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

# FORM 10-Q

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

**For the quarterly period ended June 30, 2025**

**or**

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

**For the transition period from _____ to _____**

**Commission File Number: 001-35814**

# Harrow, Inc.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Delaware**<br>(State or other jurisdiction of incorporation or organization) | **45-0567010**<br>(I.R.S. Employer Identification No.) |
| **1A Burton Hills Blvd., Suite 200**<br>**Nashville, Tennessee**<br>(Address of principal executive offices) | **37215**<br>(Zip code) |

**(615) 733-4730**
(Registrant's telephone number, including area code)

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

| Title of each class | Trading Symbol(s) | Name on exchange on which registered |
|---|---|---|
| Common Stock, $0.001 par value per share | HROW | The Nasdaq Stock Market LLC |
| 8.625% Senior Notes due 2026 | HROWL | The Nasdaq Stock Market LLC |
| 11.875% Senior Notes due 2027 | HROWM | The Nasdaq Stock Market LLC |

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

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

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

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

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

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

As of August 8, 2025, there were 37,002,136 shares of the registrant's common stock, $0.001 par value, outstanding.

**HARROW, INC.**

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## PART I
## FINANCIAL INFORMATION

**Item 1. Financial Statements**

### HARROW, INC.
### CONDENSED CONSOLIDATED BALANCE SHEETS

| | June 30, 2025 (Unaudited) | December 31, 2024 |
|---|---|---|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | $ 52,963,000 | $ 47,247,000 |
| Accounts receivable, net | 78,822,000 | 116,373,000 |
| Inventories | 11,552,000 | 10,702,000 |
| Prepaid expenses and other current assets | 11,553,000 | 15,329,000 |
| Total current assets | 154,890,000 | 189,651,000 |
| Property, plant and equipment, net | 3,512,000 | 3,734,000 |
| Capitalized software costs, net | 1,478,000 | 1,751,000 |
| Operating lease right-of-use assets, net | 8,155,000 | 8,554,000 |
| Intangible assets, net | 176,666,000 | 184,949,000 |
| Goodwill | 332,000 | 332,000 |
| TOTAL ASSETS | $ 345,033,000 | $ 388,971,000 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | $ 25,414,000 | $ 41,406,000 |
| Accrued rebates and copay assistance | 32,154,000 | 39,900,000 |
| Accrued payroll and related liabilities | 6,824,000 | 9,496,000 |
| Deferred revenue and customer deposits | 91,000 | 44,000 |
| Current portion of notes payable, net of unamortized debt discount | 183,619,000 | - |
| Current portion of operating lease obligations | 782,000 | 497,000 |
| Total current liabilities | 248,884,000 | 91,343,000 |
| Operating lease obligations, net of current portion | 8,366,000 | 8,792,000 |
| Notes payable, net of unamortized debt discount and current portion | 38,484,000 | 219,539,000 |
| TOTAL LIABILITIES | 295,734,000 | 319,674,000 |
| Commitments and contingencies | | |
| STOCKHOLDERS' EQUITY | | |
| Common stock, $0.001 par value, 50,000,000 shares authorized, 36,714,679 and 35,622,214 shares issued and outstanding at June 30, 2025 and December 31, 2024, respectively | 36,000 | 35,000 |
| Additional paid-in capital | 213,788,000 | 221,002,000 |
| Accumulated deficit | (164,170,000) | (151,385,000) |
| TOTAL HARROW, INC. STOCKHOLDERS' EQUITY | 49,654,000 | 69,652,000 |
| Noncontrolling interests | (355,000) | (355,000) |
| TOTAL STOCKHOLDERS' EQUITY | 49,299,000 | 69,297,000 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $ 345,033,000 | $ 388,971,000 |

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

**HARROW, INC.**
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| Revenues: | | | | |
| Product sales, net | $ 63,657,000 | $ 48,871,000 | $ 111,402,000 | $ 83,379,000 |
| Other revenues | 85,000 | 68,000 | 171,000 | 147,000 |
| Total revenues | 63,742,000 | 48,939,000 | 111,573,000 | 83,526,000 |
| Cost of sales | (16,230,000) | (12,539,000) | (31,754,000) | (23,092,000) |
| Gross profit | 47,512,000 | 36,400,000 | 79,819,000 | 60,434,000 |
| Operating expenses: | | | | |
| Selling, general and administrative | 33,235,000 | 31,817,000 | 73,748,000 | 60,630,000 |
| Research and development | 2,868,000 | 3,053,000 | 5,894,000 | 5,202,000 |
| Total operating expenses | 36,103,000 | 34,870,000 | 79,642,000 | 65,832,000 |
| Income (loss) from operations | 11,409,000 | 1,530,000 | 177,000 | (5,398,000) |
| Other (expense) income: | | | | |
| Interest expense, net | (6,408,000) | (5,471,000) | (12,956,000) | (10,886,000) |
| Investment loss from Eton Pharmaceuticals | - | (1,923,000) | - | (3,171,000) |
| Other (expense) income, net | (6,000) | 46,000 | (6,000) | 72,000 |
| Total other expense, net | (6,414,000) | (7,348,000) | (12,962,000) | (13,985,000) |
| Income (loss) before income taxes | 4,995,000 | (5,818,000) | (12,785,000) | (19,383,000) |
| Income tax expense | - | (655,000) | - | (655,000) |
| Net income (loss) | $ 4,995,000 | $ (6,473,000) | $ (12,785,000) | $ (20,038,000) |
| Basic net income (loss) per share of common stock | $ 0.14 | $ (0.18) | $ (0.35) | $ (0.56) |
| Diluted net income (loss) per share of common stock | $ 0.13 | $ (0.18) | $ (0.35) | $ (0.56) |
| Weighted average number of shares of common stock outstanding, basic | 36,790,306 | 35,618,977 | 36,304,787 | 35,544,312 |
| Weighted average number of shares of common stock outstanding, diluted | 38,853,855 | 35,618,977 | 36,304,787 | 35,544,312 |

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



**HARROW, INC.**
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**
**For the periods ended June 30, 2025 and 2024**

| | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Total Harrow, Inc. Stockholders' Equity | Total Noncontrolling Interest Equity | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|
| | Shares | Par Value | | | | | |
| Balance at December 31, 2023 | 35,168,260 | $ 35,000 | $ 204,635,000 | $ (133,904,000) | $ 70,766,000 | $ (355,000) | $ 70,411,000 |
| Issuance of common stock in connection with: | | | | | | | |
| Exercise of employee stock-based options | 87,195 | - | 521,000 | - | 521,000 | - | 521,000 |
| Vesting of RSUs and PSUs | 332,517 | - | - | - | - | - | - |
| Shares withheld related to net share settlement of equity awards | (108,480) | - | (1,157,000) | - | (1,157,000) | - | (1,157,000) |
| Stock-based compensation expense | - | - | 8,440,000 | - | 8,440,000 | - | 8,440,000 |
| Net loss | - | - | - | (20,038,000) | (20,038,000) | - | (20,038,000) |
| Balance at June 30, 2024 | 35,479,492 | $ 35,000 | $ 212,439,000 | $ (153,942,000) | $ 58,532,000 | $ (355,000) | $ 58,177,000 |
| Balance at December 31, 2024 | 35,622,214 | $ 35,000 | $ 221,002,000 | $ (151,385,000) | $ 69,652,000 | $ (355,000) | $ 69,297,000 |
| Issuance of common stock in connection with: | | | | | | | |
| Exercise of employee stock-based options | 10,618 | - | 125,000 | - | 125,000 | - | 125,000 |
| Vesting of RSUs and PSUs | 1,634,009 | 2,000 | (2,000) | - | - | - | - |
| Shares withheld related to net share settlement of equity awards | (552,162) | (1,000) | (12,768,000) | - | (12,769,000) | - | (12,769,000) |
| Stock-based compensation expense | - | - | 5,431,000 | - | 5,431,000 | - | 5,431,000 |
| Net loss | - | - | - | (12,785,000) | (12,785,000) | - | (12,785,000) |
| Balance at June 30, 2025 | 36,714,679 | $ 36,000 | $ 213,788,000 | $ (164,170,000) | $ 49,654,000 | $ (355,000) | $ 49,299,000 |

| | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Total Harrow, Inc. Stockholders' Equity | Total Noncontrolling Interest Equity | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|
| | Shares | Par Value | | | | | |
| Balance at March 31, 2024 | 35,380,955 | $ 35,000 | $ 207,995,000 | $ (147,469,000) | $ 60,561,000 | $ (355,000) | $ 60,206,000 |
| Issuance of common stock in connection with: | | | | | | | |
| Exercise of employee stock-based options | 41,020 | - | 173,000 | - | 173,000 | - | 173,000 |
| Vesting of RSUs | 57,517 | - | - | - | - | - | - |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Stock-based compensation expense | - | - | 4,271,000 | - | 4,271,000 | - | 4,271,000 |
| Net loss | - | - | - | (6,473,000) | (6,473,000) | - | (6,473,000) |
| Balance at June 30, 2024 | 35,479,492 | $ 35,000 | $ 212,439,000 | $ (153,942,000) | $ 58,532,000 | $ (355,000) | $ 58,177,000 |
| | | | | | | | |
| Balance at March 31, 2025 | 35,654,171 | $ 35,000 | $ 225,581,000 | $ (169,165,000) | $ 56,451,000 | $ (355,000) | $ 56,096,000 |
| | | | | | | | |
| Issuance of common stock in connection with: | | | | | | | |
| Exercise of employee stock-based options | 7,875 | - | 102,000 | - | 102,000 | - | 102,000 |
| Vesting of RSUs and PSUs | 1,604,795 | 2,000 | (2,000) | - | - | - | - |
| Shares withheld related to net share settlement of equity awards | (552,162) | (1,000) | (12,768,000) | - | (12,769,000) | - | (12,769,000) |
| Stock-based compensation expense | - | - | 875,000 | - | 875,000 | - | 875,000 |
| Net income | - | - | - | 4,995,000 | 4,995,000 | - | 4,995,000 |
| Balance at June 30, 2025 | 36,714,679 | $ 36,000 | $ 213,788,000 | $ (164,170,000) | $ 49,654,000 | $ (355,000) | $ 49,299,000 |

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



**HARROW, INC.**
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | For the Six Months Ended June 30, | |
|---|---|---|
| | 2025 | 2024 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss | $ (12,785,000) | $ (20,038,000) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization of property, plant and equipment and software development costs | 961,000 | 885,000 |
| Amortization of intangible assets | 8,452,000 | 5,103,000 |
| Amortization of operating lease right-of-use assets | 399,000 | 392,000 |
| Provision for (recovery of) credit losses | 340,000 | (96,000) |
| Amortization of debt issuance costs and debt discount | 2,564,000 | 1,951,000 |
| Investment loss from investment in Eton Pharmaceuticals | - | 3,171,000 |
| Stock-based compensation | 5,431,000 | 8,440,000 |
| Deferred income tax | - | 623,000 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 37,211,000 | (15,631,000) |
| Inventories | (850,000) | 1,442,000 |
| Prepaid expenses and other current assets | 3,776,000 | 2,579,000 |
| Accounts payable, accrued expenses, accrued rebates and copay assistance | (24,009,000) | 3,361,000 |
| Accrued payroll and related liabilities | (2,672,000) | 271,000 |
| Deferred revenue and customer deposits | 47,000 | 173,000 |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | 18,865,000 | (7,374,000) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Net proceeds on sale of investment in Eton Pharmaceuticals | - | 5,510,000 |
| Investment in patent and trademark assets | (169,000) | (81,000) |
| Purchases of property, plant and equipment | (336,000) | (436,000) |
| NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES | (505,000) | 4,993,000 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payment of payroll taxes upon vesting of PSUs, RSUs and exercise of stock options | (12,769,000) | (1,157,000) |
| Proceeds from exercise of stock options | 125,000 | 521,000 |
| Payment of debt issuance costs | - | (100,000) |
| NET CASH USED IN FINANCING ACTIVITIES | (12,644,000) | (736,000) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 5,716,000 | (3,117,000) |
| CASH AND CASH EQUIVALENTS, beginning of period | 47,247,000 | 74,085,000 |
| CASH, CASH EQUIVALENTS, end of period | $ 52,963,000 | $ 70,968,000 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Cash paid for income taxes | $ 38,000 | $ - |
| Cash paid for interest | $ 12,180,000 | $ 10,316,000 |
| SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES: | | |
| Purchase of property, plant and equipment included in accounts payable and accrued expenses | $ 130,000 | $ 44,000 |
| Change in right-of-use assets for operating lease obligations assumptions | $ - | $ 377,000 |

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



**HARROW, INC.**
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**For the Three and Six Months Ended June 30, 2025 and 2024**

**NOTE 1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION**

**Company and Background**

Harrow, Inc. (together with its consolidated subsidiaries, unless the context indicates or otherwise requires, the "Company" or "Harrow") is a leading provider of ophthalmic disease management solutions in North America, offering a comprehensive portfolio of products that address conditions affecting both the front and back of the eye, such as dry eye disease, wet (or neovascular) age-related macular degeneration, cataracts, refractive errors, glaucoma and a range of other ocular surface conditions and retina diseases. Harrow was founded with a commitment to deliver safe, effective, accessible, and affordable medications that enhance patient compliance and improve clinical outcomes.

**Basis of Presentation**

The Company has prepared the accompanying unaudited condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and in accordance with the rules and regulations of the U.S. Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by GAAP for audited financial statements. In the opinion of management, all adjustments (consisting of only normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2025 are not necessarily indicative of the results that may be expected for the year ending December 31, 2025 or for any other period. For further information, refer to the Company's audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2024.

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its wholly owned and majority-owned subsidiaries.

Harrow consolidates entities in which it has a controlling financial interest. The Company assesses control under the variable interest entity ("VIE") model to determine whether the Company is the primary beneficiary of that entity. The Company consolidates (i) entities in which it holds and/or controls, directly or indirectly, more than 50% of the voting rights, and (ii) VIEs for which the Company is deemed to be the primary beneficiary. All intercompany accounts and transactions have been eliminated in consolidation.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following represents an update for the six months ended June 30, 2025 to the significant accounting policies described in the Company's Annual Report on Form 10-K for the year ended December 31, 2024.

**Risks, Uncertainties and Liquidity**

The Company is subject to certain regulatory standards, approvals, guidelines and inspections which could impact the Company's ability to make, dispense, and sell certain products. If the Company was required to cease compounding and selling certain products as a result of regulatory guidelines or inspections, this may have a material impact on the Company's financial condition, liquidity and results of operations.



*Liquidity*

The Oaktree Loan (as defined in Note 10) totaling $107,500,000 principal at June 30, 2025 and the 2026 Notes (as defined in Note 10) totaling $75,000,000 in principal amount outstanding at June 30, 2025 become due in January 2026 and April 2026, respectively. The maturity of these debt obligations prior to their maturities without a refinancing event could raise substantial doubt about the Company's ability to continue as a going concern.

The Company is currently in discussions with its current senior lender, Oaktree Fund Administration, LLC, as administrative agent for the lenders (together, "Oaktree"), and other potential lenders about refinancing the Oaktree Loan and the 2026 Notes. Management believes it is probable that the Company will be able to refinance the Oaktree Loan and the 2026 Notes based on the Company's collateral strength and expected cash flows from operations; however, there can be no assurance that the Company will be able to refinance the indebtedness on terms acceptable to it, or at all.

Management believes that one of the other alternatives available to it in lieu of refinancing the Oaktree Loan and the 2026 Notes is the sale of one or more of the Company's assets. There can be no assurance that any sale could be completed on a timely basis or on terms acceptable to the Company. If the Company is unable to successfully refinance the Oaktree Loan and the 2026 Notes, or sell assets to raise sufficient capital, the Company does not expect to have the ability to repay the Oaktree Loan and the 2026 Notes in full.

The accompanying condensed consolidated financial statements are prepared on a going concern basis and do not include any adjustments that might result from the Company's inability to refinance the Oaktree Loan and the 2026 Notes or sell some of its assets to meet its obligations.

**Credit Losses**

The Company estimates and records a provision for its expected credit losses related to its financial instruments, including its trade receivables. Management considers historical collection rates, the current financial status of the Company's customers, macroeconomic factors, and other industry-specific factors when evaluating for current expected credit losses. Forward-looking information is also considered in the evaluation of current expected credit losses. However, because of the short time to the expected receipt of accounts receivable, management believes that the carrying value, net of expected losses, approximates fair value and therefore, relies more on historical and current analysis of such financial instruments, including its trade receivables.

To determine the provision for credit losses for accounts receivable, the Company has disaggregated its accounts receivable by class of customer at the business component level, as management determined that the risk profile of the Company's customers is consistent based on the type and industry in which they operate, mainly in the pharmaceuticals industry. Each business component is analyzed for estimated credit losses individually. In doing so, the Company establishes a historical loss matrix, based on the previous collections of accounts receivable by the age of such receivables, and evaluates the current and forecasted financial position of its customers, as available. Further, the Company considers macroeconomic factors and the status of the pharmaceuticals industry to estimate if there are current expected credit losses within its trade receivables based on the trends of the Company's expectation of the future status of such economic and industry-specific factors. Also, specific allowance amounts are established based on review of outstanding invoices to record the appropriate provision for customers that have a higher probability of default.

The following table provides a roll-forward of the allowance for credit losses that is deducted from the amortized cost basis of accounts receivable to present the net amount expected to be collected at June 30, 2025:

| | | |
|---|---|---|
| Balance at January 1, 2025 | $ | 416,000 |

| | |
|---|---|
| Change in expected credit losses | 340,000 |
| Write-offs, net of recoveries | (68,000) |
| Balance at June 30, 2025 | $ 688,000 |



**Fair Value Measurements**

Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The established fair value hierarchy prioritizes the use of inputs used in valuation methodologies into the following three levels:

- Level 1: Applies to assets or liabilities for which there are quoted prices (unadjusted) for identical assets or liabilities in active markets. A quoted price in an active market provides the most reliable evidence of fair value and must be used to measure fair value whenever available.
- Level 2: Applies to assets or liabilities for which there are significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3: Applies to assets or liabilities for which there are significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability. For example, Level 3 inputs would relate to forecasts of future earnings and cash flows used in a discounted future cash flows method.

The Company's 2026 Notes (as defined in Note 10) are carried at face value, including the unamortized premium, less unamortized debt issuance costs, the 2027 Notes (as described in Note 10) are carried at face value less unamortized debt issuance costs, and the Oaktree Loan (as defined in Note 10) is carried at face value less the original issue discount and unamortized debt issuance costs on the condensed consolidated balance sheets and the Company presents fair value for disclosure purposes only. The 2026 Notes and the 2027 Notes are classified as Level 1 instruments as the fair value is determined using quoted market prices in active markets for the same securities. The Oaktree Loan is classified as a Level 2 instrument and its fair value is determined through an income approach that considers collateral coverage, yield calibration, yield analysis and any adjustments to implied yield associated with the Company's fundamental measures.

The following table presents the estimated fair values and the carrying values:

| | June 30, 2025 | | December 31, 2024 | |
|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| 2026 Notes | $ 74,389,000 | $ 76,560,000 | $ 74,002,000 | $ 75,840,000 |
| 2027 Notes | $ 38,484,000 | $ 42,391,000 | $ 38,130,000 | $ 42,198,000 |
| Oaktree Loan | $ 109,229,000 | $ 113,488,000 | $ 107,407,000 | $ 112,932,000 |

The Company's other financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, accrued payroll and related liabilities, deferred revenue and customer deposits and operating lease liabilities. The carrying amount of these financial instruments, except for operating lease liabilities, approximates fair value due to the short-term maturities of these instruments. Based on borrowing rates currently available to the Company, the carrying value of the operating lease liabilities approximate their respective fair values.

**Basic and Diluted Net Income (Loss) per Common Share**

Basic net income (loss) per common share is computed by dividing net income (loss) attributable to common stockholders for the period by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed by dividing the net income (loss) attributable to common stockholders for the period by the weighted average number of common and common equivalent shares, such as stock options, restricted stock units ("RSUs"), performance stock units ("PSUs"), and warrants, outstanding during the period. Common equivalent shares (using the treasury stock method) from stock options, unvested RSUs, unvested PSUs and warrants were 2,816,409 and 4,488,940 for the six-months ended June 30, 2025 and the three and six-months ended June 30, 2024, respectively, and are excluded in the calculation of diluted net loss per common share for the periods presented, because the effect is anti-dilutive. Included in the basic and diluted net income (loss) per share calculation were RSUs awarded to directors that had vested, but the issuance and delivery of the shares are deferred until the director ceases providing services to the Company. The number of shares underlying vested RSUs at June 30, 2025 and 2024 was 212,452 and 181,038, respectively.



The following table shows the computation of basic net income (loss) per share of common stock:

| | For the Three Months Ended | | For the Six Months Ended | |
|---|---|---|---|---|
| | June 30, 2025 | June 30, 2024 | June 30, 2025 | June 30, 2024 |
| Numerator – net income (loss) | $ 4,995,000 | $ (6,473,000) | $ (12,785,000) | $ (20,038,000) |
| Denominator – weighted average number of shares outstanding, basic | 36,790,306 | 35,618,977 | 36,304,787 | 35,544,312 |
| **Net income (loss) per share, basic** | $ 0.14 | $ (0.18) | $ (0.35) | $ (0.56) |

For the three months ended June 30, 2025, the Company computed diluted net income per share using the weighted-average number of common shares and dilutive common equivalent shares outstanding during that period. For the three-months the total excluded common stock equivalents was 188,836 because their effect was anti-dilutive. Diluted common equivalent shares for the three months ended June 30, 2025 consisted of the following:

| | Three Months Ended June 30, 2025 |
|---|---|
| Diluted shares related to: | |
| Restricted stock units | 231,111 |
| Stock options | 1,832,438 |

| | |
|---|---|
| Dilutive common equivalent shares | 2,063,549 |

The following table shows the computation of diluted net income per share using the weighted-average number of common shares and dilutive common equivalent shares outstanding for the three months ended June 30, 2025:

| | Three Months Ended June 30, 2025 |
|---|---|
| Numerator - net income | $ 4,995,000 |
| Weighted average number of shares outstanding, basic | 36,790,306 |
| Dilutive common equivalents | 2,063,549 |
| Weighted average number of shares outstanding, diluted | 38,853,855 |
| **Net income per share, diluted** | $ 0.13 |

**Income Taxes**

The Company's effective tax rate was 0% and (3.38)% for the six months ended June 30, 2025 and 2024, respectively. The Company's effective tax rate for the six months ended June 30, 2025 and 2024 differs from the U.S. federal statutory tax rate of 21% due to state taxes, permanent book-tax differences related to Internal Revenue Code of 1986, as amended ("IRC"), Section 162(m) excess officer compensation limitation and share-based compensation and the change in valuation allowance.

As of June 30, 2025 and December 31, 2024, there were $2,860,000 and $2,858,000, respectively, of unrecognized tax benefits included in the condensed consolidated balance sheets that would, if recognized, affect the effective tax rate.

On July 4, 2025, the United States enacted the One Big Beautiful Bill Act ("OBBBA"), which, among other provisions, permanently restores 100% bonus depreciation and modifies the limitation on business-interest expense under §163(j) to be based on taxable income before interest, amortization, and depreciation. Based on preliminary analysis, management expects OBBBA to reduce U.S. cash income-tax payments. There is not expected to be any material impact on the effective tax rate. The Company is continuing to evaluate the Act's impacts, including potential effects on deferred-tax balances, and will refine these estimates as additional guidance becomes available.



**Accounting Guidance Issued but Not Adopted at June 30, 2025**

In October 2023, FASB issued ASU 2023-06, *Disclosure Improvements—Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*. This ASU modifies the disclosure or presentation requirements of a variety of topics in the codification by aligning them with the SEC's regulations. The amendments to the various topics should be applied prospectively, and the effective date for the Company for each amendment will be determined based on the effective date of the SEC's removal of the related disclosure from Regulation S-X or Regulation S-K. If the SEC has not removed the applicable requirement by June 30, 2027, then the related amendment in ASU 2023-06 will be removed from the codification and will not become effective. Early adoption of this ASU is prohibited. The Company does not expect the amendments in this ASU to have a material impact on the disclosures or presentation in its consolidated financial statements.

In December 2023, FASB issued ASU 2023-09, *Income Taxes (Topic 740) - Improvements to Income Tax Disclosures* , which enhances the disclosures required for income taxes in the Company's annual consolidated financial statements. Notably, this ASU requires entities to disclose specific categories in the effective tax rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. ASU 2023-09 is effective for the Company in its annual reporting for fiscal year 2025 on a prospective basis. Early adoption and retrospective reporting are permitted. The Company is currently evaluating the impact of ASU 2023-09 on its consolidated financial statements.

In November 2024, the FASB issued ASU 2024-03, *Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures*, to improve the disclosures by a public business entity about the types of expenses in commonly presented expense captions. This ASU is effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating the impact of ASU 2024-03 on its consolidated financial statements.

**NOTE 3. REVENUES**

The Company accounts for contracts with customers in accordance with ASC 606, *Revenues from Contracts with Customers*. The Company has two primary streams of revenue: (1) product revenues, including revenue recognized from sales of products through its pharmacy and outsourcing facility and sales of branded products to wholesalers through a third-party logistics ("3PL") partner, and (2) revenue recognized from intellectual property licenses and related arrangements.

*Product Revenues*

The Company sells prescription medications directly through its pharmacy, outsourcing facility and 3PL partner. Revenue from the Company's pharmacy services includes: (i) the portion of the price the client pays directly to the Company, net of any volume-related or other discounts paid back to the client, (ii) the price paid to the Company by individuals, and (iii) customer copayments made directly to the pharmacy network. Sales taxes are not included in revenue. Following the core principles of ASC 606, the Company has identified the following:

1. *Identify the contract(s) with a customer:* A contract is deemed to exist when the customer places an order through receipt of a prescription, via an online order or via receipt of a purchase order from a customer. For branded products, orders are received through the Company's 3PL partner, and the customer takes title of the products via formal purchase orders placed and fulfilled.

2. *Identify the performance obligations in the contract:* Obligations for fulfillment of the Company's contracts consist of delivering the product to customers at their specified destination. For shipping and handling activities under ASC 606, if the customer takes control of the goods after shipment, shipping and handling activities would always be considered a fulfillment activity and not treated as a separate performance obligation. If the customer takes control of the goods before shipment, entities must make an accounting policy election to treat shipping and handling activities as either a fulfillment cost or as a separate performance obligation. The Company has elected to treat its shipping and handling activities as a fulfillment cost.

3. *Determine the transaction price:* The transaction price is based on an amount that reflects the consideration to which the Company expects to be entitled, net of accruals for estimated rebates, wholesaler chargebacks, discounts, copay assistance and other deductions (collectively, sales deductions) and an estimate for returns and replacements established at the time of sale. The Company utilizes the services of a third-party professional services firm to estimate rebates and chargebacks associated with sales of its branded products. The transfer of promised goods is satisfied within a year, and therefore there are no significant financing components. There is no non-cash consideration related to product sales.

4. *Allocate the transaction price to the performance obligations in the contract:* Because there is only one performance obligation for product sales, no allocation is necessary.

5. *Recognize revenue when (or as) the entity satisfies a performance obligation:* Revenue from products is recognized upon transfer of control of a product to a customer. This generally occurs upon shipment unless contractual terms with a customer state that transfer of control occurs at delivery.

***Variable Consideration***

Sales of branded pharmaceutical products are subject to variable consideration due to chargebacks, government rebates, returns, administrative fees, co-pay assistance and other rebates, and prompt pay discounts. Estimates for these elements of variable consideration require significant judgment.

*Chargebacks*

Chargebacks, primarily from distributors and wholesalers, result from arrangements with indirect customers establishing prices for products which the indirect customer purchases through a wholesaler. Alternatively, the Company may pre-authorize wholesalers to offer specified contract pricing to other indirect customers. Under either arrangement, the Company provides a chargeback credit to the wholesaler for any difference between the contracted price with the indirect customer and the wholesaler's invoice price, typically Wholesale Acquisition Cost ("WAC").

Prior period chargebacks claimed by wholesalers are analyzed to determine the actual net price per package ("NPP") for each product. This calculation is performed by product, by wholesaler. NPPs can be affected by several factors such as:

- Changes in customer mix
- Changes in negotiated terms with customers
- Changes in the volume of off-contract purchases
- Changes in WAC

As necessary, NPPs are adjusted based on anticipated changes in the factors above.

The difference between NPP and WAC is recorded as a reduction in both gross revenues in the consolidated statements of operations and accounts receivable in the consolidated balance sheets, at the time revenue is recognized from the product sale. The Company continually monitors chargeback activity and adjusts NPPs when the Company believes that actual selling prices will differ from current NPPs.

*Government Rebates*

Government rebates reserve consists of estimated payments due to governmental agencies for utilization of the Company's products by beneficiaries under such governmental programs. The two largest government programs are Medicaid and Medicare.



The Company participates in the Medicaid Drug Rebate Program and pays rebates to the states related to Medicaid beneficiary utilization of the Company's products. Medicaid rebates are billed within 60-90 days of the end of the quarter in which the product was dispensed to a Medicaid beneficiary. Medicaid rebate amounts per product unit are established by law, based on the Average Manufacturer Price ("AMP"), which is reported on a monthly and quarterly basis, and, in the case of branded products, best price, which is reported on a quarterly basis. Medicaid reserves are based on expected claims from state Medicaid programs. Estimates for expected claims are driven by patient usage, sales mix, calculated AMP or best price, as well as inventory in the distribution channel that will be subject to a Medicaid rebate. As a result of the delay between selling the products, dispensing the products and rebate billing, the Medicaid rebate reserve includes both an estimate of outstanding claims for end-customer sales that have occurred but for which the related claim has not been billed, as well as an estimate for future claims that will be made when inventory in the distribution channel is sold through to plan participants. Many of the Company's branded products are also covered under Medicare. The Company participates in the Coverage Gap Discount Program in order for its branded products to be covered by Medicare Part D and must provide a rebate for any products sold under NDAs dispensed to Medicare Part D beneficiaries while the beneficiaries are in the Coverage Gap phase of the benefit. This applies to all products sold under NDAs. Estimates for these discounts are based on historical experience with Medicare rebates for products. Medicare rebates are billed quarterly for drugs dispensed to Medicare beneficiaries in the prior quarter, which is typically 120 days after the product is shipped. As a result of the delay between selling the products, dispensing the products and rebate billing, Medicare rebate reserve includes both an estimate of outstanding claims for end-customer sales that have occurred but for which the related claim has not been billed, as well as an estimate for future claims that will be made when inventory in the distribution channel is sold through to Medicare Part D participants.

To evaluate the adequacy of the government rebate reserves, reserves are reviewed on a quarterly basis against actual claims data to ensure the liability is fairly stated. The Company continually monitors the government rebate reserve and adjusts estimates if it is expected that actual government rebates may differ from established accruals. Accruals for government rebates are recorded as a reduction to gross revenues in the consolidated statements of operations and as an increase to accrued rebates in the consolidated balance sheets.

*Returns*

A returns policy is in place that allows customers to return product within a specified period prior to and subsequent to the expiration date. Generally, product may be returned for a period beginning six months prior to its expiration date to up to one year after its expiration date. Product returns are settled through the issuance of a credit to the customer. The estimate for returns is based upon historical experience with actual returns. While such experience has allowed for reasonable estimation in the past, history may not always be an accurate indicator of future returns. The Company continually monitors estimates for returns and adjusts when it is expected that actual product returns may differ from the established accruals. Accruals for returns are recorded as a reduction to gross revenues in the consolidated statements of operations and as an increase to the accrued expenses in the consolidated balance sheets.

*Administrative Fees and Other Rebates*

Administrative fees or rebates are offered to wholesalers, group purchasing organizations, and indirect customers. Fees and rebates are accrued, by product by wholesaler, at the time of sale based on contracted rates and NPP. To evaluate the adequacy of the administrative fee accruals, on-hand inventory counts are obtained from the wholesalers. The Company continually monitors administrative fee activity and adjusts accruals when it is expected that actual administrative fees may differ from the accruals. Accruals for administrative fees and other rebates are recorded as a reduction in both gross revenues in the consolidated statements of operations and accounts receivable or accrued expenses in the consolidated balance sheets.

*Co-payment Assistance*

Patients who meet certain eligibility requirements may receive co-payment assistance funded by the Company. The Company records contra-revenue for co-payment assistance based on actual program participation and estimates of program redemption using data provided by third-party administrators. An accrued liability is recorded on unredeemed co-payment assistance related to products for which control has been transferred to the customer.



*Prompt Payment Discounts*

Sales discounts may be granted to customers for prompt payment. The reserve for prompt payment discounts is based on invoices outstanding. Based on past experience, it is assumed that all available discounts will be taken. Accruals for prompt payment discounts are recorded as a reduction in both gross revenues in the condensed consolidated statements of operations and accounts receivable in the condensed consolidated balance sheets.

The following table summarizes activity and ending balances of the Company's variable consideration provisions in the condensed consolidated financial statements for the six months ended June 30, 2025, and 2024:

| | Accruals for Chargebacks, Returns, and Other Allowances | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Chargebacks** | **Government Rebates** | **Returns** | **Administrative Fees and Other Rebates** | **Co-Pay Assistance** | **Prompt Pay Discounts** | **Total** |
| Balance at December 31, 2023 | $ 2,810,000 | $ 3,585,000 | $ 771,000 | $ 24,069,000 | $ 971,000 | $ 1,101,000 | $ 33,307,000 |
| Accruals/Adjustments | 4,090,000 | 3,979,000 | 3,125,000 | 23,869,000 | 26,356,000 | 1,763,000 | 63,182,000 |
| Credits Taken Against Reserve | (5,141,000) | (408,000) | (1,319,000) | (29,060,000) | (19,188,000) | (1,008,000) | (56,124,000) |
| **Balance at June 30, 2024** | **$ 1,759,000** | **$ 7,156,000** | **$2,577,000** | **$ 18,878,000** | **$ 8,139,000** | **$1,856,000** | **$ 40,365,000** |
| | | | | | | | |
| Balance at December 31, 2024 | $ 960,000 | $ 12,360,000 | $ 1,449,000 | $ 32,873,000 | $ 9,612,000 | $ 2,377,000 | $ 59,631,000 |
| | | | | | | | |
| Accruals/Adjustments | 11,163,000 | 11,128,000 | 4,615,000 | 40,093,000 | 30,771,000 | 2,346,000 | 100,116,000 |
| Credits Taken Against Reserve | (7,706,000) | (7,696,000) | (4,828,000) | (53,480,000) | (37,193,000) | (3,185,000) | (114,088,000) |
| **Balance at June 30, 2025** | **$ 4,417,000** | **$ 15,792,000** | **$1,236,000** | **$ 19,486,000** | **$ 3,190,000** | **$1,538,000** | **$ 45,659,000** |

*Intellectual Property License and Related Arrangements Revenues*

The Company holds multiple intellectual property licenses and related arrangements pursuant to which the Company has agreed to license or sell to a customer the right to access the Company's intellectual property. License arrangements may consist of non-refundable upfront license fees, data transfer fees, research reimbursement payments, exclusive license rights to patented or patent pending compounds, technology access fees, and various performance or sales milestones. These arrangements can be multiple-element arrangements, the revenue of which is recognized at the point in time that the performance obligation is met.

Non-refundable fees that are not contingent on any future performance by the Company and require no consequential continuing involvement on the part of the Company are recognized as revenue when the license term commences and the licensed data, technology, compounded drug preparation and/or other deliverables are delivered. Such deliverables may include physical quantities of compounded drug preparations, design of the compounded drug preparations and structure-activity relationships, the conceptual framework and mechanism of action, and rights to the patents or patent applications for such compounded drug preparations. The Company defers recognition of non-refundable fees if it has continuing performance obligations without which the technology, right, product or service conveyed in conjunction with the non-refundable fee has no utility to the licensee and that are separate and independent of the Company's performance under the other elements of the arrangement. In addition, if the Company's continued involvement is required, through research and development services that are related to its proprietary know-how and expertise of the delivered technology or can only be performed by the Company, then such non-refundable fees are deferred and recognized over the period of continuing involvement. Guaranteed minimum annual royalties are recognized on a straight-line basis over the applicable term.



Revenue disaggregated by revenue source for the three and six months ended June 30, 2025 and 2024 consisted of the following:

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| Product sales, net | $ 63,657,000 | $ 48,871,000 | $ 111,402,000 | $ 83,379,000 |
| Other revenues | 85,000 | 68,000 | 171,000 | 147,000 |
| Total revenues | $ 63,742,000 | $ 48,939,000 | $ 111,573,000 | $ 83,526,000 |

Deferred revenue and customer deposits at June 30, 2025 and December 31, 2024 were $91,000 and $44,000, respectively. All deferred revenue and customer deposit amounts at December 31, 2024 were recognized as revenue during 2025.

**NOTE 4. INVENTORIES**

Inventories are comprised of finished compounded formulations, over-the-counter and prescription retail pharmacy products, branded pharmaceutical products, including those held at the Company's 3PL partner, related laboratory supplies and active pharmaceutical ingredients. The composition of inventories as of June 30, 2025 and December 31, 2024 was as follows:

| | June 30, 2025 | December 31, 2024 |
|---|---|---|
| Raw materials | $ 5,825,000 | $ 5,362,000 |
| Work in progress | 793,000 | 858,000 |
| Finished goods | 4,934,000 | 4,482,000 |
| Total inventories | $ 11,552,000 | $ 10,702,000 |

**NOTE 5. PREPAID EXPENSES AND OTHER CURRENT ASSETS**

Prepaid expenses and other current assets at June 30, 2025 and December 31, 2024 consisted of the following:

| | June 30, 2025 | December 31, 2024 |
|---|---|---|
| Prepaid insurance | $ 224,000 | $ 1,326,000 |
| Prepaid computer software licenses and related expenses | 709,000 | 765,000 |
| Prefunded co-pay assistance | 2,937,000 | 4,514,000 |
| Other prepaid expenses | 3,387,000 | 1,435,000 |
| Receivable due from Melt | 228,000 | 228,000 |
| Annual Prepaid Prescription Drug User ("PDUFA") fees | 1,217,000 | 3,651,000 |
| Deposits and other current assets | 2,851,000 | 3,410,000 |
| Total prepaid expenses and other current assets | $ 11,553,000 | $ 15,329,000 |

**NOTE 6. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment at June 30, 2025 and December 31, 2024 consisted of the following:

| | June 30, 2025 | December 31, 2024 |
|---|---|---|
| Property, plant and equipment, net: | | |
| Computer hardware | $ 1,232,000 | $ 1,195,000 |
| Furniture and equipment | 960,000 | 956,000 |
| Lab and pharmacy equipment | 5,641,000 | 5,306,000 |
| Leasehold improvements | 7,337,000 | 7,291,000 |
| | 15,170,000 | 14,748,000 |
| Accumulated depreciation | (11,658,000) | (11,014,000) |
| | $ 3,512,000 | $ 3,734,000 |



For the three and six months ended June 30, 2025, depreciation related to the property, plant and equipment was $347,000 and $659,000, respectively, compared to $301,000 and $597,000 during the same periods in 2024, respectively.

**NOTE 7. CAPITALIZED SOFTWARE COSTS**

Capitalized software costs at June 30, 2025 and December 31, 2024 consisted of the following:

| | June 30, 2025 | December 31, 2024 |
|---|---|---|
| Capitalized software costs | | |
| Capitalized internal-use software development costs | $ 3,410,000 | $ 3,395,000 |
| Acquired third-party software license for internal-use | 219,000 | 205,000 |
| Total gross capitalized software for internal-use | 3,629,000 | 3,600,000 |
| Accumulated amortization | (2,151,000) | (1,849,000) |
| | $ 1,478,000 | $ 1,751,000 |

For the three and six months ended June 30, 2025, the Company recorded amortization expense related to capitalized software costs of $149,000 and $302,000, respectively, and $152,000 and $288,000 during the same periods in 2024, respectively.

**NOTE 8. INTANGIBLE ASSETS AND GOODWILL**

The Company's intangible assets at June 30, 2025 consisted of the following:

| | Weighted-average useful life (in years) | Cost | Accumulated Amortization | Disposal | Net Carrying Value |
|---|---|---|---|---|---|
| Patents | 19 | $ 227,000 | $ (59,000) | $ - | $ 168,000 |
| Licenses | 20 | 50,000 | (37,000) | - | 13,000 |
| Trademarks | Indefinite | 294,000 | - | - | 294,000 |
| Acquired NDAs | 14 | 207,473,000 | (31,400,000) | - | 176,073,000 |
| Customer relationships | 7 | 596,000 | (549,000) | - | 47,000 |
| Trade name | 4 | 75,000 | (8,000) | - | 67,000 |
| State pharmacy licenses | 25 | 8,000 | (4,000) | - | 4,000 |
| | | $ 208,723,000 | $ (32,057,000) | $ - | $ 176,666,000 |

Amortization expense for intangible assets for the three and six months ended June 30, 2025 and 2024 was as follows:

| For the Three Months Ended June 30, | For the Six Months Ended June 30, |
|---|---|

| | 2025 | 2024 | 2025 | 2024 |
|---|---|---|---|---|
| Patents | $ 3,000 | $ 14,000 | $ 6,000 | $ 28,000 |
| Acquired NDAs | 4,220,000 | 2,529,000 | 8,440,000 | 5,059,000 |
| Customer relationships | 3,000 | 6,000 | 6,000 | 16,000 |
| | $ 4,226,000 | $ 2,549,000 | $ 8,452,000 | $ 5,103,000 |



Estimated future amortization expense for the Company's intangible assets at June 30, 2025 was as follows:

| | |
|---|---|
| Remainder of 2025 | $ 8,452,000 |
| 2026 | 16,904,000 |
| 2027 | 16,613,000 |
| 2028 | 16,206,000 |
| 2029 | 16,096,000 |
| Thereafter | 102,101,000 |
| | $ 176,372,000 |

There were no changes to the carrying value of the Company's goodwill during the three and six months ended June 30, 2025 and 2024.

**NOTE 9. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable and accrued expenses at June 30, 2025 and December 31, 2024 consisted of the following:

| | June 30, 2025 | December 31, 2024 |
|---|---|---|
| Accounts payable | $ 23,415,000 | $ 38,762,000 |
| Accrued interest (see Note 10) | 1,893,000 | 2,538,000 |
| Other accrued expenses | 106,000 | 106,000 |
| Total accounts payable and accrued expenses | $ 25,414,000 | $ 41,406,000 |

**NOTE 10. DEBT**

*Oaktree Loan Due 2026*

In March 2023, the Company entered into a Credit Agreement and Guaranty (the "Oaktree Loan") with Oaktree, providing for a senior secured term loan facility to the Company with a principal amount of up to $100,000,000. Upon entering into the Oaktree Loan, the Company drew a principal amount of $65,000,000 ("Tranche A") from the Oaktree Loan and used the net proceeds to repay all amounts owed by the Company pursuant to the Loan and Security Agreement the Company previously entered into with B. Riley Commercial Capital, LLC on December 14, 2022. The additional principal loan amount of up to $35,000,000 available under the Oaktree Loan ("Tranche B") was available to the Company upon the commercialization of TRIESENCE. Since Tranche B was not drawn by the Company on or before March 27, 2024, the amount available under Tranche B was reduced to $30,000,000. While undrawn, the Company was required to pay a commitment fee related to Tranche B amount equal to 2% per annum, payable quarterly. This fee was recorded within prepaid expenses and other current assets and was being amortized on a straight-line basis over the access period.

In July 2023, the Company entered into the First Amendment to the Oaktree Loan (the "Oaktree Amendment"). Under the Oaktree Amendment, the overall credit facility size was increased from $100,000,000 to $112,500,000. The Company drew down a principal amount of $12,500,000 (the "Loan Increase") to fund the initial one-time payment associated with product acquisitions and for other working capital and general corporate purposes. No other material changes to the Oaktree Loan were made pursuant to the Oaktree Amendment. Following entry into the Oaktree Amendment and the funding of the Loan Increase upon closing of certain product acquisitions, the Company had drawn down a total principal loan amount of $77,500,000 under the Oaktree Loan.

In October 2024, the Company entered into the Second Amendment to Credit Agreement and Guaranty with Oaktree ("Second Amendment"). Upon satisfaction of certain conditions to funding, the Company drew down the principal amount of the Tranche B commitment of $30,000,000 (the "$30,000,000 Draw") to partially fund a one-time milestone payment to Novartis. Under its asset purchase agreement with Novartis, the Company made a one-time milestone payment to Novartis equal to $37,000,000 upon the commercial availability of TRIESENCE, which the Company paid in October 2024. In connection with the Second Amendment and following the $30,000,000 Draw, the Company has drawn down a total principal loan amount of $107,500,000 under the Oaktree Loan and no additional principal loan amount remains available to the Company under the Oaktree Loan.



The Oaktree Loan is secured by nearly all of the assets, including intellectual property, of the Company and its material subsidiaries. The Oaktree Loan has a maturity date of January 19, 2026 and carries an interest rate equal to the Secured Overnight Financing Rate plus 6.5% per annum (totaling 10.84 % at June 30, 2025). The Oaktree Loan also carries an exit fee equal to 3.5% of the aggregate principal amount owed, payable at maturity. The total exit fee of $3,763,000 has been recorded as a debt discount. The original issue discount, fees and expenses (including the exit fee) are being amortized over the term of the Oaktree Loan using the effective interest rate method. The Oaktree Loan requires quarterly interest-only payments with all of the unpaid principal, interest and fees due on the maturity date, January 19, 2026.

The Oaktree Loan contains customary guarantees and covenants, including financial covenants related to minimum liquidity and minimum net revenues. As of June 30, 2025, the Company was in compliance with the financial covenants.

Interest expense related to the Oaktree Loan totaled $3,827,000 and $7,686,000 for the three and six months ended June 30, 2025, respectively, and included the amortization of debt issuance costs and discount of $916,000 and $1,822,000, respectively. Interest expense related to the Oaktree Loan totaled $2,944,000 and $5,897,000 for the three and six months ended June 30, 2024, respectively, and included the amortization of debt issuance costs and discount of $602,000 and $1,205,000, respectively.

*HROWL – 8.625% Senior Notes Due 2026*

In April 2021, the Company closed an offering of $50,000,000 aggregate principal amount of 8.625% senior notes due April 2026, and in May 2021 issued an additional $5,000,000 of such notes pursuant to the full exercise of the underwriters' option to purchase additional notes (collectively, the "April Notes"). The April Notes were sold to investors at a par value of $25.00 per note and the offering resulted in net proceeds to the Company of approximately $51,909,000 after deducting underwriting discounts and commissions and other offering expenses of $3,091,000. In September 2021, in a further issuance of the April Notes, the Company sold an additional $20,000,000 aggregate principal amount of such notes (the "September Notes," and together with the April Notes, the "2026 Notes"), at a price of $25.75 per September Note, with interest of $278,000 on the September Notes being accrued from April 20, 2021, the date of issuance of the April Notes. The September offering resulted in net proceeds to the Company of approximately $19,164,000 after deducting underwriting discounts and commissions and other offering expenses of $1,158,000 and a premium on note issuance of $322,000. The September Notes are treated as a single series with the April Notes under the indenture governing the April Notes, dated as of April 20, 2021, and have the same terms as the April Notes (other than the initial offering price and issue date). The 2026 Notes are senior unsecured obligations of the Company and rank equally in right of payment with all of the Company's other existing and future senior unsecured and unsubordinated indebtedness. The 2026 Notes are effectively subordinated in right of payment to all of the Company's existing and future secured indebtedness and structurally subordinated to all existing and future indebtedness of the Company's subsidiaries, including trade payables. The 2026 Notes bear interest at a rate of 8.625% per annum. Interest on the 2026 Notes is payable quarterly in arrears on January 31, April 30, July 31 and October 31 of each year. The 2026 Notes will mature on April 30, 2026. The issuance costs were recorded as a debt discount and are being amortized as interest expense, net of the amortization of the premium on note issuance, over the term of the 2026 Notes using the effective interest rate method.

Prior to February 1, 2026, the Company may, at its option, redeem the 2026 Notes, in whole at any time or in part from time to time, at a redemption price equal to 100% of the principal amount of the 2026 Notes to be redeemed, plus a make-whole amount, if any, plus accrued and unpaid interest to, but excluding, the date of redemption. The Company may redeem the 2026 Notes for cash in whole or in part at any time at its option on or after February 1, 2026 and prior to maturity, at a price equal to 100% of their principal amount, plus accrued and unpaid interest to, but excluding, the date of redemption. On and after any redemption date, interest will cease to accrue on the redeemed Notes. The 2026 Notes trade on the Nasdaq Stock Market LLC under the symbol "HROWL".



Interest expense related to the 2026 Notes totaled $1,812,000 and $3,622,000 for the three and six months ended June 30, 2025, respectively, and included amortization of debt issuance costs and discount of $195,000 and $388,000, respectively. Interest expense related to the 2026 Notes totaled $1,812,000 and $3,624,000 for the three and six months ended June 30, 2024, respectively, and included amortization of debt issuance costs and discount of $195,000 and $390,000, respectively

*HROWM - 11.875% Senior Notes Due 2027*

In December 2022 and in January 2023, the Company closed an offering of $35,000,000 and $5,250,000, respectively, aggregate principal amount of 11.875% senior notes due in December 2027 (the "2027 Notes"). The 2027 Notes were sold to investors at a par value of $25.00 per 2027 Note, and the offering resulted in net proceeds to the Company of approximately $36,699,000 after deducting underwriting discounts and commissions and other offering expenses of $3,551,000.

The 2027 Notes are senior unsecured obligations of the Company and rank equally in right of payment with all of the Company's other existing and future senior unsecured and unsubordinated indebtedness. The 2027 Notes are effectively subordinated in right of payment to all of the Company's existing and future secured indebtedness and structurally subordinated to all existing and future indebtedness of the Company's subsidiaries, including trade payables. The 2027 Notes bear interest at the rate of 11.875% per annum. Interest on the 2027 Notes is payable quarterly in arrears on January 31, April 30, July 31 and October 31 of each year. The 2027 Notes will mature on December 31, 2027. The issuance costs were recorded as a debt discount and are being amortized as interest expense over the term of the 2027 Notes using the effective interest rate method.

The Company may redeem the 2027 Notes for cash in whole or in part at any time at its option (i) prior to December 31, 2025, at a price equal to $25.50 per note, plus accrued and unpaid interest to, but excluding, the date of redemption, (ii) on or after December 31, 2025 and prior to December 31, 2026, at a price equal to $25.25 per note, plus accrued and unpaid interest to, but excluding, the date of redemption, and (iii) on or after December 31, 2026 and prior to maturity, at a price equal to 100% of their principal amount, plus accrued and unpaid interest to, but excluding, the date of redemption. In addition, the Company is required to redeem the 2027 Notes, for cash, in whole but not in part, at the price of $25.50 per note, plus accrued and unpaid interest to, but excluding, the date of redemption, upon occurrence of certain events including the occurrence of a Material Change, as defined in the Second Supplemental Indenture. The 2027 Notes trade on the Nasdaq Stock Market LLC under the symbol "HROWM."

Interest expense related to the 2027 Notes totaled $1,373,000 and $2,744,000 for the three and six months ended June 30, 2025, respectively, and included the amortization of debt issuance costs and discount of $178,000 and $354,000, respectively. Interest expense related to the 2027 Notes totaled $1,373,000 and $2,746,000 for the three and six months ended June 30, 2024, respectively, and included the amortization of debt issuance costs and discount of $178,000 and $356,000, respectively.

A summary of the Company's current portion of debt at June 30, 2025 and December 31, 2024 is described as follows:

| | June 30, 2025 | December 31, 2024 |
|---|---|---|
| Oaktree Loan due January 2026 | $ 111,263,000 | $ - |
| 8.625% Senior Notes due April 2026 | 75,000,000 | - |
| | 186,263,000 | - |
| Less: Unamortized debt issuance costs | (2,644,000) | - |
| | $ 183,619,000 | $ - |

A summary of the Company's non-current portion of debt at June 30, 2025 and December 31, 2024 is described as follows:

| | June 30, 2025 | December 31, 2024 |
|---|---|---|
| 8.625% Senior Notes due April 2026 | $ - | $ 75,000,000 |
| 11.875% Senior Notes due December 2027 | 40,250,000 | 40,250,000 |
| Oaktree Loan due January 2026 | - | 111,263,000 |
| | 40,250,000 | 226,513,000 |
| Less: Unamortized debt issuance costs | (1,766,000) | (6,974,000) |
| | $ 38,484,000 | $ 219,539,000 |

For the three and six months ended June 30, 2025, the total effective interest rate of the Company's debt was 10.65% and 10.74%, respectively, and 10.78% and 10.88% for the same periods in 2024, respectively.

At June 30, 2025, future minimum payments under the Company's debt were as follows:

| | Amount |
|---|---|
| Remainder of 2025 | $ 11,770,000 |
| 2026 | 193,820,000 |
| 2027 | 45,030,000 |
| Total minimum payments | 250,620,000 |
| Less: amount representing interest payments | (24,107,000) |
| Notes payable, gross principal amount due | 226,513,000 |
| Less: current portion, net of unamortized discount | (183,619,000) |
| Less: unamortized debt issuance costs, net of premium | (4,410,000) |
| Notes payable, net of unamortized discount, net of current portion | $ 38,484,000 |

**NOTE 11. LEASES**

The Company leases office and laboratory space under the non-cancelable operating leases listed below. Except as indicated, these lease agreements have remaining terms between two to seven years and contain various clauses for renewal at the Company's option.

- An operating lease for 38,200 square feet of lab, warehouse and office space in Ledgewood, New Jersey that expires in July 2027, with an option to extend the term for two additional five-year periods.
- An operating lease for 17,700 square feet of office space in Nashville, Tennessee that expires in June 2032, and includes options to extend the lease term to June 2042.
- An operating lease for 11,600 square feet of lab and office space in Nashville, Tennessee which commenced in September 2022 and expires in September 2027.

At June 30, 2025, the weighted average incremental borrowing rate and the weighted average remaining lease term for the operating leases held by the Company were 8.09% and 9.7 years, respectively.

During the three and six months ended June 30, 2025, cash paid for amounts included for the operating lease liabilities was $227,000 and $508,000, respectively, and $327,000 and $650,000, for the same periods in 2024, respectively. During the three and six months ended June 30, 2025, the Company recorded operating lease expense of $365,000 and $750,000, respectively, and $319,000 and $638,000 for the same periods in 2024, respectively. Operating lease expense is included in selling, general and administrative expenses.

Future lease payments under operating leases as of June 30, 2025 were as follows:

| | Operating Leases |
|---|---|
| Remainder of 2025 | $ 716,000 |
| 2026 | 1,551,000 |
| 2027 | 1,425,000 |
| 2028 | 1,288,000 |
| 2029 | 1,304,000 |
| Thereafter | 6,667,000 |
| Total minimum lease payments | 12,951,000 |
| Less: amount representing interest payments | (3,803,000) |
| Total operating lease obligations | 9,148,000 |
| Less: current portion, operating lease obligations | (782,000) |
| Operating lease obligations, net of current portion | $ 8,366,000 |



**NOTE 12. STOCKHOLDERS' EQUITY AND STOCK-BASED COMPENSATION**

**Common Stock**

During the six months ended June 30, 2025, upon vesting of 346,500 PSUs granted in April 2023 to Andrew R. Boll, the Company's Chief Financial Officer, the Company issued 209,755 shares of common stock to Mr. Boll, net of 136,745 shares of common stock withheld for payroll tax withholdings totaling $3,157,000.

During the six months ended June 30, 2025, upon vesting of 762,300 PSUs granted in April 2023 to Mark L. Baum, the Company's Chief Executive Officer, the Company issued 461,937 shares of common stock to Mr. Baum, net of 300,363 shares of common stock withheld for payroll tax withholdings totaling $6,935,000.

During the six months ended June 30, 2025, 277,200 PSUs granted in April 2023 to John P. Saharek, the President of ImprimisRx, vested, and the Company issued 167,725 shares of common stock to Mr. Saharek, net of 109,475 shares of common stock withheld for payroll tax withholdings totaling $2,528,000.

During the six months ended June 30, 2025, 20,000 RSUs granted in prior periods vested, and the Company issued 14,434 shares of common stock, net of 5,566 shares of common stock withheld for payroll tax withholdings totaling $149,000.

During the six months ended June 30, 2025, 198,795 RSUs and PSUs granted in prior periods vested, and the Company issued 198,795 shares of common stock.

During the six months ended June 30, 2025, the Company issued 10,618 shares of common stock and received proceeds of $125,000 upon the exercise of options to

purchase 10,618 shares of common stock with exercise prices ranging from $6.75 to $18.35 per share.

During the six months ended June 30, 2025, the Company issued 29,214 shares of its common stock underlying RSUs held by a director that ceased providing services to the Company. The RSUs had previously vested, including 4,173 RSUs that vested during the six months ended June 30, 2025, but the issuance and delivery of the shares were deferred until the director ceased providing services to the Company.

During the six months ended June 30, 2025, 17,806 shares of the Company's common stock underlying RSUs issued to directors vested, but the issuance and delivery of these shares are deferred until the applicable person ceases providing services to the Company.

During the six months ended June 30, 2025, 8,667 shares of the Company's common stock underlying RSUs issued to consultants vested, but the issuance and delivery of these shares has not occurred.

**Stock Option Plan**

On September 17, 2007, the Company's stockholders adopted the Company's 2007 Incentive Stock and Awards Plan, which was subsequently amended on November 5, 2008, February 26, 2012, July 18, 2012, May 2, 2013 and September 27, 2013 (as amended, the "2007 Plan"). The 2007 Plan reached its term in September 2017, and we can no longer issue additional awards under this plan, however, options previously issued under the 2007 Plan will remain outstanding until they are exercised, reach their maturity or are otherwise cancelled/forfeited. On June 13, 2017, the Company's stockholders adopted the Company's 2017 Incentive Stock and Awards Plan which was subsequently amended on June 3, 2021 (as amended, the "2017 Plan"). On June 18, 2025, the Company's stockholders adopted the Company's 2025 Incentive Stock and Awards Plan (the "2025 Plan" together with the 2007 Plan and 2017 Plan, the "Plans"). The purpose of the Plans are to attract and retain directors, officers, consultants, advisors and employees whose services are considered valuable, to encourage a sense of proprietorship and to stimulate an active interest of such persons in the Company's development and financial success. Under the Plans, the Company is authorized to issue incentive stock options intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended, non-qualified stock options, restricted stock units, restricted stock and performance awards. The Plans are administered by the Compensation Committee of the Company's Board of Directors.



*Stock Options*

A summary of stock option activity under the Plans for the six months ended June 30, 2025 is as follows:

| | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Options outstanding – January 1, 2025 | 2,469,099 | $ 6.49 | | |
| Options granted | 66,000 | $ 32.93 | | |
| Options exercised | (10,618) | $ 11.78 | | |
| Options cancelled/forfeited | (50,111) | $ 14.90 | | |
| Options outstanding – June 30, 2025 | 2,474,370 | $ 7.00 | 2.70 | $ 58,679,000 |
| Options exercisable | 2,259,079 | $ 5.59 | 2.13 | $ 56,371,000 |
| Options vested and expected to vest | 2,446,063 | $ 6.80 | 2.63 | $ 58,448,000 |

The aggregate intrinsic value in the table above represents the total pre-tax amount of the proceeds, net of exercise price, which would have been received by option holders if all option holders had exercised and immediately sold all shares underlying options with an exercise price lower than the market price on June 30, 2025, based on the closing price of the Company's common stock of $30.54 on that date.

During the six months ended June 30, 2025, the Company granted stock options to certain employees. The stock options were granted with an exercise price equal to the current market price of the Company's common stock, as reported by the securities exchange on which the common stock was then listed, at the grant date and have contractual terms of ten years. Vesting terms for options granted to employees during the three and six months ended June 30, 2025 included the following vesting schedule: 25% of the shares subject to the option vest and become exercisable on the first anniversary of the grant date and the remaining 75% of the shares subject to the option vest and become exercisable quarterly in equal installments thereafter over three years. Certain option awards provide for accelerated vesting if there is a change in control (as defined in the Plans) and in the event of certain modifications to the option award agreement.

The fair value of each option award is estimated on the date of grant using the Black-Scholes-Merton option pricing model. The expected term of options granted to employees and directors was determined in accordance with the "simplified approach," as the Company has limited, relevant, historical data on employee exercises and post-vesting employment termination behavior. The expected risk-free interest rate is based on the U.S. Treasury yield for a period consistent with the expected term of the option in effect at the time of the grant. The financial statement effect of forfeitures is estimated at the time of grant and revised, if necessary, if the actual effect differs from those estimates. For option grants to employees and directors, the Company assigns a forfeiture factor of 10%. These factors could change in the future, which would affect the determination of stock-based compensation expense in future periods. Utilizing these assumptions, the fair value is determined at the date of grant.

The table below illustrates the fair value per share determined using the Black-Scholes-Merton option pricing model with the following assumptions used for valuing options granted to employees:

| | 2025 |
|---|---|
| Weighted-average fair value of options granted | $ 22.04 |
| Expected terms (in years) | 6.11 |
| Expected volatility | 71.19%-71.30% |
| Risk-free interest rate | 4.16%-4.53% |
| Dividend yield | - |



The following table summarizes information about stock options outstanding and exercisable at June 30, 2025:

| | Options Outstanding | Options Exercisable |
|---|---|---|

| Range of Exercise Prices | Number Outstanding | Weighted Average Remaining Contractual Life in Years | Weighted Average Exercise Price | Number Exercisable | Weighted Average Exercise Price |
|---|---|---|---|---|---|
| $1.47 - $1.70 | 31,942 | 1.31 | $ 1.68 | 31,942 | $ 1.68 |
| $1.73 | 250,000 | 2.51 | $ 1.73 | 250,000 | $ 1.73 |
| $2.23 | 270,000 | 1.59 | $ 2.23 | 270,000 | $ 2.23 |
| $2.40 - $2.60 | 14,068 | 1.58 | $ 2.57 | 14,068 | $ 2.57 |
| $3.95 | 308,500 | 0.75 | $ 3.95 | 308,500 | $ 3.95 |
| $4.49 - $5.72 | 92,300 | 4.12 | $ 5.53 | 92,300 | $ 5.53 |
| $6.30 | 285,000 | 3.29 | $ 6.30 | 285,000 | $ 6.30 |
| $6.75 - $7.26 | 43,123 | 7.02 | $ 6.85 | 27,376 | $ 6.82 |
| $7.30 | 274,500 | 4.51 | $ 7.30 | 274,500 | $ 7.30 |
| $7.60 - $45.64 | 904,937 | 2.74 | $ 11.47 | 705,393 | $ 8.20 |
| $1.47 - $45.64 | 2,474,370 | 2.70 | $ 7.00 | 2,259,079 | $ 5.59 |

As of June 30, 2025, there was approximately $3,150,000 of total unrecognized compensation expense related to unvested stock options granted under the Plans. That expense is expected to be recognized over the weighted-average remaining vesting period of 2.68 years. The stock-based compensation for all stock options was $186,000 and $385,000 during the three and six months ended June 30, 2025, respectively, and $130,000 and $256,000 during the same periods in 2024, respectively.

The intrinsic value of options exercised during the six months ended June 30, 2025 was $178,000.

*Restricted Stock Units*

RSU awards are granted subject to certain vesting requirements and other restrictions, including time-based performance and market-based vesting criteria. The grant date fair value of the RSUs, which has been determined based upon the market value of the Company's common stock on the grant date, is expensed over the vesting period of the RSUs.

A summary of the Company's RSU activity and related information for the six months ended June 30, 2025 is as follows:

| | Number of Shares | Weighted Average Grant Date Fair Value |
|---|---|---|
| RSUs unvested - January 1, 2025 | 353,112 | $ 22.55 |
| RSUs granted | 76,455 | 30.53 |
| RSUs vested | (67,528) | 16.47 |
| RSUs cancelled/forfeited | (20,000) | 17.97 |
| RSUs unvested – June 30, 2025 | 342,039 | $ 25.07 |

As of June 30, 2025, the total unrecognized compensation expense related to unvested RSUs was approximately $7,322,000, which is expected to be recognized over a weighted-average period of 1.64 years, based on estimated and actual vesting schedules of the applicable RSUs. The stock-based compensation for RSUs during the three and six months ended June 30, 2025 was $689,000 and $1,408,000, respectively, and was $502,000 and $907,000 during the same periods in 2024, respectively.



*Performance Stock Units*

A summary of the Company's PSU activity and related information for the six months ended June 30, 2025 is as follows:

| | Number of Shares | Weighted Average Grant Date Fair Value |
|---|---|---|
| PSUs unvested – January 1, 2025 | 1,567,913 | $ 18.56 |
| PSUs granted | - | |
| PSUs vested | (1,567,913) | 18.56 |
| PSUs cancelled/forfeited | - | |
| PSUs unvested – June 30, 2025 | - | $ - |

As of June 30, 2025, there is no unrecognized compensation expense related to unvested PSUs. The stock-based compensation for PSUs during the three and six months ended June 30, 2025 was $0 and $3,638,000, respectively, and $3,638,000 and $7,276,000 during the same periods in 2024, respectively.

**Stock-Based Compensation Summary**

The Company recorded stock-based compensation related to equity instruments granted to employees, directors and consultants as follows:

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| Employees - selling, general and administrative | $ 637,000 | $ 3,579,000 | $ 4,431,000 | $ 7,104,000 |
| Employees - R&D | - | 439,000 | 422,000 | 878,000 |
| Directors - selling, general and administrative | 149,000 | 214,000 | 375,000 | 402,000 |
| Consultants - selling, general and administrative | 89,000 | 39,000 | 203,000 | 56,000 |
| Total | $ 875,000 | $ 4,271,000 | $ 5,431,000 | $ 8,440,000 |

**NOTE 13. COMMITMENTS AND CONTINGENCIES**

**Legal**

*General and Other*

In the ordinary course of business, the Company is involved in various legal proceedings, government investigations and other matters that are complex in nature and have outcomes that are difficult to predict. The Company describes legal proceedings and other matters that are/were significant or that it believes could become significant in this footnote.

The Company records accruals for loss contingencies to the extent that it concludes it is probable that a liability has been incurred and the amount of the related loss can be reasonably estimated. The Company evaluates, on a quarterly basis, developments in legal proceedings and other matters that could cause an increase or decrease in the amount of a liability that has been accrued previously.



The Company's legal proceedings involve various aspects of its business and a variety of claims, some of which present novel factual allegations and/or unique legal theories. Typically, a number of the matters pending against the Company are at early stages of the legal process, which in complex proceedings of the sort the Company faces often extend for several years. While it is not possible to accurately predict or determine the eventual outcomes of matters that have not concluded, an adverse determination in one or more of the matters (whether discussed in this footnote or not) currently pending may have a material adverse effect on the Company's condensed consolidated results of operations, financial position or cash flows. Legal costs incurred for loss contingencies are expensed as incurred.

*Ocular Science, Inc. et. al*

In July 2021, ImprimisRx, LLC, a subsidiary of the Company, filed a lawsuit against Ocular Science, Inc. and OSRX, Inc. (together, "OSRX") in the U.S. District Court for the Southern District of California, asserting claims for copyright infringement, trademark infringement, unfair competition and false advertising (Lanham Act). Since July 2021, the complaint had been amended and OSRX added counterclaims alleging ImprimisRx, LLC was violating the Lanham Act with false advertising. The Court granted cross motions for summary judgement on each party's Lanham Act claims thus leaving only ImprimisRx, LLC's copyright infringement, trademark infringement and unfair competition claims for trial. Following a jury trial in November 2024, a jury found OSRX acted with malice, fraud, or oppression, willfully engaging in trademark infringement and unfair competition under California and federal law and ImprimisRx, LLC received a $34,900,000 jury verdict award, which includes $20,400,000 in punitive damages and $14,500,000 in actual damages. Due to uncertainty regarding probability of collection, the Company has not recognized any gains associated with the verdict award in the accompanying condensed consolidated financial statements.

**Product and Professional Liability**

Product and professional liability litigation represents an inherent risk to all firms in the pharmaceutical and pharmacy industry. We utilize traditional third-party insurance policies with regard to our product and professional liability claims. Such insurance coverage at any given time reflects current market conditions, including cost and availability, when the policy is written.

**Indemnities**

In addition to the indemnification provisions contained in the Company's charter documents, the Company generally enters into separate indemnification agreements with each of the Company's directors and officers. These agreements require the Company, among other things, to indemnify the director or officer against specified expenses and liabilities, such as attorneys' fees, judgments, fines and settlements, paid by the individual in connection with any action, suit or proceeding arising out of the individual's status or service as the Company's director or officer, other than liabilities arising from willful misconduct or conduct that is knowingly fraudulent or deliberately dishonest, and to advance expenses incurred by the individual in connection with any proceeding against the individual with respect to which the individual may be entitled to indemnification by the Company. Several of the Company's asset purchase and license agreements contain customary representations, warranties, covenants and confidentiality provisions, and also contain mutual indemnification obligations related primarily to performance under the respective agreements. The Company also indemnifies its lessors in connection with its facility leases for certain claims arising from the use of the facilities. These indemnities do not provide for any limitation of the maximum potential future payments the Company could be obligated to make. Historically, the Company has not incurred any payments for these obligations and, therefore, no liabilities have been recorded for these indemnities in the accompanying condensed consolidated balance sheets.



**Asset Purchase, License and Related Agreements**

*FDA Approved Product Acquisitions*

In recent years, the Company has acquired commercial and product rights to various FDA approved ophthalmic medications and products through asset purchase, licenses, supply and/or other related agreements. In general, in exchange for product and commercial rights these agreements provide the counterparties with certain upfront and contingent milestone payments typically related to certain annual sales amounts and manufacturing events, and in certain cases, per unit transfer prices and royalties on sales of some of the products. In June 2025, the Company announced that it had entered into a license and supply agreement (the "Formosa Agreement") with Formosa Pharmaceuticals, Inc. ("Formosa"). Under the terms of the Formosa Agreement, the Company licensed from Formosa the exclusive rights and marketing authorization of BYQLOVI™ (clobetasol propionate ophthalmic suspension) 0.05% in the U.S. market: In consideration for such rights, the Company will make a one-time payment to Formosa equal to $500,000 at the time the Company makes its first commercial sale of BYQLOVI to a third party and Formosa will be eligible to receive other one-time payments based on achievement of commercial gross profit milestones along with royalties on gross profits of BYQLOVI.

During the three and six months ended June 30, 2025, $2,201,000 and $4,374,000 were incurred under these agreements as royalty expenses, respectively, and $1,036,000 and $1,310,000, respectively, during the same period in 2024. The Company incurred $0 and $0 related to upfront and milestone payments under these agreements during the three and six months ended June 30, 2025, respectively, and $0 and $0, respectively, during the same periods in 2024. As of June 30, 2025, the remaining contingent consideration payable pursuant to these agreements were not considered probable and reasonably estimable and therefore, no amount was accrued related to these contingent obligations during the six months ended June 30, 2025. At the time contingent consideration payable becomes probable and reasonably estimable, the additional consideration, if any, paid will be allocated to the assets based on their initial estimated fair values as a percent of total purchase price.

*Formulation Acquisitions*

The Company has acquired and sourced intellectual property rights related to certain proprietary innovations from certain inventors, innovator companies and related parties (the "Inventors") through multiple asset purchase agreements and license agreements. In general, these agreements provide that the Inventors will cooperate with the Company in obtaining patent protection for the acquired intellectual property and that the Company will use commercially reasonable efforts to research, develop and commercialize a product based on the acquired intellectual property. In addition, the Company has acquired a right of first refusal on additional intellectual property and drug development opportunities presented by these Inventors.

In consideration for the acquisition of these intellectual property rights, the Company is obligated to make payments to the Inventors based on the completion of certain milestones, generally consisting of: (1) a payment payable within 30 to 45 days after the issuance of the first patent in the United States arising from the acquired intellectual property (if any); (2) a payment payable within 30 days after the Company files the first investigational new drug application ("IND") with the U.S. Food and Drug Administration ("FDA") for the first product arising from the acquired intellectual property (if any); (3) for certain of the Inventors, a payment payable within 30 days after the Company files the first new drug application with the FDA for the first product arising from the acquired intellectual property (if any); and (4) certain royalty payments based on the net receipts received by the Company in connection with the sale or licensing of any product based on the acquired intellectual property (if any), after deducting (among other things) the Company's development costs associated with such product. If, following five years after the date of the applicable asset purchase agreement, the Company either (a) for certain of the Inventors, has not filed an IND or, for the remaining Inventors, has not initiated a study where data is derived, or (b) has failed to generate royalty payments to the Inventors for any product based on the acquired intellectual property, the Inventors may terminate the applicable asset purchase agreement and request that the Company re-assign the acquired technology to the Inventors. During the three and six months ended June 30, 2025, $287,000 and $564,000, respectively, were incurred under these agreements as royalty expenses, and $316,000 and $496,000, respectively, during the same periods in 2024.

**Contract Manufacturing**

The Company is a party to manufacturing agreements with respect to third-party contract manufacturers for its FDA approved pharmaceutical products. Some of these contract manufacturing agreements require minimum annual order amounts. The Company has committed to pay approximately $8,527,000 related to contract manufacturing agreements for the year ending December 31, 2025.



**NOTE 14. SEGMENTS AND CONCENTRATIONS**

The Company operates in two reportable segments which are generally determined based on the decision-making structure of the Company and the grouping of similar products and services: Branded and ImprimisRx.

- The ***Branded*** segment includes activities of the Company's FDA-approved ophthalmology pharmaceutical products, including the out-licensing of rights to certain of our branded products.
- The ***ImprimisRx*** segment represents activities in the Company's ophthalmology-focused pharmaceutical compounding business.

Segment contribution for the segments represents net revenues less cost of sales, certain general and administrative expenses, selling and marketing expenses, and research and development expenses. The Company does not evaluate the following items at the segment level:

- Selling, general and administrative expenses that result from shared infrastructure, including certain expenses associated with legal matters, public company costs (e.g. investor relations), Board of Directors and principal executive officers and other shared expenses.
- Operating expenses within selling, general and administrative expenses that result from the impact of corporate initiatives. Corporate initiatives primarily include integration, restructuring, acquisition and other shared costs.
- Other select revenues and operating expenses including research and development expenses, amortization, and asset sales and impairments, net as not all such information has been accounted for at the segment level, or such information has not been used by all segments.

Segment net revenues, segment operating expenses and segment contribution information consisted of the following:

| | Three Months Ended June 30, 2025 | | | Three Months Ended June 30, 2024 | | |
|---|---|---|---|---|---|---|
| | **Branded** | **Compounding** | **Consolidated** | **Branded** | **Compounding** | **Consolidated** |
| Product sales, net | $ 42,189,000 | $ 21,468,000 | $ 63,657,000 | $ 27,291,000 | $ 21,580,000 | $ 48,871,000 |
| Other revenues | 85,000 | - | 85,000 | 68,000 | - | 68,000 |
| **Total revenues** | **42,274,000** | **21,468,000** | **63,742,000** | **27,359,000** | **21,580,000** | **48,939,000** |
| Cost of sales | 8,734,000 | 7,496,000 | 16,230,000 | 5,559,000 | 6,980,000 | 12,539,000 |
| **Gross profit** | **33,540,000** | **13,972,000** | **47,512,000** | **21,800,000** | **14,600,000** | **36,400,000** |
| **Operating expenses** | | | | | | |
| Selling, general and administrative | 20,330,000 | 7,098,000 | 27,428,000 | 16,435,000 | 5,726,000 | 22,161,000 |
| Research and development | 2,390,000 | 442,000 | 2,832,000 | 75,000 | 112,000 | 187,000 |
| **Segment contribution** | **$ 10,820,000** | **$ 6,432,000** | **$ 17,252,000** | **$ 5,290,000** | **$ 8,762,000** | **$ 14,052,000** |
| **Corporate** | | | 5,807,000 | | | 9,656,000 |
| **Research and development** | | | 36,000 | | | 2,866,000 |
| **Income from operations** | | | **$ 11,409,000** | | | **$ 1,530,000** |



| | Six Months Ended June 30, 2025 | | | Six Months Ended June 30, 2024 | | |
|---|---|---|---|---|---|---|
| | **Branded** | **Compounding** | **Consolidated** | **Branded** | **Compounding** | **Consolidated** |
| Product sales, net | $ 69,883,000 | $ 41,519,000 | $ 111,402,000 | $ 41,081,000 | $ 42,298,000 | $ 83,379,000 |
| Other revenues | 171,000 | - | 171,000 | 147,000 | - | 147,000 |
| **Total revenues** | **70,054,000** | **41,519,000** | **111,573,000** | **41,228,000** | **42,298,000** | **83,526,000** |
| Cost of sales | 16,915,000 | 14,839,000 | 31,754,000 | 9,237,000 | 13,855,000 | 23,092,000 |
| **Gross profit** | **53,139,000** | **26,680,000** | **79,819,000** | **31,991,000** | **28,443,000** | **60,434,000** |
| **Operating expenses** | | | | | | |
| Selling, general and administrative | 41,012,000 | 14,620,000 | 55,632,000 | 28,865,000 | 11,938,000 | 40,803,000 |
| Research and development | 4,383,000 | 666,000 | 5,049,000 | 109,000 | 176,000 | 285,000 |
| **Segment contribution** | **$ 7,744,000** | **$ 11,394,000** | **$ 19,138,000** | **$ 3,017,000** | **$ 16,329,000** | **$ 19,346,000** |
| **Corporate** | | | 18,116,000 | | | 19,827,000 |
| **Research and development** | | | 845,000 | | | 4,917,000 |

| | | |
|---|---|---|
| **Income (loss) from operations** | **$ 177,000** | **$ (5,398,000)** |

Substantially all revenue is attributable to the U.S. All long-lived assets at June 30, 2025 and December 31, 2024 were located in the U.S.

Revenues by segment are further described as follows:

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| IHEEZO | $ 18,336,000 | $ 11,295,000 | $ 23,558,000 | $ 13,616,000 |
| VEVYE | 18,641,000 | 4,315,000 | 40,156,000 | 6,912,000 |
| Other branded products | 5,212,000 | 11,681,000 | 6,169,000 | 20,553,000 |
| Other revenues | 85,000 | 68,000 | 171,000 | 147,000 |
| Branded revenue, net | 42,274,000 | 27,359,000 | 70,054,000 | 41,228,000 |
| Imprimis Rx revenue, net | 21,468,000 | 21,580,000 | 41,519,000 | 42,298,000 |
| | | | | |
| **Total revenues, net** | **$ 63,742,000** | **$ 48,939,000** | **$ 111,573,000** | **$ 83,526,000** |

Other than IHEEZO and VEVYE, no other products accounted for more than 10% of total revenues for the periods presented.

*Customer and Supplier Concentrations*

Substantially all of the Company's Branded sales are made to third-party distributors who sell the products to pharmacies and to the end-users. There were two customers who comprised more than 10% of the Company's Branded revenues for the three and six months ended June 30, 2025 and one customer who comprised more than 10% of the Company's Branded revenues for the three and six months ended June 30, 2024. There were no customers who comprised more than 10% of Imprimis Rx revenues for the three and six months ended June 30, 2025 and 2024. As of June 30, 2025 and December 31, 2024, accounts receivable from two customers accounted for 87% and 94%, respectively, of total consolidated accounts receivable.

The Company received its active pharmaceutical ingredients from three main suppliers during the three and six months ended June 30, 2025 and 2024. These suppliers collectively accounted for 76% and 72% of active pharmaceutical ingredient purchases during the three and six months ended June 30, 2025, respectively, and 61% and 62% during the same periods in 2024, respectively.



**NOTE 15. SUBSEQUENT EVENTS**

The Company has performed an evaluation of events occurring subsequent to June 30, 2025 through the filing date of this Quarterly Report on Form 10-Q. Based on its evaluation, no events other than those described below need to be disclosed.

In July 2025, the Company issued 286,662 shares of common stock to Mark L. Baum, Chief Executive Officer, upon the cashless exercise of options to purchase 600,000 shares at an exercise price of $7.87 per share. The Company withheld from Mr. Baum 127,346 shares as consideration for the cashless exercise and an additional 185,992 shares for payroll tax obligations totaling $6,897,000.

In July 2025, the Company issued 795 shares of common stock and received proceeds of $11,000 upon the exercise of options to purchase 795 shares of common stock with exercise prices between $7.60 and $25.86 per share.

*BYOOVIZ® and OPUVIZ™ – Commercialization Agreement*

In July 2025, the Company entered into a development and commercialization agreement (the "Samsung Agreement") with Samsung Bioepis Co., Ltd. ("Samsung"). Under the terms of the Samsung Agreement, following completion of the transition of commercial rights from Biogen, Inc. back to Samsung, Samsung will develop, manufacture, and supply BYOOVIZ (ranibizumab-nuna) and OPUVIZ (aflibercept-yszy) (individually, a "Product" and together, the "Products") for Harrow to commercialize in the U.S. market (the "Rights"). In consideration of such Rights, Harrow will make a one-time upfront payment to Samsung, and Samsung will be eligible to receive additional one-time payments based on the achievement of net sales-based milestones of the Products. In addition to other mutually agreed terms, Harrow shall pay to Samsung a share of net sales from the Products generated in the U.S. market.

*PSU Awards*

In July 2025, the Company granted an aggregate of 1,295,249 performance stock units to Mark L. Baum, Chief Executive Officer and Andrew R. Boll, Chief Financial Officer, which are subject to the satisfaction of certain market-based and continued service conditions (the "2025 PSUs"). The vesting of the 2025 PSUs require (i) a minimum of a three-year service period, and (ii) during a five-year term, the achievement and maintenance of Company common stock price targets ranging between $50 to $100 per share, broken out into four separate tranches as described further in the table below.

| Tranche | Target Stock Price | Number of Shares |
|---|---|---|
| Tranche 1 | $ 50 | 181,335 |
| Tranche 2 | $ 60 | 272,003 |
| Tranche 3 | $ 75 | 375,623 |
| Tranche 4 | $ 100 | 466,288 |



**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and the related notes thereto contained in Part I, Item 1 of this Quarterly Report on Form 10-Q (this "Quarterly Report"). Our condensed consolidated financial statements have been prepared and, unless otherwise stated, the information derived therefrom as presented in this discussion and analysis is presented, in accordance with accounting principles generally accepted in the United States of America ("GAAP").*

*The information contained in this Quarterly Report is not a complete description of our business or the risks associated with an investment in our common stock. We urge you to carefully review and consider the various disclosures made by us in this Quarterly Report and in our other reports filed with the U.S. Securities and Exchange Commission (the "SEC"), including our Annual Report on Form 10-K for the fiscal year ended December 31, 2024 and subsequent reports, which discuss our business in greater detail. As used in this discussion and analysis, unless the context indicates otherwise, the terms the "Company," "Harrow," "we," "us" and "our" refer to Harrow, Inc. and its consolidated subsidiaries, including ImprimisRx, LLC, ImprimisRx NJ, LLC dba ImprimisRx, Imprimis NJOF, LLC, Harrow IP, LLC and Harrow Eye, LLC. In this discussion and analysis, we refer to our consolidated subsidiaries ImprimisRx, LLC, ImprimisRx NJ, LLC and Imprimis NJOF, LLC collectively as "ImprimisRx."*

*In addition to historical information, the following discussion contains forward-looking statements regarding future events and our future performance. In some cases, you can identify forward-looking statements by terminology such as "will," "may," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "forecasts," "potential" or "continue" or the negative of these terms or other comparable terminology. All statements made in this Quarterly Report other than statements of historical fact are forward-looking statements. These forward-looking statements involve risks and uncertainties and reflect only our current views, expectations and assumptions with respect to future events and our future performance. If risks or uncertainties materialize or assumptions prove incorrect, actual results or events could differ materially from those expressed or implied by such forward-looking statements. Risks that could cause actual results to differ from those expressed or implied by the forward-looking statements we make include, among others, risks related to: liquidity or results of operations; our ability to successfully implement our business plan, develop and commercialize our products, product candidates and proprietary formulations in a timely manner or at all, identify and acquire additional products, manage our pharmacy operations, refinance and otherwise service our debt, obtain financing necessary to operate our business, recruit and retain qualified personnel, manage any growth we may experience and successfully realize the benefits of our previous acquisitions and any other acquisitions and collaborative arrangements we may pursue; any enforcement action by the U.S. Food and Drug Administration relating to compliance and quality plans at our outsourcing facility in New Jersey; competition from pharmaceutical companies, outsourcing facilities and pharmacies; general economic and business conditions, including inflation and supply chain challenges; regulatory and legal risks and uncertainties related to our pharmacy operations and the pharmacy and pharmaceutical business in general; physician interest in and market acceptance of our current and any future formulations and compounding pharmacies generally; and the other risks and uncertainties described under the heading "Risk Factors" in Part II, Item 1A of this Quarterly Report and in our other filings with the SEC. You should not place undue reliance on forward-looking statements. Forward-looking statements speak only as of the date they are made and, except as required by law, we undertake no obligation to revise or publicly update any forward-looking statement for any reason.*

**Overview**

We are a leading provider of ophthalmic disease management solutions in North America, offering a comprehensive portfolio of products that address conditions affecting both the front and back of the eye, such as dry eye disease, wet (or neovascular) age-related macular degeneration, cataracts, refractive errors, glaucoma and a range of other ocular surface conditions and retina diseases. Harrow was founded with a commitment to deliver safe, effective, accessible, and affordable medications that enhance patient compliance and improve clinical outcomes.



**Factors Affecting Our Performance**

We believe the primary factors affecting our performance are our ability to increase revenues of our branded pharmaceutical products, proprietary compounded formulations and certain non-proprietary products, grow and gain operating efficiencies in our operations, avoid or mitigate any potential regulatory-related restrictions, optimize pricing and obtain reimbursement options for our drug products, and continue to pursue development and commercialization opportunities for certain of our ophthalmology and other assets that we have not yet made commercially available. We believe we have built a tangible and intangible infrastructure that will allow us to scale revenues efficiently in the near and long-term. All of these activities may require significant costs and other resources, which we may not have or be able to obtain from operations or other sources. See "Liquidity and Capital Resources" below.

**Recent Developments**

The following describes certain developments in 2025 to date that are important to understand our financial condition and results of operations. See the notes to our unaudited condensed consolidated financial statements included in this Quarterly Report for additional information about each of these developments.

*BYOOVIZ® and OPUVIZ™ – Commercialization Agreement*

In July 2025, we entered into a development and commercialization agreement (the "Samsung Agreement") with Samsung Bioepis Co., Ltd. ("Samsung"). Under the terms of the Samsung Agreement, following completion of the transition of commercial rights from Biogen, Inc. back to Samsung, Samsung will develop, manufacture, and supply BYOOVIZ (ranibizumab-nuna) and OPUVIZ (aflibercept-yszy) (individually, a "Product" and together, the "Products") for Harrow to commercialize in the U.S. market (the "Rights").. In consideration of such Rights, we will make a one-time upfront payment to Samsung, and Samsung will be eligible to receive additional one-time payments based on the achievement of net sales-based milestones of the Products. In addition to other mutually agreed terms, we shall pay to Samsung a share of net sales from the Products generated in the U.S. market.

*Acquisition of Commercial Rights to BYQLOVI™*

In June 2025, we announced a licensing agreement whereby we acquired the exclusive U.S. commercial rights to BYQLOVI (clobetasol propionate ophthalmic suspension) 0.05% from Taiwan-based Formosa Pharmaceuticals. BYQLOVI was recently approved by the FDA for the treatment of post-operative inflammation and pain following ocular surgery and is the first new ophthalmic steroid in its class in over 15 years. Harrow expects BYQLOVI to be available in the fourth quarter of 2025.

*VEVYE® Access for All*

In March 2025, we announced a patient access program called VEVYE Access for All. The program is designed to increase patient access to VEVYE at an out-of-pocket cost of $59 or below and, in many cases, reduce the need for prior authorizations, step edits, and other treatment obstacles facing dry eye patients and their prescribers.

*Project Beagle*

During the first quarter of 2025 we initiated a 360-degree review of opportunities to offer ImprimisRx customers a Harrow-owned FDA-approved product alternative to a compounded formulation. We call this initiative Project Beagle. In that vein, we began implementing a continuity of care program to transition approximately 25,000 ImprimisRx patients from our Klarity-C (0.1% cyclosporine) compounded formulation to VEVYE (0.1% cyclosporine), and we discontinued compounding Klarity-C on June 30, 2025. We also discontinued another related compounded formulation called Klarity PF. Klarity PF was primarily purchased by a concentrated group of customers who have accepted our FRESHKOTE product as an alternative. We continue to review opportunities to reduce the size of our

compounded formulary, improve and simplify our compounding capabilities, and transition other ImprimisRx customers from compounded formulations to Harrow's FDA-approved products.

**Results of Operations**

The following period-to-period comparisons of our financial results for the three and six months ended June 30, 2025 and 2024 are not necessarily indicative of results for any future period.



*Revenues*

Our revenues include amounts recorded from sales of proprietary compounded formulations, sales of branded products to wholesalers through a third-party logistics facility, commissions from third parties and revenues received from royalty payments owed to us pursuant to out-license arrangements.

The following presents our revenues for the three and six months ended June 30, 2025 and 2024:

| | For the Three Months Ended June 30, | | | For the Six Months Ended June 30, | | $ |
|---|---|---|---|---|---|---|
| | 2025 | 2024 | Variance | 2025 | 2024 | Variance |
| IHEEZO | $ 18,336,000 | $ 11,295,000 | $ 7,041,000 | $ 23,558,000 | $ 13,616,000 | $ 9,942,000 |
| VEVYE | 18,641,000 | 4,315,000 | 14,326,000 | 40,156,000 | 6,912,000 | 33,244,000 |
| Other branded products | 5,212,000 | 11,681,000 | (6,469,000) | 6,169,000 | 20,553,000 | (14,384,000) |
| Other revenues | 85,000 | 68,000 | 17,000 | 171,000 | 147,000 | 24,000 |
| Branded revenue, net | 42,274,000 | 27,359,000 | 14,915,000 | 70,054,000 | 41,228,000 | 28,826,000 |
| ImprimisRx revenue, net | 21,468,000 | 21,580,000 | (112,000) | 41,519,000 | 42,298,000 | (779,000) |
| | | | | | | |
| **Total revenues, net** | **$63,742,000** | **$48,939,000** | **$14,803,000** | **$111,573,000** | **$83,526,000** | **$28,047,000** |

The increase in revenues between periods was related to an increase in sales of our branded ophthalmology products, primarily due to the increase of units sold of IHEEZO and VEVYE during the three and six months ended June 30, 2025 compared to the prior year periods.

*Cost of Sales, Gross Profit and Gross Margin*

Our cost of sales includes direct and indirect costs to manufacture formulations and sell products, including active pharmaceutical ingredients, personnel costs, packaging, storage, royalties, shipping and handling costs, manufacturing equipment and tenant improvements depreciation, the write-off of obsolete inventory, amortization of acquired product NDAs, and other related expenses.

Branded

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---|---|---|---|---|---|---|
| | 2025 | 2024 | Variance | 2025 | 2024 | Variance |
| Cost of Sales | $ 8,734,000 | $ 5,559,000 | $ 3,175,000 | $ 16,915,000 | $ 9,237,000 | $ 7,678,000 |
| Gross profit | $ 33,540,000 | $ 21,800,000 | $ 11,740,000 | $ 53,139,000 | $ 31,991,000 | $ 21,148,000 |
| Gross margin | 79.3% | 79.7% | -0.3% | 75.9% | 77.6% | -1.7% |

The increase in Branded cost of sales was primarily attributable to an increase in units sold during the three and six months ended June 30, 2025 compared to the prior year periods and an increase in our fixed expenses. The decrease in Branded gross margin between the three and six months ended June 30, 2025 and 2024 was primarily attributable to an increase in our fixed expenses, in particular, acquired product NDA amortizations related to the launch of TRIESENCE and a related contingent milestone payment that was capitalized in the fourth quarter of 2024.

ImprimisRx

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---|---|---|---|---|---|---|
| | 2025 | 2024 | Variance | 2025 | 2024 | Variance |
| Cost of Sales | $ 7,496,000 | $ 6,980,000 | $ 516,000 | $ 14,839,000 | $ 13,855,000 | $ 984,000 |
| Gross profit | $ 13,972,000 | $ 14,600,000 | $ (628,000) | $ 26,680,000 | $ 28,443,000 | $ (1,763,000) |
| Gross margin | 65.1% | 67.7% | -2.6% | 64.3% | 67.2% | -3.0% |



The increase in ImprimisRx costs of sales between the three and six months ended June 30, 2025 and 2024 was primarily attributable to an increase in units sold during the three and six months ended June 30, 2025 compared to the same periods in 2024. However, due to product mix during the three and six months ended June 30, 2025 that included more sales of lower gross margin products and sales discounts, ImprimisRx gross margin decreased during the 2025 periods compared to the prior year period.

*Selling, General and Administrative Expenses*

Our selling, general and administrative ("SG&A") expenses include personnel costs, including wages and stock-based compensation, corporate facility expenses, and investor relations, consulting, insurance, filing, legal and accounting fees and expenses as well as costs associated with our marketing activities and sales of our proprietary compounded formulations and other non-proprietary pharmacy products and formulations.

The following presents our SG&A expenses for the three and six months ended June 30, 2025 and 2024:

| | For the Three Months Ended | For the Six Months Ended |
|---|---|---|

| | June 30, | | $ | June 30, | | $ |
|---|---|---|---|---|---|---|
| | 2025 | 2024 | Variance | 2025 | 2024 | Variance |
| **Selling, general and administrative** | $ 33,235,000 | $ 31,817,000 | $ 1,418,000 | $ 73,748,000 | $ 60,630,000 | $ 13,118,000 |

The increase in SG&A expenses between the three-month periods was primarily attributable to the addition of new employees in sales, marketing and other departments to support current and expected growth, which when combined contributed to a $4,375,000 increase in SG&A expenses between the periods. These increases were offset by a $2,957,000 decrease in stock-based compensation expense between periods.

The increase in SG&A expenses between the six-month periods was primarily attributable to an increase in certain seasonal expenses, such as increased costs associated with our annual audit and a special project that totaled $3,629,000 during the six months ended June 30, 2025. In addition, the increase in SG&A expenses between periods was attributable to the addition of new employees in sales, marketing and other departments to support current and expected growth, which when combined contributed to a $12,042,000 increase in SG&A expenses between the periods. These increases were offset by a $2,553,000 decrease in stock-based compensation expense between periods.

*Research and Development Expenses*

Our research and development ("R&D") expenses primarily include personnel costs, including wages and stock-based compensation, expenses related to the development of intellectual property, investigator-initiated research and evaluations, formulation development, acquired in-process R&D and other costs related to the clinical development of our assets.

The following presents our research and development expenses for the three and six months ended June 30, 2025 and 2024:

| | For the Three Months Ended June 30, | | $ | For the Six Months Ended June 30, | | $ |
|---|---|---|---|---|---|---|
| | 2025 | 2024 | Variance | 2025 | 2024 | Variance |
| **Research and development** | $ 2,868,000 | $ 3,053,000 | $ (185,000) | $ 5,894,000 | $ 5,202,000 | $ 692,000 |

The increase in R&D expenses between six-month periods was primarily attributable to increased activity related to our expanded branded product portfolio, product acquisitions, product development efforts, product launches, and clinical and medical support.



*Interest Expense, Net*

Interest expense, net was $6,408,000 and $12,956,000 for the three and six months ended June 30, 2025, respectively, compared to $5,471,000 and $10,886,000 for the same periods in 2024, respectively. The increase during the three and six months ended June 30, 2025 compared to the same periods in 2024 was primarily the result of an increase in the outstanding principal amount of our debt obligations.

*Investment Loss from Eton*

During the three and six months ended June 30, 2024, we recorded a loss of $(1,923,000) and $(3,171,000), respectively, related to the change in fair market value of common stock of Eton Pharmaceuticals, Inc. ("Eton") at the time of its sale, including trading expenses and commissions of approximately $436,000. In April 2024, we sold all of our shares of Eton.

**Liquidity and Capital Resources**

***Liquidity***

Our cash on hand at June 30, 2025 was $52,963,000, compared to $47,247,000 at December 31, 2024.

As of the date of this Quarterly Report, we believe that cash and cash equivalents of $52,963,000 at June 30, 2025 will be sufficient to sustain our planned level of operations and capital expenditures for at least the next 12 months. Management expects to refinance the Oaktree Loan (as defined in Note 10 of our unaudited condensed consolidated financial statements included in this Quarterly Report) during 2025 and to refinance the 2026 Notes (as defined in Note 10 of our unaudited condensed consolidated financial statements included in this Quarterly Report) at the same time or soon thereafter. Management believes it is probable that we will be able to refinance the Oaktree Loan and 2026 Notes; however, there can be no assurance that we will obtain the refinancing on terms acceptable to us, or at all - see the subheading *Sources of Capital* below for additional discussion regarding the Oaktree Loan, 2026 Notes and refinancing plans. In addition, we may consider the sale of certain assets. However, we may pursue acquisitions of products, drug candidates or other strategic transactions that involve large expenditures or we may experience growth more rapidly or on a larger scale than we expect, any of which could result in the depletion of capital resources more rapidly than anticipated and could require us to seek additional financing to support our operations.

We expect to use our current cash position and funds generated from our operations and any financing to pursue our business plan, which includes developing and commercializing drug candidates, compounded formulations and technologies, integrating and developing our operations, pursuing potential future strategic transactions as opportunities arise, including potential acquisitions of additional drug products, drug candidates, and/or assets or technologies, pharmacies, outsourcing facilities, drug company and manufacturers, and otherwise fund our operations. We may also use our resources to conduct clinical trials or other studies in support of our formulations or any drug candidate for which we pursue FDA approval, to pursue additional development programs or to explore other development opportunities.

*Net Cash Flow*

The following provides detailed information about our net cash flows for the six months ended June 30, 2025 and 2024:

| | For the Six Months Ended June 30, | |
|---|---|---|
| | 2025 | 2024 |
| Net cash provided by (used in): | | |
| Operating activities | $ 18,865,000 | $ (7,374,000) |

| | | |
|---|---|---|
| Investing activities | (505,000) | 4,993,000 |
| Financing activities | (12,644,000) | (736,000) |
| Net change in cash and cash equivalents | 5,716,000 | (3,117,000) |
| Cash and cash equivalents at beginning of the period | 47,247,000 | 74,085,000 |
| Cash and cash equivalents at end of the period | $ 52,963,000 | $ 70,968,000 |



*Operating Activities*

Net cash provided by (used in) operating activities during the six months ended June 30, 2025 was $18,865,000 compared to $(7,374,000) during the same period in the prior year. The increase in net cash provided by operating activities between the periods was mainly attributed to a decrease of $37,211,000 in accounts receivable as a result of collections during the six months ended June 30, 2025, compared to an increase in accounts receivable of $15,631,000 during the same period in 2024.

*Investing Activities*

Net cash (used in) provided by investing activities during the six months ended June 30, 2025 was $(505,000) compared to $4,993,000 during the same period in the prior year. Cash used in investing activities in 2025 was primarily related to equipment and software purchases. Cash provided by investing activities in 2024 was primarily related to the sale of our investment position in Eton.

*Financing Activities*

Net cash used in financing activities during the six months ended June 30, 2025 and 2024 was $(12,644,000) and $(736,000), respectively. Cash used in financing activities during the six months ended June 30, 2025 and 2024 was primarily related to payment of payroll taxes upon vesting of PSUs in exchange for shares withheld from employees.

***Sources of Capital***

During the six months ended June 30, 2025, our principal sources of cash came from proceeds from our operating activities. We expect future cash needs to be provided by operating activities, but our forecasts may not be accurate, and our plans may change. We may also sell some of our assets.

In January 2026 the Oaktree Loan matures and in April 2026, the 2026 Notes become due. As of June 30, 2025, there was $107,500,000 principal amount outstanding under the Oaktree Loan and $75,000,000 principal amount of the 2026 Notes were outstanding. The maturity of these debt obligations could raise substantial doubt about our ability to continue as a going concern. We are currently in discussions with our current senior secured lender, Oaktree, and other potential lenders about refinancing the Oaktree Loan and the 2026 Notes. Management believes it is probable that we will be able to refinance the Oaktree Loan and the 2026 Notes based on our collateral strength and expected cash flows from operations; however, there can be no assurance that we will obtain the refinancing on terms acceptable to us, or at all. We believe that one of the other alternatives available to us is the sale of one or more of our assets. There can be no assurance that any sale could be completed on a timely basis or on terms acceptable to us. If we are unable to successfully refinance the Oaktree Loan and the 2026 Notes or sell assets to raise sufficient capital, we do not expect to have the ability to repay the Oaktree Loan and the 2026 Notes in full.

We may acquire new products, product candidates and/or businesses and, as a result, we may need significant additional capital to support our business plan and fund our proposed business operations. We may also seek additional financing from a variety of sources, including other equity or debt financings, funding from corporate partnerships or licensing arrangements, sales of assets or any other financing transaction. If we issue equity or convertible debt securities to raise additional funds, our existing stockholders may experience substantial dilution, and the newly issued equity or debt securities may have more favorable terms or rights, preferences and privileges senior to those of our existing stockholders. If we raise additional funds through collaboration or licensing arrangements or sales of assets, we may be required to relinquish potentially valuable rights to our product candidates or proprietary technologies or formulations, or grant licenses on terms that are not favorable to us. If we raise funds by incurring additional debt, we may be required to pay significant interest expenses and our leverage relative to our earnings or to our equity capitalization may increase. Obtaining commercial loans, assuming they would be available, would increase our liabilities and future cash commitments and may impose restrictions on our activities, such as the financial and operating covenants. Further, we may incur substantial costs in pursuing future capital and/or financing transactions, including investment banking fees, legal fees, accounting fees, printing and distribution expenses and other costs. We may also be required to recognize non-cash expenses in connection with certain securities we may issue, such as convertible notes and warrants, which would adversely impact our financial results.



We may be unable to obtain financing when necessary as a result of, among other things, our performance, general economic conditions, conditions in the pharmaceuticals and pharmacy industries, or our operating history. In addition, the fact that we have a limited history of profitability could further impact the availability or cost to us of future financings. As a result, sufficient funds may not be available when needed from any source or, if available, such funds may not be available on terms that are acceptable to us. If we are unable to raise funds to satisfy our capital needs when needed, then we may need to forego pursuit of potentially valuable development or acquisition opportunities, we may not be able to continue to operate our business pursuant to our business plan, which would require us to modify our operations to reduce spending to a sustainable level by, among other things, delaying, scaling back or eliminating some or all of our ongoing or planned investments in corporate infrastructure, business development, sales and marketing and other activities, or we may be forced to discontinue our operations entirely.

**Recently Issued and Adopted Accounting Pronouncements**

See Note 2 to our unaudited condensed consolidated financial statements included in this Quarterly Report.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

*Interest Rate Risk*

We are exposed to market risk related to changes in interest rates on our cash and cash equivalents and the Oaktree Loan. We do not utilize derivative financial instruments or other market risk-sensitive instruments to manage our exposure to interest rate changes.

We believe our interest rate risk related to our cash and cash equivalents is not material as our risk is that interest rates fall. Based on the current interest rates, we do not have a significant downside risk of a drop in interest rates.

The interest rate risk related to the Oaktree Loan is based on the Secured Overnight Financing Rate ("SOFR") plus an interest rate spread of 6.5% per annum. A hypothetical increase of 100 basis points in SOFR would impact our interest expense by $1,075,000 per annum based on the outstanding balance under the Oaktree Loan as of June 30, 2025.

**Item 4. Controls and Procedures**

***Evaluation of Disclosure Controls and Procedures***

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow for timely decisions regarding required disclosure.

Under the supervision and with the participation of our principal executive officer and principal financial officer, our management conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Exchange Act, as they existed on June 30, 2025. Based on this evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective to achieve their stated purpose as of June 30, 2025, the end of the period covered by this Quarterly Report.

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

There has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the quarter ended June 30, 2025, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.



## PART II
## OTHER INFORMATION

**Item 1. Legal Proceedings**

See Note 13 to our unaudited condensed consolidated financial statements included in this Quarterly Report for information on various legal proceedings, which is incorporated into this Item by reference.

**Item 1A. Risk Factors**

*In addition to the other information contained in this Quarterly Report you should consider the risk factors and the other information in our Annual Report on Form 10-K for the year ended December 31, 2024, including our audited financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations." If any such risks actually occur, our business, financial condition, results of operations and future growth prospects would likely be materially and adversely affected. In these circumstances, the market price of our common stock would likely decline and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations.*

Below we provide in supplemental form the material changes to our risk factors that occurred during the past quarter. Our risk factors disclosed in Part I, Item 1A, of our Annual Report on Form 10-K for the year ended December 31, 2024, provide additional disclosure for these supplemental risks and are incorporated herein by reference.

*The federal government could pursue enforcement actions against us to the extent we are unable to demonstrate compliance with cGMPs and other required regulations, the effects of which could be costly to us and could result in adverse consequences to our business.*

In August 2017, the FDA issued a MedWatch notification regarding a curcumin emulsion and two adverse events that had been associated with the use of these emulsions by prescribing physicians. We issued a press release on August 7, 2017, clarifying certain facts regarding the notice which outlined our belief that the adverse events associated with the two patients occurred due to an allergic reaction caused by the products being inappropriately administered and obtained by the prescribing physician, and our use of curcumin and excipients in our curcumin emulsion formulation met regulatory standards required for dispensing of the curcumin emulsion. In September 2017, the FDA released a letter confirming that the alleged misuse of certain ingredients in our curcumin emulsions was due to mislabeling by the underlying supplier and not of our own misdoing. We no longer compound curcumin emulsion products.

Separately, in December 2017, we were issued a warning letter from the FDA alleging that, in its interpretation of our public communications, we had made false or misleading claims and omitted risk and side effect information regarding certain of our ophthalmology-focused compounded medications. We immediately performed a full review of our public communications referenced in the warning letter and responded to the FDA in January 2018; notwithstanding our continued belief that our public communications were not, in fact, false and misleading, we remained in communication with the FDA and took steps to address the items outlined in the FDA letter. The Company received another warning letter from the FDA in June 2022 related to our alleged marketing activities. We immediately responded to the warning letter and the FDA sent the Company notice in January 2023 that our corrective actions appear adequate.

In June 2019, our New Jersey-based outsourcing facility ("NJOF") was issued a warning letter related to an April 2017 inspection and our use of certain active pharmaceutical ingredients in our compounded medications. During September 2020 through January 2021, our New Jersey based outsourcing facility was inspected by the FDA (the "2020 Inspection") and certain observations were made by the FDA in a Form 483. Five observations made during the 2020 Inspection were considered repeat observations from a 2017 FDA inspection. In addition, during the 2020 inspection, the FDA noted that we were compounding drugs for which there is no change that produces a clinical difference for an individual patient, as determined by a prescribing practitioner between a compounded drug and the comparable approved drug. We have responded to the FDA regarding all of their observations from the 2020 Inspection, including providing documentation from prescribing clinicians that indicate a clinical difference between our compounded drugs and the comparable approved drugs, while also committing to amend our order process to collect "medical necessity/clinical difference" information for each order of our compounded drugs on a go-forward basis.

Our pharmacy was inspected in August 2022 and received a Form 483 with several observations from the FDA. In May 2023, our pharmacy received a warning letter related to the inspection that occurred in August 2022. The warning letter indicated that our corrective actions from the inspection had appeared to be adequate; however, the FDA could not fully evaluate the adequacy of our actions because we did not include sufficient information or supporting documentation. As an example, we stated that smoke studies related to airflow in our laminar airflow hoods had been redone to satisfy FDA requirements, however, we did not provide the FDA with supporting documentation (such as smoke study protocol, updated detailed report and/or videos). We have responded to this warning letter and provided the FDA with additional information requested.

From March 2024 through April 2024, NJOF was inspected by the FDA (the "2024 Inspection"), and the FDA issued a Form 483 with five observations. Since January 2025, we engaged in separate but related discussions with the federal government regarding the NJOF quality system and the 2024 Inspection. NJOF voluntarily recalled certain products and provided regular updates to the FDA regarding its remediation activities and other commitments, including Project Beagle. The government has notified us that these discussions are now closed.

Future regulatory actions could increase scrutiny and could create negative publicity on us as a company. As part of our commitment to actively work with regulators, at times, we have become aware of concerns related to certain formulations, and as a result, discontinued compounding certain drug formulations in an attempt to help mitigate potential regulatory risk. For other reasons, including, but not limited to, the following, physicians may be unwilling to prescribe or patients may be unwilling to use our compounded formulations: legal prohibitions on our ability to discuss the efficacy or safety of our formulations with potential users to the extent applicable data is available; our pharmacy operations are primarily operating on a cash-pay basis and reimbursement may or may not be available from third-party payors, including the government Medicare and Medicaid programs; and certain formulations are not required to be prepared and are not presently being prepared in a manufacturing facility governed by cGMP requirements. These factors and any future regulatory action could continue to limit our production, and our ability to dispense and distribute our compounded products, which would negatively affect sales of our compounded products.

*Our sales depend on coverage and reimbursement from government and commercial third-party payers, and pricing and reimbursement pressures have affected, and are likely to continue to affect, our profitability.*

Sales of our products depend on the availability and extent of coverage and reimbursement from third-party payers, including government healthcare programs and private insurance plans. Governments and private payers continue to pursue initiatives to manage drug utilization and contain costs. Further, pressures on healthcare budgets from the economic downturn and inflation continue and are likely to increase, across the markets we serve. Payers are increasingly focused on costs, which has resulted, and is expected to continue to result, in lower reimbursement rates for our products and/or narrower patient populations for which payers will reimburse. Continued intense public scrutiny of the price of drugs and other healthcare costs, together with payer dynamics, have limited, and are likely to continue to limit, our ability to set or adjust the price of our products based on their value, which can have a material adverse effect on our business. In the United States, particularly over the past few years, a number of legislative and regulatory proposals have been introduced and/or signed into law to lower drug prices. These include provisions in the Inflation Reduction Act that enable the U.S. government to set prices for certain drugs in Medicare, redesign Medicare Part D benefits to shift a greater proportion of the costs to manufacturers and health plans and enable the U.S. government to impose penalties if drug prices are increased at a rate faster than inflation. Additional proposals focused on drug pricing continue to be debated, and additional executive orders or regulatory initiatives focused on drug pricing and competition are likely to be adopted and implemented in some form. It is unclear what policies will advance with respect to other drug pricing proposals, including international reference pricing or changes to healthcare regulations affecting pharmaceuticals. Further, state government activity has been dynamic, including certain states enacting new laws limiting drug reimbursement under state run Medicaid programs and prohibiting restrictions on 340B Program use. Such state laws could also eventually be adopted at the federal level.

We are unable to predict which or how many policy, regulatory, administrative or legislative changes may ultimately be, or effectively estimate the consequences to our business if, enacted and implemented. However, to the extent that payer actions further decrease or modify the coverage or reimbursement available for our products, require that we pay increased rebates or shift other costs to us, limit or affect our decisions regarding the pricing of or otherwise reduce the use of our products, such actions could have a material adverse effect on our business and results of operations.



*Global economic conditions may negatively affect us and may magnify certain risks that affect our business.*

Our operations and performance have been, and may continue to be, affected by global economic conditions. The economic downturn resulting from the COVID-19 pandemic precipitated a global recession, which was followed by high rates of inflation and actions taken by financial regulators to raise interest rates. Instability in the financial system, tighter lending standards and higher interest rates have added stress that may create additional vulnerabilities in the global economy, the effects of which may be of an extended duration. Additionally, with higher interest rates, deficits (including those associated with the pandemic), and other fiscal pressures, governments may be unable to sustain their previously high levels of fiscal spending. As a result of global economic conditions, some third-party payers may delay or be unable to satisfy their reimbursement obligations. Job losses or other economic hardships (including inflation) may also affect patients' ability to afford healthcare as a result of increased co-pay or deductible obligations, greater cost sensitivity to existing co-pay or deductible obligations, lost healthcare insurance coverage or for other reasons. We believe such conditions could lead to reduced demand for our products, which could have a material adverse effect on our product sales, business and results of operations. The cumulative effects of inflationary pressures, an uncertain trade environment with escalating and rapidly-changing tariffs, and the effects from the armed conflict in Ukraine (including the effects of the sanctions that were implemented in response to the conflict and the resulting impacts on the commodity market and supply chains) and the Middle East may also increase our operating expenses. Some of our operational costs, including the cost of energy, cost of goods, other materials, labor, distribution and our other operational costs are subject to market conditions and have been adversely affected by inflationary pressures. Although we monitor our distributors', customers' and suppliers' financial condition and their liquidity to mitigate our business risks, some of our distributors, customers and suppliers may become insolvent, which could have a material adverse effect on our product sales, business and results of operations.

*Changes in U.S. trade policy—including the possible imposition of significant tariffs on pharmaceuticals and raw materials—could materially increase our costs, disrupt our supply chain, and impair our competitive position.*

Recent public statements by U.S. policymakers contemplate phased tariff rates of up to 150% (or more) on imported finished drugs, active pharmaceutical ingredients ("APIs"), and key excipients. Although we manufacture a significant amount of our finished ophthalmic products in the United States, we rely on third-party suppliers, many of which source APIs, sterile bottles, dropper tips, and other critical components from non-U.S. jurisdictions. If one or more rounds of tariffs are enacted, we could experience:

- Higher input costs that we may be unable to pass through to customers under existing supply and reimbursement arrangements, compressing gross margins;
- Customs delays or shortages if overseas suppliers elect to redirect shipments to non-U.S. customers to avoid tariff exposure;
- Retaliatory measures by foreign governments that could hinder our ability to procure specialized equipment or to out-license our products abroad; and
- Working-capital pressure, as we may need to build additional safety stock or advance-pay duties before goods clear U.S. customs.

While we are evaluating mitigation strategies—including dual-sourcing, qualifying U.S. or free-trade-area suppliers, and tariff-engineering options—there can be no assurance that these actions will be successful or fully offset potential cost increases. Material tariff-related cost inflation or supply disruptions could adversely affect our financial condition, results of operations and cash flows.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

**Item 3. Defaults Upon Senior Securities**

Not applicable.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

From time to time, certain of our executive officers and directors may enter into, amend or terminate written trading arrangements pursuant to Rule 10b5-1 of the Exchange Act or otherwise. During the six months ended June 30, 2025, none of our directors or officers adopted or terminated any Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K).

**Item 6. Exhibits**

| Exhibit Number | Description |
|---|---|
| **3.1** | Amended and Restated Certificate of Incorporation, as amended (incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K of Harrow, Inc. filed with the Securities and Exchange Commission on September 29, 2023). |
| **3.2** | Amended and Restated Bylaws of Harrow, Inc. (incorporated herein by reference to Exhibit 3.2 to the Current Report on Form 8-K of Harrow, Inc. filed with the Securities and Exchange Commission on September 29, 2023). |
| **10.1** | 2025 Incentive Stock and Awards Plan (incorporated herein by reference to Appendix A to Harrow Inc.'s Definitive Proxy Statement filed with the SEC on April 25, 2025). |
| **10.2*** | Form of Incentive Stock Option Agreement |
| **10.3*** | Form of Non-Qualified Stock Option Agreement |
| **10.4*** | Form of Restricted Stock Unit Agreement |
| **31.1*** | Certification of Mark L. Baum, principal executive officer, pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes- Oxley Act of 2002. |
| **31.2*** | Certification of Andrew R. Boll, principal financial and accounting officer, pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes- Oxley Act of 2002. |
| **32.1**** | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by Mark L. Baum, principal executive officer, and Andrew R. Boll, principal financial and accounting officer. |
| **101.INS*** | Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| **101.SCH*** | Inline XBRL Taxonomy Extension Schema Document |
| **101.CAL*** | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| **101.DEF*** | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| **101.LAB*** | Inline XBRL Taxonomy Extension Label Linkbase Document |
| **101.PRE*** | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| **104** | The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2025, has been formatted in Inline XBRL. |

* Filed herewith.
** Furnished herewith.



**SIGNATURES**

Pursuant to the requirements 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.

**Harrow, Inc.**

Dated: August 11, 2025

By: */s/ Mark L. Baum*
Mark L. Baum
Chief Executive Officer and Director
(Principal Executive Officer)

By: */s/ Andrew R. Boll*
Andrew R. Boll

Chief Financial Officer (Principal Financial and Accounting Officer)