-K (File No. 000-21617) filed on October 4, 2024).
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.
23.1**	Consent of Fruci & Associates II, PLLC, Independent Registered Public Accounting Firm
23.2**	Consent of Morison Cogen LLP, Independent Registered Public Accounting Firm

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
/s/ Ted Karkus Ted Karkus	Chairman of the Board and Chief Executive Officer (Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer)	March 31, 2025
/s/ Louis Gleckel Louis Gleckel	Director	March 31, 2025
/s/ Warren Hirsch Warren Hirsch	Director	March 31, 2025

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference to the Registration Statements on Form S-8 (File Nos. 333-286095, 333-279545, 333-268353, 333-265304, 333-261447, 333-259009, 333-256747, 333-225496, 333-224369, 333-217484, 333-189875 and 333-169697) and Registration Statement on Form S-3 (File No. 333-283182) of our audit report dated March 31, 2025, with respect to the consolidated balance sheet of ProPhase Labs, Inc. as of December 31, 2024 and the related consolidated statements of operations and other comprehensive income (loss), stockholders' equity, and cash flows for the year ended December 31, 2024.

Fruci & Associates II, PLLC – PCAOB ID #05525
Spokane, Washington
March 31, 2025

EXHIBIT 23.2

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements of ProPhase Labs, Inc. and Subsidiaries on Forms S-8 (No. 333-286095, No. 333-279545, No. 333-268353, No. 333-265304, No. 333-261447, No. 333-259009, No. 333-256747, No. 333-225496, No. 333-224369, No. 333-217484, No. 333-189875 and No. 333-169697), and Forms S-3 (No. 333-283182)of our reports dated March 28, 2024, with respect to the consolidated financial statements and internal control over financial reporting of ProPhase Labs, Inc. and Subsidiaries included in this Annual Report (Form 10-K) as of and for the year ended December 31, 2023.

/s/ Morison Cogen LLP

March 31, 2025

EXHIBIT 31.1

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: March 31, 2025

By: */s/ Ted Karkus*

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

EXHIBIT 32.1

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, 2024, 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: March 31, 2025