PharmChem, Inc.
2411 E. Loop 820 N.
Fort Worth, TX 76118

August 1, 2025

Dear Stockholders:

You are cordially invited to attend a special meeting (such meeting, including any adjournments or postponements thereof, the "Special Meeting") of the stockholders of PharmChem, Inc., a Delaware corporation (the "Company" or "PCHM"), to be held in person on August 27, 2025 at 10:00 CDT. The meeting will be held in person at our corporate offices, 2411 E. Loop 820 N., Fort Worth, TX 76118. We will not provide for attendance virtually at the meeting, but as a courtesy to our stockholders we will stream the meeting live online via Microsoft Teams. If you would like to view the meeting online, please contact Shana Veale, CFO, at sveale@pharmchem.com for the Microsoft Teams link. Details regarding the business to be conducted at the Special Meeting are described in the accompanying proxy statement and the accompanying notice of Special Meeting (the "Notice of Special Meeting").

At the Special Meeting you will be asked to consider and vote upon a proposal to approve and adopt the Agreement and Plan of Merger, dated as of July 18, 2025 (as amended from time to time, the "Merger Agreement"), by and among the Company, Alcohol Monitoring Systems, Inc., a Delaware corporation ("AMS"), and SCRAM Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of AMS ("Merger Sub"), and the transactions contemplated thereby, pursuant to which Merger Sub will merge with and into the Company, with the Company surviving such merger as the surviving corporation (the "Merger"), and a wholly owned subsidiary of AMS (the "Merger Agreement Proposal").

If the Merger is completed, each share of the Company's Common Stock, par value $0.001 per share (the "Company Common Stock"), issued and outstanding immediately before the effective time of the Merger, shall be cancelled and extinguished and automatically converted into and shall thereafter represent the right to receive an amount in cash equal to $3.75 per share of Company Common Stock ("Per Share Merger Consideration"), payable to the holder thereof, without interest, subject to and in accordance with the terms and conditions of the Merger Agreement, subject to certain exceptions specified in the Merger Agreement. After the completion of the Merger, you will no longer have an equity interest in the Company and will not participate in any potential future earnings of the Company. The Merger Agreement and the transactions contemplated thereby, including the Merger are described further in the accompanying proxy statement.

Your vote is very important. Whether or not you plan to attend the Special Meeting, you are urged to submit a proxy to vote your shares as promptly as possible to ensure your representation at the Special Meeting. Please review the instructions in the accompanying notice of Special Meeting and proxy statement regarding the submission of proxies and voting.

The board of directors of PCHM (the "Board") carefully reviewed and considered the terms and conditions of the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement. The Board unanimously adopted the Merger Agreement, determined that the Merger and the other transactions contemplated by the Merger Agreement are advisable, fair to and in the best interests of PCHM's stockholders, directed that the Merger Agreement be submitted to PCHM's stockholders for approval at a duly held meeting and resolved to recommend that PCHM's stockholders vote to approve the Merger Agreement. **Accordingly, the Board unanimously recommends a vote "*FOR*" the proposal to approve and adopt the Merger Agreement described in the accompanying proxy statement, and the transactions contemplated thereby, including the Merger.**

Your vote is very important, regardless of the number of shares of Company Common Stock you own. The approval of the proposal to adopt the Merger Agreement requires the affirmative vote of the holders of at least a majority of the voting power of the outstanding shares of Company Common Stock entitled to vote in accordance with the General Corporation Law of the State of Delaware (the "DGCL"). Each record holder of Company Common Stock is entitled to one vote for each share of Company Common Stock owned of record on the Record Date. **If you fail to vote on the proposal to adopt the Merger Agreement and the transactions contemplated thereby, including the Merger, the effect will be the same as a vote against the proposal.**

Completion of the Merger is subject to the satisfaction or waiver of certain conditions set forth in the Merger Agreement. The accompanying proxy statement provides you with more detailed information about the Special

Meeting, the Merger Agreement and the transactions contemplated thereby, including the Merger. A copy of the Merger Agreement is attached as Annex A to the accompanying proxy statement. We encourage you to carefully read the entire proxy statement and its annexes, including the Merger Agreement and the documents referred to or incorporated by reference in the accompanying proxy statement in their entirety.

If you have any questions or need assistance voting your shares of Company Common Stock, please contact our Corporate Secretary, Shana Veale at:

PharmChem, Inc.
2411 E. Loop 820 N.
Attn: Shana Veale
Fort Worth, TX 76118
Telephone: 817-591-4100

Thank you in advance for your cooperation and continued support.

Sincerely,

Thompson Clark
Interim Chief Executive Officer

The accompanying proxy statement is dated August 1, 2025, and is first being mailed to the Company's stockholders on or about August 1, 2025.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THE MERGER, PASSED UPON THE MERITS OR FAIRNESS OF THE MERGER AGREEMENT OR THE TRANSACTIONS CONTEMPLATED THEREBY, INCLUDING THE MERGER, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT OR THE ACCOMPANYING PROXY STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

PharmChem, Inc.
2411 E. Loop 820 N.
Fort Worth, TX 76118

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

Dear Stockholders:

You are cordially invited to attend a special meeting (such meeting, including any adjournments or postponements thereof, the "Special Meeting") of the stockholders of PharmChem, Inc., which we refer to as the Company or PCHM, to be held in person on August 27, 2025 at 10:00 CDT. The meeting will be held in person at our corporate offices, 2411 E. Loop 820 N., Fort Worth, TX 76118. We will not provide for attendance virtually at the meeting, but as a courtesy to our stockholders we will stream the meeting live online via Microsoft Teams. If you would like to view the meeting online, please contact Shana Veale, CFO, at sveale@pharmchem.com for the Microsoft Teams link. The Special Meeting is being held to consider and vote on the following proposals:

1. a proposal to approve and adopt the Agreement and Plan of Merger, dated as of July 18, 2025 (as amended from time to time, the "Merger Agreement"), by and among the Company, Alcohol Monitoring Systems, Inc., a Delaware corporation ("AMS"), and SCRAM Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of AMS ("Merger Sub"), and the transactions contemplated thereby, pursuant to which Merger Sub will merge with and into the Company, with the Company surviving such merger as the surviving corporation (the "Merger") and a wholly owned subsidiary of AMS (the "Merger Agreement Proposal") (a copy of the Merger Agreement is attached as Annex A to the accompanying proxy statement); and

2. a proposal to adjourn the Special Meeting, if necessary or appropriate, including to solicit additional proxies if there are insufficient votes at the time of the Special Meeting to approve the Merger Agreement Proposal (the "Adjournment Proposal").

These items of business are more fully described in the proxy statement accompanying this notice of Special Meeting.

The record date for the Special Meeting is July 25, 2025 (the "Record Date"). Only stockholders of record at the close of business on that date are entitled to notice of, and to attend and vote at, the Special Meeting or any adjournment or postponement thereof. Any stockholder entitled to attend and vote at the Special Meeting is entitled to appoint a proxy to attend and act on such stockholder's behalf. Such proxy need not be a stockholder of the Company. You may submit a proxy to vote your shares on the Internet, by telephone or by mail, or you may attend the Special Meeting in person and vote. Refer to the attached Proxy Card for complete voting instructions. NOTE: You must have your control number (printed on the Proxy Card) to vote using the internet or by phone.

The Board of Directors of the Company has approved and declared advisable the Merger Agreement and the transactions contemplated thereby, including the Merger, and recommends that you vote "FOR" the Merger Agreement Proposal and "FOR" the Adjournment Proposal.

Your vote is very important, regardless of the number of shares of the Company's Common Stock, par value $0.001 per share (the "Company Common Stock"), you own. The approval of the Merger Agreement Proposal requires the affirmative vote of the holders of at least a majority of the voting power of the outstanding shares of Company Common Stock entitled to vote, in accordance with the General Corporation Law of the State of Delaware (the "DGCL"). **If you fail to vote on the Merger Agreement Proposal, the effect will be the same as a vote against the Merger Agreement Proposal.**

The approval of the Adjournment Proposal requires the affirmative vote of the holders of a majority of the voting power of the shares of Company Common Stock present or represented by proxy at the Special Meeting and entitled to vote, assuming that a quorum is present.

Each record holder of Company Common Stock is entitled to one vote for each outstanding share of Company Common Stock owned of record on the Record Date.

Tim Eriksen, Tristram Jordan, Richard Jordan, Thompson Clark, James Ford, Kerri Wagner, and Shana Veale (the "Supporting Stockholders") entered into a Voting and Support Agreement (the "Voting Agreement") with AMS and Merger Sub in connection with the execution of the Merger Agreement. The Supporting Stockholders are record or beneficial owners of shares of Company Common Stock representing approximately 62% of the voting power of the Company Common Stock. Pursuant to the Voting Agreement, the Supporting Stockholders agreed, among other things, to vote their shares of Company Common Stock in favor of adoption of the Merger Agreement and the transactions contemplated thereby, including the Merger, subject to certain customary exceptions allowing the members of the Company's Board of Directors to carry out their fiduciary duties as directors of the Company, or otherwise act in their capacity as directors of the Company. A copy of the Voting Agreement is attached as Annex B to the accompanying proxy statement. The Supporting Stockholders granted an irrevocable proxy to AMS, which may be exercised with respect to any Supporting Stockholder that breaches its voting obligations. If the Supporting Stockholders vote in favor of adoption of the Merger Agreement Proposal or AMS exercises its proxy in accordance with the terms of the Voting Agreement, then the Merger Agreement Proposal will be approved.

Your vote is very important. To ensure your representation at the Special Meeting, it is important that you submit a proxy for your shares of Company Common Stock promptly, whether or not you plan to attend the Special Meeting. As promptly as possible, please complete, date, sign and return the enclosed proxy card in the accompanying prepaid reply envelope, or submit your proxy over the Internet or by telephone by following the instructions set forth on the enclosed proxy card. Stockholders who attend the Special Meeting in person may revoke their proxies and vote at the Special Meeting.

By Order of the Company Board of Directors,

/s/ Shana Veale
Corporate Secretary

2411 E. Loop 820 N.
Fort Worth, TX 76118
Dated: August 1, 2025

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DEFINED TERMS

Unless stated otherwise, whenever used in this proxy statement, the following terms have the meanings set forth below:

Adjournment Proposal means the proposal to adjourn the Special Meeting, if necessary or appropriate, including to solicit additional proxies if there are insufficient votes at the time of the Special Meeting to adopt the Merger Agreement Proposal.

AMS or **Parent** means Alcohol Monitoring Systems, Inc., a Delaware corporation.

AMS Group or **Parent Group** means AMS and Merger Sub.

Certificate of Merger means a certificate of merger in such form as required by and in accordance with the applicable provisions of the DGCL.

Closing means closing of the Merger, subject to and in accordance with the terms and conditions of the Merger Agreement.

Closing Date means the date and time the Closing occurs.

Code means the Internal Revenue Code of 1986, as amended, and any successor statute, rules or regulations thereto.

Company means PharmChem, Inc. (which also includes references to "our," "us" and "we").

Company Board means the board of directors of the Company.

Company Common Stock means the Company's Common Stock, $.001 par value.

DGCL means the General Corporation Law of the State of Delaware.

Dissenting Shares means shares of Company Common Stock whose holders are entitled to demand and have properly exercised and validly perfected appraisal rights with respect to such shares of Company Common Stock in accordance with Section 262 of the DGCL.

Effective Time means the date and time the Merger becomes effective, being the date and time at which the Certificate of Merger is filed with the Office of the Secretary of State of the State of Delaware, or at such later time and date as may be agreed upon in writing by the Company and AMS and stated in the Certificate of Merger, as described in *"Special Factors — Effective Time of the Merger"* and *"The Merger Agreement — Effective Time of the Merger."*

Exchange Act means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, or any successor statute, rules or regulations thereto.

Excluded Shares means the Dissenting Shares and shares to be cancelled in accordance with the Merger Agreement.

GAAP means U.S. generally accepted accounting principles.

Merger means the proposed merger of Merger Sub with and into the Company pursuant to the Merger Agreement in accordance with the applicable provisions of the DGCL, with the Company surviving the Merger as a wholly owned subsidiary of AMS.

Merger Agreement means the Agreement and Plan of Merger, dated as of July 18, 2025, by and among the Company, AMS and Merger Sub, as it may be amended from time to time. A copy of the Merger Agreement is attached as Annex A to this proxy statement and is incorporated by reference in this proxy statement in its entirety.

Merger Agreement Proposal means the proposal to approve and adopt the Merger Agreement, and the transactions contemplated thereby, including the Merger.

Merger Sub means SCRAM Merger Sub, Inc., a Delaware corporation.

Per Share Merger Consideration means $3.75 per share of Company Common Stock in cash, without interest, less any applicable withholding taxes, subject to and in accordance with the terms and conditions of the Merger Agreement.

Record Date means July 25, 2025, being the record date for the Special Meeting.

Riverside means Riverside Partners L. L. C. dba The Riverside Company, an affiliate of AMS.

SEC means the U.S. Securities and Exchange Commission.

Securities Act means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder, or any successor statute, rules or regulations thereto.

Special Meeting means the special meeting of the stockholders of the Company to be held live on August 27, 2025 at 10:00 a.m. CDT, including any adjournment or postponement thereof.

Supporting Stockholders means Tim Eriksen, Tristram Jordan, Richard Jordan, Thompson Clark, James Ford, Kerri Wagner, and Shana Veale.

Surviving Corporation means the surviving corporation in the Merger in accordance with the Merger Agreement, as described in *"The Merger Agreement — The Merger."*

Voting Agreement means the Voting and Support Agreement dated as of July 18, 2025, by and among AMS, Merger Sub and each of the Supporting Stockholders, as it may be amended from time to time. A copy of the Voting Agreement is attached as Annex B to this proxy statement and is incorporated by reference in this proxy statement in its entirety.

SUMMARY TERM SHEET

The following summary term sheet highlights selected information in this proxy statement and may not contain all of the information that may be important to you. Accordingly, we encourage you to read carefully this entire proxy statement, its annexes and the documents referred to or incorporated by reference in this proxy statement in their entirety. Each item in this summary term sheet includes a page reference directing you to a more complete description of that topic. See *"Where You Can Find More Information."*

Special Factors (page 15)

- *Certain Effects of the Merger; Treatment of Company Common Stock*. At the Effective Time, each share of Company Common Stock issued and outstanding immediately before the Effective Time (other than the Excluded Shares) will be cancelled and extinguished and automatically converted into and shall thereafter represent the right to receive an amount in cash equal to $3.75 per share of Company Common Stock, payable to the holder thereof, without interest. For a further description of certain effects of the Merger, see *"Special Factors — Certain Effects of the Merger"* and *"The Merger Agreement — Treatment of Company Common Stock and Equity Awards."*

- *Background of the Merger*. For a description of the background of the Merger see *"Special Factors — Background of the Merger."*

- *Purpose and Reasons of the Company for the Merger; Recommendation of the Company Board; Fairness of the Merger*. After careful consideration, the Company Board, pursuant to resolutions adopted by the Company Board on July 18, 2025, unanimously (i) determined that the Merger Agreement and the transactions contemplated thereby, including the Merger, are fair to, advisable, and in the best interests of, the Company, (ii) adopted, authorized, approved and declared advisable the Merger Agreement and the transactions contemplated thereby, including the Merger, and (iii) recommended that the Company stockholders approve and adopt the Merger Agreement and the transactions contemplated thereby, including the Merger.

  Accordingly, the Company Board recommends that you vote "**FOR**" the Merger Agreement Proposal and "**FOR**" the Adjournment Proposal.

  For a description of the factors considered by the Company Board in evaluating the Merger Agreement and the transactions contemplated thereby, including the Merger, and making the decisions, determinations and recommendations above, see *"Special Factors — Purpose and Reasons of the Company for the Merger; Recommendation of the Company Board; Fairness of the Merger."*

- *Interests of Executive Officers and Directors of the Company in the Merger*. In considering the recommendations of the Company Board with respect to the Merger, the Company stockholders should be aware that the executive officers and directors of the Company have certain interests in the Merger that may be different from, or in addition to, the interests of the Company stockholders generally. The Company Board was aware of these interests and considered them, among other matters, in evaluating the Merger Agreement and the transactions contemplated thereby, including the Merger, and in making their recommendations.

  For a more detailed description of the interests of executive officers and directors of the Company in the Merger, see *"Special Factors — Interests of Executive Officers and Directors of the Company in the Merger."*

- *Voting and Support Agreement*. Tim Eriksen, Tristram Jordan, Richard Jordan, Thompson Clark, James Ford, Kerri Wagner, and Shana Veale (the "Supporting Stockholders"), entered into the Voting Agreement with AMS concurrently with the execution and delivery of the Merger Agreement. The Supporting Stockholders include all of our executive officers and the members of the Board, along with Tristram Jordan and Richard Jordan. The Supporting Stockholders are record or beneficial owners of shares of Company Common Stock representing approximately 62% of the voting power of the Company's outstanding capital stock. Pursuant to the Voting Agreement, the Supporting Stockholders agreed to vote their shares of Company Common Stock in favor of adoption of the Merger Agreement and the transactions contemplated thereby, including the Merger, and against (i) any Alternative Proposal (as defined in the Merger Agreement), (ii) any action that would reasonably be expected to result in a breach of or failure to perform any representation, warranty,

covenant or agreement of the Company under the Merger Agreement or of such Supporting Stockholder under the Voting Agreement, (iii) any action that would reasonably be expected to prevent or materially delay or impede the consummation of the transactions contemplated by the Merger Agreement, including the Merger, (iv) any merger agreement or merger (other than the Merger Agreement and the Merger), consolidation, combination, material business transaction, sale of assets, reorganization, recapitalization, dissolution, liquidation or winding up of the Company or any Company Subsidiary, and (v) any amendment of the Company's organizational documents that would reasonably be expected to impair the ability of the Company, AMS or Merger Sub to complete the Merger, or that would or would reasonably be expected to prevent, impede, frustrate, interfere with, delay, postpone or adversely affect the consummation of the Merger; provided, that no Supporting Stockholder is prohibited from carrying out their fiduciary duties as a director of the Company, if applicable. The Supporting Stockholders granted an irrevocable proxy to AMS, which may be exercised with respect to any Supporting Stockholder that breaches its voting obligations set forth above. A copy of the Voting Agreement is attached as Annex B to this proxy statement. If the Supporting Stockholders vote in favor of adoption of the Merger Agreement Proposal or AMS exercises its proxy in accordance with the terms of the Voting Agreement, then the Merger Agreement Proposal will be approved. For more information regarding the Voting Agreement, see "*Special Factors — Voting and Support Agreement*."

- *Material U.S. Federal Income Tax Consequences of the Merger*. The exchange of the shares of Company Common Stock for cash in the Merger will be a taxable transaction to U.S. Holders (as defined below in *"Special Factors — Material U.S. Federal Income Tax Consequences of the Merger*") for U.S. federal income tax purposes and may also be taxable under state, local, and non-U.S. tax laws. A U.S. Holder that solely receives cash in exchange for shares of Company Common Stock pursuant to the Merger will generally recognize gain or loss in an amount equal to the difference, if any, between the cash received by such holder in the Merger and the adjusted tax basis in the shares of Company Common Stock surrendered in exchange therefor. Stockholders that are non-U.S. Holders (as defined below in *"Special Factors — Material U.S. Federal Income Tax Consequences of Merger"*) will generally not be subject to U.S. federal income tax on any gain recognized in connection with the Merger unless such non-U.S. Holder has certain connections to the United States. However, the tax consequences of the Merger to a stockholder will depend on the stockholder's particular circumstances, and stockholders should consult their own tax advisors to determine the particular tax consequences to them (including the application of any U.S. federal non-income, state, local, and non U.S. tax laws) of the Merger. For further information about the material U.S. federal income tax consequences of the Merger, see *"Special Factors — Material U.S. Federal Income Tax Consequences of the Merger."*

- *Financing of the Merger*. The Merger Agreement does not contain any financing-related contingencies or financing conditions to consummation of the Merger. AMS and Merger Sub intend to fund the aggregate Per Share Merger Consideration and fees and expenses from cash on hand and cash available under existing credit facilities. For further information about the financing of the Merger, see *"Special Factors — Financing of the Merger."*

The Merger Agreement (page 32)

- A summary of the material provisions of the Merger Agreement, which is attached as Annex A to this proxy statement, is included in *"The Merger Agreement."* Capitalized terms used herein and not otherwise defined in this proxy statement have the meanings set forth in the Merger Agreement. Stockholders and other interested parties should read the Merger Agreement for a more complete description of the provisions summarized below.

- *The Merger*. The Merger Agreement provides that Merger Sub will merge with and into the Company with the Company continuing as the Surviving Corporation and a wholly owned subsidiary of AMS.

- *Conditions to the Completion of the Merger*. The Closing of the Merger depends on a number of conditions being satisfied or waived. These conditions, which are described more fully in *"The Merger Agreement — Conditions to the Merger,"* include, among other things: the approval and adoption of the Merger Agreement and the transactions contemplated thereby, including the Merger, by the affirmative vote of the holders of at least a majority of the voting power of the outstanding shares of Company Common Stock entitled to vote in accordance with the DGCL, Dissenting Shares shall represent no more than five percent of the issued and

outstanding shares of the Common Stock and other customary closing conditions. For more information about the conditions to completion of the Merger, see *"The Merger Agreement — Conditions to the Merger."*

- *Acquisition Proposals*. The Company has agreed that neither it nor any of its subsidiaries nor any of its or their respective directors or officers shall, and the Company shall cause its and its subsidiaries' other representatives not to, directly or indirectly:

    - solicit, initiate, knowingly encourage or knowingly facilitate any Alternative Proposal (as defined in the Merger Agreement) or offer or inquiry that would reasonably be expected to lead to any Alternative Proposal, or the making or consummation thereof; and

    - engage in certain other specified activities set forth under "*The Merger Agreement — No Solicitation*" beginning on page 39 with respect to Alternative Proposal or circumstances that may lead to Alternative Proposal.

  Notwithstanding these restrictions, under certain specified circumstances, from the date of the Merger Agreement until receipt of approval of the Merger Agreement by the Company's stockholders, the Company may, in certain circumstances and among other things, respond to an unsolicited, bona fide written acquisition proposal received after the date of the Merger Agreement and which the Company Board determines in good faith, after consulting with outside legal counsel constitutes a Superior Proposal (as defined in the Merger Agreement) or would reasonably be expected to result in a Superior Proposal, and failure to take such action would reasonably be expected to be inconsistent with the directors' fiduciary duties under applicable law.

- *Termination*. The Merger Agreement contains certain termination rights, including, but not limited to, the right of (i) either the Company or AMS to terminate the Merger Agreement if the Merger has not been consummated by September 15, 2025, (ii) either the Company or AMS to terminate the Merger Agreement if any Legal Restraint (as defined in the Merger Agreement) exists, (iii) either the Company or AMS to terminate the Merger Agreement if the Company's stockholders do not approve and adopt the Merger Agreement and the transactions contemplated thereby, including the Merger, (iv) the Company to terminate upon the breach by AMS of certain representations, warranties, covenant or agreements contained in the Merger Agreement, and which have not been cured within 30 days of written notice, (v) the Company to terminate the Merger Agreement to accept a Superior Proposal before receipt of stockholder approval of the Merger, subject to payment of a termination fee, or (vi) AMS to terminate the Merger Agreement upon an adverse change of the Company Board's recommendation that stockholders approve the Merger Agreement and the Merger, in each case, subject to and in accordance with the terms and conditions of the Merger Agreement. In the event of termination of the Merger Agreement in the following circumstances, a termination fee of $1,375,000 would be payable by the Company to AMS:

    - if the Company terminates because the Company Board has determined to accept an Alternative Proposal with respect to a Superior Proposal in compliance with the terms of the Merger Agreement;

    - if AMS terminates because if (i) the Company Board has made and not withdrawn an adverse change of the Company Board recommendation that stockholders approve the Merger Agreement and the Merger, or (ii) the Company fails to include the Company Recommendation in the Information Statement (as defined in the Merger Agreement), or (iii) the Company Board fails to publicly reaffirm the Company Recommendation or fails to publicly recommend against any Alternative Proposal within five business days of receiving a request to do so from AMS, or (iv) there has been a willful breach by the Company of its obligations to hold a meeting of stockholders to approve the transaction or to prepare the Information Statement or the restriction on solicitation of other acquisition proposals;

    - if an alternative proposal is made by a third party to the Company or the Company Board (whether or not withdrawn) or has been made directly to the Company's stockholders generally by a third party (whether or not withdrawn), and, following such proposal, the Merger Agreement is terminated by (i) either AMS or Company for (a) failure to complete the transaction by September 15, 2025, or (b) failure to obtain the approval of our stockholders to the Merger Agreement and the transactions contemplated thereby, including the Merger, or (ii) by AMS in the event of a breach of the Merger Agreement by us, and, within 12 months after termination, the Company enters into an

agreement for, or consummates certain transactions contemplated by, an acquisition proposal for 50% or more of the Company's common stock, or assets representing 50% or more of the Company's consolidated revenues, net income or assets.

For more information about the termination rights and terminations fees payable under the Merger Agreement, see "*The Merger Agreement — Termination" and "The Merger Agreement — Termination Fee*."

Parties to the Merger (page 48)

- PharmChem, Inc. ("PharmChem") sells and distributes the PharmChek® Sweat Patch Device (the "Sweat Patch" or "PharmChek®"). PharmChek® is a system that uses sweat to detect the presence of illegal drugs. It consists of a transparent polyurethane outer covering, a small absorbent pad, and a release liner. A unique number is printed on the Sweat Patch for identification and anti-counterfeiting purposes. Unlike urinalysis, flushing or employing a diuretic to rid the body of drugs of abuse does not affect PharmChek® test results, since the drugs in the sweat simply collect on the absorption pad until the pad is removed for analysis. The Company's principal executive office is 2411 E. Loop 820 N., Fort Worth, TX 76118 and the telephone number of the principal executive office is 817-591-4100. The Company's shares of Common Stock are traded on the OTCID tier of the OTC Markets under the trading symbol "PCHM." For more information about the Company, see "*Parties to the Merger — the Company*."

- Alcohol Monitoring Systems, Inc. ("AMS") was incorporated in Delaware in 2002. AMS is a provider of electronic monitoring solutions sold to state and local criminal justice agencies to monitor and manage alcohol and criminal offenders. AMS's principal executive office is 6251 Greenwood Plaza Blvd. Suite 300, Greenwood Village, CO 80111. AMS's common stock is not publicly traded. For more information about AMS, see "*Parties to the Merger — AMS*."

- SCRAM Merger Sub, Inc. Merger Sub is a direct, wholly owned subsidiary of AMS and was incorporated in Delaware solely for the purpose of completing the Merger and has conducted no business activities other than those related to the structuring and negotiation of the Merger. The principal executive office of Merger Sub is c/o Alcohol Monitoring Systems, Inc., 6251 Greenwood Plaza Blvd. Suite 300, Greenwood Village, CO 80111. For more information about Merger Sub, see "*Parties to the Merger — AMS*."

The Special Meeting (page 49)

- *Date, Time, and Place of the Special Meeting*. The Special Meeting of the Company stockholders will be held in person on August 27, 2025. The meeting will be held in person at our corporate offices, 2411 E. Loop 820 N., Fort Worth, TX 76118 at 10:00 CDT. We will not provide for attendance virtually at the meeting, but as a courtesy to our stockholders we will stream the meeting live online via Microsoft Teams. If you would like to view the meeting online, please contact Shana Veale, CFO, at sveale@pharmchem.com for the Microsoft Teams link.

  For more information about the Special Meeting, including the record date, quorum and the vote required to approve each of the proposals, see *"The Special Meeting — Date, Time, and Place of the Special Meeting," "The Special Meeting — Record Date and Quorum" and "The Special Meeting — Vote Required."*

Other Important Information Regarding the Company (page 63)

- *Market Price of Shares of Company Common Stock and Dividends*. The common stock of the Company is not traded on a national securities exchange. The Company's shares of Company Common Stock are traded on the OTCID tier of the OTC Markets under the trading symbol "PCHM." The last quoted sale price of the Company's shares of Company Common Stock on July 18, 2025, before the execution of the Merger Agreement on that date and subsequent announcement, was $3.70. On July 25, 2025, the most recent practicable date before this proxy statement was distributed to our stockholders, the last quoted sale price for the shares of Company Common Stock on the OTCID tier of the OTC Markets was $3.69 per share of Company Common Stock. You are encouraged to obtain current market quotations for the shares of Company Common Stock in connection with voting your shares of Company Common Stock. For more information about the market price of shares of Company Common Stock and dividends, see *"Other Important Information Regarding the Company — Market Price of Shares of Company Common Stock and Dividends."*

QUESTIONS AND ANSWERS ABOUT THE PROPOSALS AND THE SPECIAL MEETING

The following questions and answers are intended to address briefly some commonly asked questions regarding the Special Meeting, the Merger Agreement and the transactions contemplated thereby, including the Merger. These questions and answers may not address all questions that may be important to you as a stockholder of the Company. Please refer to the "*Summary Term Sheet*" and the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents referred to or incorporated by reference in this proxy statement, all of which you should read carefully in their entirety. See *"Where You Can Find More Information."*

Q. Why am I receiving this document?

A. You are receiving this proxy statement because you own shares of Company Common Stock, and the Company is soliciting proxies for the Special Meeting. The Company is holding the Special Meeting so that our stockholders may vote to approve the Merger Agreement Proposal and, if necessary, the Adjournment Proposal.

This proxy statement contains important information about the Merger and the Special Meeting, and you should read it carefully. The enclosed proxy card allows you to submit a proxy to vote your shares of Company Common Stock without attending the Special Meeting.

Your vote is extremely important, and we encourage you to submit your proxy as soon as possible. For more information on how to vote your shares of Company Common Stock, please see the section of this proxy statement entitled *"The Special Meeting."*

Q. What is the proposed transaction and what effects will it have on the Company?

A. On July 18, 2025, the Company entered into the Merger Agreement, a copy of which is attached to this proxy statement as Annex A and is incorporated herein by reference in its entirety. Pursuant to the Merger Agreement, subject to the satisfaction or waiver of certain conditions, Merger Sub will merge with and into the Company with the Company surviving the Merger as a wholly owned subsidiary of AMS. If the Merger is completed, the holders of shares of Company Common Stock as of immediately before the Merger, other than the Excluded Shares, will have the right to receive the Per Share Merger Consideration of $3.75 per share of Company Common Stock in cash, without interest, less any applicable withholding taxes, subject to and in accordance with the terms and conditions set forth in the Merger Agreement.

In addition, following completion of the Merger, there will be no further market for the shares of Company Common Stock and, as promptly as practicable following the Effective Time and in compliance with applicable law, the Company's securities will cease trading on the OTC Markets. As a result of the Merger, the Company will no longer be listed on any exchange or quotation system, and price quotations will no longer be available.

Following completion of the Merger, your shares of Company Common Stock will represent only the right to receive the Per Share Merger Consideration, and you will no longer have any interest in the Company's future earnings, growth or value.

For more information about the Merger Agreement and the transactions contemplated thereby, including the Merger, see *"The Merger Agreement."*

Q. What happens if the Merger is not completed?

A. If the Merger Agreement Proposal is not approved by the Company's stockholders or if the Merger is not completed for any other reason, the Company's stockholders will not receive any payment for their shares of Company Common Stock in connection with the Merger. Instead, unless the Company is sold to a third party, the Company will remain an independent company, and shares of Company Common Stock will continue to be traded on the OTC Markets so long as the Company continues to meet the applicable requirements. In addition, if the Merger is not completed, the Company expects that management will operate the Company's business in a manner similar to that

in which it is being operated today and that the Company's stockholders will continue to be subject to the same risks and opportunities to which they are currently subject. There is no assurance as to the effect of these risks and opportunities on the future value of your shares of Company Common Stock, including the risk that the market price of Company Common Stock may decline to the extent that the current market price of Company Common Stock reflects a market assumption that the Merger will be completed. For more information about what happens if the Merger is not completed, see *"Special Factors — Certain Effects on the Company if the Merger is not Completed."*

Under certain circumstances, if the Merger is not completed, the Company would be required to pay AMS a termination fee of $1,375,000 in cash. For more information about the termination fee, see *"The Merger Agreement — Termination Fee."*

Q. When and where is the Special Meeting?

A. The Special Meeting of stockholders of the Company will be held in person on August 27, 2025. The meeting will be held in person at our corporate offices, 2411 E. Loop 820 N., Fort Worth, TX 76118 at 10:00 CDT. We will not provide for attendance virtually at the meeting, but as a courtesy to our stockholders we will stream the meeting live online via Microsoft Teams. If you would like to view the meeting online, please contact Shana Veale, CFO, at sveale@pharmchem.com For more information about the Special Meeting, see *"The Special Meeting."*

Q. Who can vote at the Special Meeting?

A. All record holders of the shares of Company Common Stock as of the close of business on July 25, 2025, the Record Date for the Special Meeting, are entitled to notice of, and to attend and vote at, the Special Meeting or any adjournment or postponement thereof. You are entitled to receive notice of, and to attend and vote at, the Special Meeting if you are a record holder of the shares of Company Common Stock at the close of business on the Record Date.

Each record holder of Company Common Stock is entitled to one vote for each outstanding share Company Common Stock owned of record on the Record Date on each matter properly brought before the Special Meeting.

For more information about who can vote at the Special Meeting, see *"The Special Meeting — Voting."*

Q. What is the difference between being a "stockholder of record" and a "beneficial owner" of shares of Company Common Stock held in "street name"?

A. If your shares of Company Common Stock are registered directly in your name with our transfer agent, Transfer Online, Inc., you are considered, with respect to those shares of Company Common Stock, the stockholder of record or record holder. This proxy statement and proxy card have been sent directly to you by the Company. As the stockholder of record, you have the right to grant your voting proxy directly to us or to another proxyholder to vote at the Special Meeting.

If your shares of Company Common Stock are held through a broker, bank or other nominee, you are considered the beneficial owner of those shares of Company Common Stock held in "street name." In that case, this proxy statement has been forwarded to you by your broker, bank or other nominee who is considered, with respect to those shares of Company Common Stock, the stockholder of record. As the beneficial owner, you have the right to direct your broker, bank or other nominee as to how to vote your shares of Company Common Stock by following their instructions for voting. You are also invited to attend the Special Meeting in person. However, since you are not the stockholder of record, you may not vote these shares of Company Common Stock in person at the Special Meeting unless you provide a legal proxy from your broker, bank or other nominee.

For more information about the stockholders of record and beneficial owners of shares held "in street name," see *"The Special Meeting — Voting."*

Q. What am I being asked to vote on at the Special Meeting?

A. You are being asked to consider and vote on the following:

- **Merger Agreement Proposal**: A proposal to approve and adopt the Merger Agreement, and the transactions contemplated thereby, including the Merger. A copy of the Merger Agreement is attached as Annex A to this proxy statement; and

- **Adjournment Proposal**: One or more proposals to adjourn the Special Meeting, if necessary or appropriate, including adjournments to solicit additional proxies if there are insufficient votes at the time of the Special Meeting to adopt the Merger Agreement Proposal.

For more information about each of these proposals, see *"The Merger (The Merger Agreement Proposal — Proposal 1)," and "Adjournment of the Special Meeting (The Adjournment Proposal — Proposal 2)."*

Q. What is a quorum?

A. The representation of the holders of a majority of the outstanding shares of Company Common Stock as of the Record Date and entitled to vote thereat, must be present, in person or represented by proxy, at the Special Meeting in order to constitute a quorum, for the purposes of holding the Special Meeting and conducting business. For more information about the quorum of the Special Meeting, see *"The Special Meeting — Record Date and Quorum."*

Q. What vote is required for the Company's stockholders to approve the Merger Agreement Proposal?

A. The approval of the Merger Agreement Proposal, requires the affirmative vote of the holders of at least a majority of the voting power of the outstanding shares of Company Common Stock entitled to vote in accordance with the DGCL.

The Supporting Stockholders are record or beneficial owners of shares of Company Common Stock representing approximately 62% of the voting power of the Company Common Stock. Pursuant to the Voting Agreement, the Supporting Stockholders agreed, among other things, to vote their shares of Company Common Stock in favor of the approval and adoption of the Merger Agreement and of the transactions contemplated thereby, including the Merger, subject to the terms of the Voting Agreement. The Supporting Stockholders granted an irrevocable proxy to AMS, which may be exercised with respect to any Supporting Stockholder that breaches its voting obligations. If the Supporting Stockholders vote in favor of adoption of the Merger Agreement Proposal or AMS exercises its proxy in accordance with the terms of the Voting Agreement, then the Merger Agreement Proposal will be approved.

For more information on the Merger Agreement Proposal, see *"The Merger (The Merger Agreement Proposal — Proposal 1)."*

Q. What vote is required for the Company's stockholders to approve the Adjournment Proposal?

A. Approval of one or more proposals to adjourn the Special Meeting, if necessary or appropriate, including adjournments to solicit additional proxies if there are insufficient votes at the time of the Special Meeting to adopt the Merger Agreement Proposal, requires the affirmative vote of the holders of a majority of the voting power of the shares of Company Common Stock present or represented by proxy at the Special Meeting and entitled to vote.

For more information on The Adjournment Proposal, see *"Adjournment of the Special Meeting (The Adjournment Proposal — Proposal 2)."*

Q. How many votes do I have?

A. Each record holder of Company Common Stock is entitled to one vote for each outstanding share of Company Common Stock owned of record on the Record Date.

As of the close of business on July 25, 2025, which is the record date, there were 4,621,187 shares of Company Common Stock outstanding.

Q. How are the votes counted?

A. For each of the Merger Agreement Proposal and the Adjournment Proposal, you may vote "**FOR**," "**AGAINST**" or "**ABSTAIN**." An abstention will have the same effect as an "**AGAINST**" vote for these proposals and will count for purposes of determining if a quorum is present at the Special Meeting. For more information, see *"The Special Meeting."*

Q. How does the Company Board recommend that I vote?

A. Based on the unanimous recommendation of the Board, the Company Board recommends that you vote:

- "**FOR**" the Merger Agreement Proposal; and
- "**FOR**" the Adjournment Proposal.

For more information, you should read *"Special Factors — Purpose and Reasons of the Company for the Merger; Recommendation of the Company Board; Fairness of the Merger"* for a discussion of the factors that the Company Board considered in deciding to recommend the approval of the Merger Agreement. See also *"Special Factors — Interests of Executive Officers and Directors of the Company in the Merger."*

Q. How do I vote?

A. If you are a stockholder of record as of the Record Date, you may vote your shares of Company Common Stock on matters presented at the Special Meeting in any of the following ways:

- by attending the Special Meeting in person and requesting a ballot;
- on the Internet, by following the Internet proxy instructions printed on the enclosed proxy card;
- by telephone, using the telephone number printed on the enclosed proxy card; or
- by mail, by marking the enclosed proxy card, dating and signing it, and returning it in the accompanying prepaid reply envelope.

If, as of the Record Date, you are the beneficial owner of shares of Company Common Stock held in "street name" by your broker, bank or other nominee, you will receive instructions from your broker, bank or other nominee that you must follow in order to have your shares of Company Common Stock voted. Those instructions will identify which of the above choices are available to you in order to have your shares of Company Common Stock voted. Please note that if you are a beneficial owner and wish to vote in person at the Special Meeting, you must have a legal proxy from your broker, bank or other nominee naming you as the proxy. You should allow yourself enough time before the Special Meeting to obtain this proxy from the holder of record.

The control number located on your proxy card is designed to verify your identity and allow you to submit a proxy for your shares of Company Common Stock, and to confirm that your voting instructions have been properly recorded when submitting a proxy over the Internet or by telephone.

Please refer to the instructions on your proxy card or voting instruction form to determine the deadlines for submitting a proxy over the Internet or by telephone. If you choose to submit your proxy by mailing a proxy card, your proxy card must be received by our Corporate Secretary by the time the Special Meeting begins.

For more information about voting, see *"The Special Meeting — How to Vote."*

Q. What is a proxy?

A. A proxy is your legal designation of another person to vote your shares of Company Common Stock. This written document describing the matters to be considered and voted on at the Special Meeting is called a proxy statement. The document used to designate a proxy to vote your shares of Company Common Stock is called a proxy card. For more information about voting by proxy, see *"The Special Meeting — How to Vote."*

Q. If I am a stockholder of record, what happens if I do not vote or submit a proxy card?

A. If you do not attend the Special Meeting and fail to vote, either electronically or by proxy, your shares of Company Common Stock will not be voted at the Special Meeting and will not be counted for purposes of determining whether a quorum exists.

Additionally, if you do not attend the Special Meeting and fail to vote, either electronically or by proxy, your failure to vote will have the effect of counting "**AGAINST**" the Merger Agreement Proposal with respect to the approval threshold requiring the affirmative vote of the holders of at least a majority of the voting power of the outstanding shares of Company Common Stock entitled to vote in accordance with the DGCL. For more information, see *"The Special Meeting."*

Q. If my shares of Company Common Stock are held in "street name" by my broker, bank or other nominee, will my broker, bank or other nominee vote my shares of Company Common Stock for me?

A. No. Your broker, bank or other nominee will only be permitted to vote your shares of Company Common Stock if you instruct your broker, bank or other nominee as to how to vote. As a result, absent specific instructions from the beneficial owner of such shares of Company Common Stock, your broker, bank or other nominee is not empowered to vote such shares of Company Common Stock.

If you instruct your broker, bank or other nominee how to vote on at least one, but not all of the proposals to be considered at the Special Meeting, your shares of Company Common Stock will be voted according to your instructions on those proposals for which you have provided instructions and will be counted as present for purposes of determining whether a quorum is present at the Special Meeting. If you hold shares beneficially in "street name" and do not provide your broker, bank or other nominee with voting instructions, your shares may constitute "broker non-votes." Broker non-votes occur on a matter when banks, brokers and other nominees are not permitted to vote on certain non-discretionary matters without instructions from the beneficial owner and instructions are not given. These matters are referred to as "non-routine" matters. Each of the Merger Agreement Proposal and the Adjournment Proposal are anticipated to be non-routine matters. In this scenario, a "broker non-vote" will occur with respect to each proposal for which you did not provide voting instructions to your broker, bank or other nominee.

A failure to provide instructions with respect to any of the proposals, and a broker non-vote with respect to the following proposals, will have (a) the effect of a vote "**AGAINST**" the Merger Agreement Proposal with respect to the approval threshold requiring the affirmative vote of the holders of at least a majority of the voting power of the outstanding shares of Company Common Stock entitled to vote in accordance with the DGCL, and (b) no effect on the Adjournment Proposal. For more information, see *"The Special Meeting — Voting."*

Q. If a stockholder gives a proxy, how are the shares of Company Common Stock voted?

A. If you vote by proxy, regardless of the method you choose to submit a proxy, the individuals named on the enclosed proxy card, and each of them, with full power of substitution will vote your shares of Company Common Stock in the way that you indicate. When completing the Internet or telephone proxy processes or the proxy card, you may specify whether your shares of Company Common Stock should be voted "**FOR**" or "**AGAINST**," or to "**ABSTAIN**" from voting on, all, some or none of the specific items of business to come before the Special Meeting.

If you properly execute your proxy card but do not mark the boxes indicating how your shares of Company Common Stock should be voted on a matter, the shares of Company Common Stock represented by your properly executed proxy will be voted "**FOR**" the Merger Agreement Proposal and "**FOR**" the Adjournment Proposal. For more information, see *"The Special Meeting — How to Vote."*

Q. Can I change or revoke my vote?

A. Yes. You have the right to revoke a proxy, whether delivered over the Internet, by telephone or by mail, at any time before it is exercised, by (1) submitting another proxy, including a proxy card, at a later date by telephone or on the Internet or by timely delivery of a validly executed, later-dated proxy, (2) giving written notice of revocation to our Corporate Secretary, which must be filed with our Corporate Secretary before the Special Meeting begins or (3) attending the Special Meeting and voting in person. If, as of the Record Date, you are the beneficial owner of shares of Company Common Stock held in "street name" by your broker, bank or other nominee, please refer to the information forwarded by your broker, bank or other nominee for procedures on revoking your proxy.

Only your last submitted proxy with respect to any shares will be considered. Please cast your vote "**FOR**" each of the proposals, following the instructions set forth on your enclosed proxy card or voting instruction form provided by your broker, bank or other nominee, as promptly as possible. For more information, see *"The Special Meeting — Proxies and Revocation."*

Q. What do I do if I receive more than one proxy or set of voting instructions?

A. If, as of the Record Date, you hold shares of Company Common Stock as the beneficial owner of shares of Company Common Stock held in "street name," or through more than one broker, bank or other nominee, and also directly as the stockholder of record or otherwise, you may receive more than one proxy card or voting instruction forms relating to the Special Meeting. These should each be executed and returned separately in accordance with the instructions provided in this proxy statement in order to ensure that all of your shares of Company Common Stock are voted.

Q. Should I send in my stock certificates or other evidence of ownership now?

A. No. After the Merger is completed, you will be sent a letter of transmittal with detailed written instructions for exchanging your shares of Company Common Stock for the Per Share Merger Consideration. If you are the beneficial owner of shares of Company Common Stock held in "street name" by your broker, bank or other nominee immediately before the Merger, you may receive instructions from your broker, bank or other nominee as to what action, if any, you need to take to effect the surrender of your shares of Company Common Stock in exchange for the Per Share Merger Consideration. Please do not send in your certificates now.

Q. What happens if I sell my shares of Company Common Stock before the Special Meeting?

A. The Record Date for stockholders entitled to vote at the Special Meeting is before both the date of the Special Meeting and the consummation of the Merger. If you transferred your shares of Company Common Stock before the Record Date, you will not be entitled to vote at the Special Meeting and will not be entitled to receive the Per Share Merger Consideration. If you transferred your shares of Company Common Stock after the Record Date but before the Special Meeting, you will, unless special arrangements are made, retain your right to vote at the Special Meeting, but will have transferred the right to receive the Per Share Merger Consideration to the person to whom you transfer your shares of Company Common Stock. Unless special arrangements are made, the person to whom you transfer your shares of Company Common Stock after the Record Date will not have a right to vote those shares of Company Common Stock at the Special Meeting. For more information, see *"The Special Meeting — How to Vote."* If you demand appraisal for any of your shares of Company Common Stock in connection with the Merger and subsequently transfer any such shares, you will lose your right to appraisal with respect to the shares that you have so transferred. For more information about appraisal rights, see *"The Special Meeting — Appraisal Rights"* and Annex C to this proxy statement.

Q. Who is soliciting my vote?

A. Solicitation of proxies is being made by the Company and will initially be made by mail. Our directors, officers and employees may also solicit proxies by telephone, by facsimile, by mail, over the Internet or in person, but will not be paid any additional amounts for soliciting proxies. The Company will bear the cost of soliciting proxies. The Company may engage a third party for a fee to assist in the solicitation of votes but has not done so as of the date of this proxy statement.

The Company may reimburse brokers, banks, other nominees, custodians and fiduciaries representing beneficial owners of the shares of Company Common Stock for their expenses in forwarding soliciting materials to beneficial owners of our shares of Company Common Stock and in obtaining voting instructions from those owners.

See *"The Special Meeting — Solicitation of Proxies; Payment of Solicitation Expenses."*

Q. What rights do I have to seek an appraisal of my shares of Company Common Stock?

A. Each holder of shares of Company Common Stock will have the right to seek appraisal of the fair value of such holder's shares of Company Common Stock as determined by the Delaware Chancery Court if the Merger is completed, but only if such holder (i) does not vote such shares of Company Common Stock in favor of the Merger Agreement Proposal and (ii) otherwise complies with the statutory requirements and procedures for demanding and perfecting appraisal rights set forth in Section 262 of the DGCL, which is the appraisal rights statute applicable to Delaware corporations. Failure to follow precisely any of the statutory requirements and procedures may result in the loss of appraisal rights. A copy of Section 262 of the DGCL is included as Annex C to this proxy statement and is incorporated by reference in its entirety. The requirements and procedures are also summarized in this proxy statement. For more information about appraisal rights, see *"The Special Meeting — Appraisal Rights"* and Annex C to this proxy statement.

Q. What are the material U.S. federal income tax consequences of the Merger to me if I am a U.S. Holder?

A. If you are a U.S. Holder (as defined below in "*Special Factors — Material U.S. Federal Income Tax Consequences of the Merger*"), receipt of cash in exchange for shares of Company Common Stock pursuant to the Merger generally will be a taxable transaction for U.S. federal income tax purposes. Generally, you will recognize gain or loss equal to the difference, if any, between the amount of cash you receive and the adjusted tax basis of your shares of Company Common Stock. However, the tax consequences of the Merger to you will depend on your particular circumstances, and you should consult your own tax advisors to determine how the Merger will affect you. For a more detailed summary of the tax consequences of the Merger, see the section below, *"Special Factors — Material U.S. Federal Income Tax Considerations of the Merger."*

Q. What do I need to do now?

A. We urge you to read this proxy statement carefully, including its annexes and the documents referred to as incorporated by reference in this proxy statement, and to consider how the Merger affect you. For more information, see *"Where You Can Find More Information."*

Even if you plan to attend the Special Meeting, after carefully reading and considering the information contained in this proxy statement, please submit your proxy promptly to ensure that your shares of Company Common Stock are represented at the Special Meeting.

If you are a stockholder of record, please submit your proxy for your shares of Company Common Stock:

- on the Internet, by following the Internet proxy instructions printed on the enclosed proxy card;
- by telephone, using the telephone number printed on the enclosed proxy card; or
- by mail, by marking the enclosed proxy card, dating and signing it, and returning it in the accompanying prepaid reply envelope.

If you decide to attend the Special Meeting and vote in person, your vote at the Special Meeting will revoke any proxy previously submitted.

If, as of the Record Date, you are the beneficial owner of shares of Company Common Stock held in "street name" by your broker, bank or other nominee, please refer to the instructions provided by your broker, bank or other nominee to see which of the above choices are available to you in order to have your shares of Company Common Stock voted.

For more information, see *"The Special Meeting"* and *"Where You Can Find More Information."*

Q. Who can help answer my other questions?

A. If you have additional questions about the Special Meeting, the Merger or this proxy statement, need assistance in submitting your proxy or voting your shares of Company Common Stock, or need additional copies of the proxy statement or the enclosed proxy card or voting instructions, please contact us at:

PharmChem, Inc.
2411 E. Loop 820 N.
Attn: Shana Veale
Fort Worth, TX 76118
Telephone: 817-591-4100

SPECIAL FACTORS

The following, together with the summary of the Merger Agreement set forth under the section titled *"The Merger Agreement,"* is a description of the material aspects of the Merger. While we believe that the following description covers the material aspects of the Merger, the description may not contain all of the information that is important to you. We encourage you to read carefully this entire document, including the Merger Agreement attached to this proxy statement as Annex A, for a more complete understanding of the Merger. The following description is subject to, and is qualified in its entirety by reference to, the Merger Agreement. You may obtain additional information without charge as described in the section titled *"Where You Can Find More Information."*

We are asking our stockholders to consider and vote on the approval and adoption of the Merger Agreement and the transactions contemplated thereby, including the Merger. Pursuant to the Merger Agreement, subject to the satisfaction or waiver of certain conditions, Merger Sub will merge with and into the Company, with the Company surviving as a wholly owned subsidiary of AMS. If the Merger is completed, the holders of shares of Company Common Stock immediately before the Merger (other than the Excluded Holders) will have the right to receive the Per Share Merger Consideration of $3.75 per share of Company Common Stock in cash, without interest, subject to and in accordance with the terms and conditions set forth in the Merger Agreement.

Background of the Merger

Our Board of Directors and management regularly review and assess the Company's business strategies and objectives, and regularly review and discuss the Company's performance, risks and opportunities, all with the goal of enhancing stockholder value. Our Board of Directors and management regularly consider various strategic alternatives as part of these ongoing efforts, taking into account current and anticipated future economic, competitive and other market conditions. As part of this process, our Board of Directors and management have periodically evaluated whether the continued execution of the Company's strategy as a standalone company or the sale of the Company, a joint venture, or other combination of the Company with a third party offers the best avenue to maximize stockholder value. Also as part of this process, members of our Board of Directors and management have met, from time to time, with third parties who have expressed an interest in discussing strategic transactions with the Company.

At the August 2021 annual meeting of the Company's stockholders, in connection with a proxy contest, the incumbent directors were not reelected and Tim Eriksen, Thompson Clark and a third person were elected to the Board of Directors. Since that time, the Board of Directors has explored a number of strategic alternatives to increase stockholder value and has taken a number of actions. From September 2021 through April 2022, the Company repurchased approximately $3,725,000 of shares at prices ranging from $4.45 to $4.95 per share. In Spring 2022, the Board explored a leveraged recapitalization. In 2022, the Board also adopted a strategic plan to expand the Company's sales. As the Company announced at the time, "We are spending shareholder cash today to attempt to increase long-term free cash flow per share by growing sales and shrinking shares outstanding." In connection with these efforts, the Board appointed a new chief executive officer and hired three persons dedicated solely to increasing sales. The compensation of the new chief executive officer was tied primarily to stock options to provide a significant incentive to grow the Company's sales and revenue.

In 2023, the Board worked to grow organically through the addition and development of two new sales verticals to apply the Company's sweat patch screening modality: (i) Direct to Consumer and (ii) Private Employer. During 2023, the Company repurchased 411,264 shares at a total cost of $1,027,757, or $2.50 per share, repurchased options on 240,000 shares for $311,192, and paid a special dividend of $0.20 per share, or $1,011,799.

In early 2024, having underperformed, the Direct to Consumer and Private Employer sales verticals were scaled back to reduce expenses. In addition, the chief executive officer was replaced by Mr. Clark, a board member, to serve on an interim basis.

For the year ended December 31, 2024 revenues increased 1% to $6.09 million from $6.01 million in the prior year. Pre-tax income increased 65% to $1,741,000 versus $1,054,000 in the prior year. Net income for the year increased 63% to $1,381,000 or $0.30 per share, versus $845,000 or $0.17 per share in the prior year. Included in net income for 2024 were a few one-time items that, on net, benefited earnings. In the second quarter, results benefited from a reversal of stock compensation expense of $207,000; partially offset by first quarter items, including a non-cash inventory write down of $66,900; a severance charge totaling $25,000; and a $10,000 expense for a study that

the Company cancelled. During 2024, the Company repurchased 27,000 shares at a total cost of $83,000. The Company also paid a special dividend in 2024 of $0.25 per share, or $1,162,000.

Against the backdrop as described above, on May 16, 2024, Mr. Clark made initial contact with the CEO of Party A, a provider of hair testing for the detection of drugs of abuse.

On November 12, 2024, Mr. Clark held a discussion with Party B, a private drug testing enterprise operating through a variety of testing platforms.

On January 2, 2025, Mr. Clark held a telephone conference with the CEO of Party A to discuss a possible deal structure.

On January 8, 2025, the Company emailed Party B to indicate their "around $2.75/share" offer was lower than the OTC share price at that time and the Board determined that it was not in the best interests of the Company and its stockholders to proceed at that price.

On January 24, 2025, Party C, a middle-market private equity firm focused on the healthcare and business services sectors, communicated with the Company's chief revenue officer indicating potential interest in a transaction with the Company.

On January 27, 2025, Party A provided a written indication of interest indicating an estimated enterprise value of between $12.5 million to $14.5 million. On that date, the Board reviewed the indication of interest from Party A and concluded that Party A was undervaluing the Company's enterprise value.

On January 27, 2025, the Company provided Party C with access to the data room.

On January 28, 2025, Mr. Clark and the CEO of Party A held a telephone call to discuss the indication of interest and express the Board's position as to the initial valuation.

On January 30, 2025, the Company's management held a telephone call with Party C to discuss a possible transaction.

On January 30, 2025, the chief operating officer of an AMS affiliate emailed the Company to indicate AMS's interest in discussing an acquisition of the Company.

On February 3, 2025, the Company publicly announced that the Company's Board of Directors had decided to explore strategic alternatives. The Company did not retain a financial advisor in connection with the process based on its belief that the Board's experience and expertise could guide the Company through the process and that the Company did not need to incur the expense of an outside financial adviser. The Company determined to consider various options, including acquisitions, potential sale of the Company, merger, or a debt financed special dividend. The Company maintained a data room for interested parties.

On February 9, 2025, Party C requested additional diligence information.

On February 12, 2025, Mr. Clark shared additional information with Party A as to why the Board felt they were undervaluing the Company.

On February 24, 2025, Party D, a private investment firm, was granted access to the data room. Mr. Clark indicated to Party D that the Board was contemplating a transaction with a per share price range of $3.65 to $4.25.

On March 4, 2025, AMS and the Company's representatives discussed a possible transaction. Also on March 4, 2025, Party A formally withdrew its indication of interest and terminated discussions with the Company.

On March 5, 2025, Party D indicated a proposed transaction valued at $3.05 per share of PCHM common stock, comprised of $2 per share up front in cash and $1.05 per share in a contingent value right if net income for the subsequent three years averaged $1.5 million per year. On March 5, 2025, the Board met telephonically to discuss the offer from Party D and instructed Mr. Clark to reject the indication of interest.

On March 5, 2025, Party E, an investment holding company focused on investment strategy and capital allocation, emailed the Company's chief financial officer to request access to the data room.

On March 7, 2025, Mr. Clark informed Party D that the Board rejected their offer.

On March 11, 2025, Mr. Clark emailed Party E requesting a call after Party E had reviewed the data room but received no response.

On March 12, 2025, Party C notified the Company via email that Party C would not submit a bid for the Company and was formally withdrawing from the process.

On March 12, 2025, AMS sent the Company an indication of interest with a share price range of $3.50-$3.75 per share.

On March 14, 2025, Mr. Clark inquired of Party B whether Party B would submit a higher offer. Party B responded that it would not increase its offer.

On March 20, 2025, a telephone call took place between AMS and representatives of the Company, during which call the Company requested an increase in the floor of the price range.

On March 21, 2025, AMS updated the indication of interest with a tightened share price range of $3.60-$3.75 per share.

On March 21, 2025, after discussion with the Board, Mr. Clark sent an executed letter of intent back to AMS. The Board engaged its transaction legal counsel, Frost Brown Todd LLP ("FBT"), to proceed with the transaction.

On April 3, 2025, AMS introduced its transaction legal counsel, Jones Day, to the Company and FBT.

On April 10, 2025, Jones Day and FBT discussed the transaction legal structure.

On April 11, 2025, AMS and the Company held a diligence call.

On April 24, 2025, a representative from AMS and Mr. Clark held discussions.

On May 6, 2025, AMS and its legal counsel met with the Company and its legal counsel to review legal diligence questions.

In the following weeks, the Company's management team, with the assistance of legal counsel, spent considerable time negotiating and finalizing the terms of a definitive merger agreement with AMS and its legal counsel.

On May 15, 2025, Party D requested a call with Mr. Clark; however, Mr. Clark did not respond due to the Company's negotiations with AMS.

On June 26, 2025, AMS indicated an offer of $3.70 per share. On July 3, 2025, the Company countered with a range of $3.75 to $3.775 per share. On July 12, 2025, AMS increased their offer to $3.75 per share. On July 12, 2025, the Company countered with an offer of $3.75 per share with a condition to close by August 31, 2025, or there would be a potential price adjustment with the logistics to be determined. On July 18, 2025, following additional discussions, AMS and the Company agreed to an offer of $3.75 per share without a potential price adjustment.

In connection with a special meeting of the Company's Board on July 18, 2025, a substantially final form of the definitive merger agreement was made available to the Board on July 17, 2025, along with other materials including a summary of certain negotiated provisions in the merger agreement. On July 18, 2025, the Board met at a special meeting to review the proposal with management and legal counsel. At the meeting, the Company's management and legal counsel discussed the proposed merger and merger agreement at length with the Board. Additionally, representatives of FBT led a discussion reviewing the Board's fiduciary duties in connection with the proposed transaction, along with the material terms of the merger agreement and the voting and support agreements. The Board discussed the possibility of a slight price adjustment dependent upon the closing date of the merger, but

the Board unanimously concluded that the price of $3.75 per share was acceptable, and that any delay in closing was unlikely. Following the special meeting and resolution of issues related to the potential price adjustment, the Board unanimously adopted resolutions by written consent (1) approving and declaring advisable the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement, (2) determining that entering into the Merger Agreement is fair to, and in the best interests of, the Company and its stockholders, (3) recommending that the Company's stockholders vote in favor of the adoption of the Merger Agreement and the approval of the Merger and the other transactions contemplated by the Merger Agreement, and (4) directing that the Merger Agreement be submitted to the Company's stockholders for approval at a meeting of the Company's stockholders duly held for such purpose.

Following the adoption of the resolutions by the Board, AMS and the Company entered into the Merger Agreement and the Company announced the transaction in a press release before the opening of trading on July 21, 2025.

Purpose and Reasons of the Company for the Merger; Recommendation of the Company Board; Fairness of the Merger

At a meeting on July 18, 2025, the Board evaluated the proposed Merger. As subsequently confirmed in a written consent, on July 18, 2025, the Board of Directors unanimously approved the Merger Agreement and determined that the Merger and Merger Agreement, and the transactions contemplated by the Merger Agreement, are fair to and in the best interests of the Company and its stockholders and declared advisable the Merger Agreement and the transactions contemplated thereby. Our Board of Directors unanimously recommends that the stockholders vote:

1. "FOR" the Merger Agreement Proposal; and
2. "FOR" the Adjournment Proposal.

Our Board of Directors considered many factors in determining that the terms of the Merger are fair to and in the best interests of the Company and its stockholders and unanimously recommend the approval of the Merger Agreement Proposal by our stockholders. In arriving at its determination, our Board of Directors consulted with senior management and legal counsel, and reviewed and considered information and factors relevant to its strategic evaluation.

In furtherance thereof, our Board of Directors reviewed and considered, among other things, the following factors (not in any relative order of importance):

- The Company's business, assets, financial condition, results of operations, management, competitive position and prospects as a standalone entity. Our Board of Directors also considered the Company's current business plan and the initiatives and the potential execution risks associated with such plan. Although the Board believes the Company and its products are well positioned in the industry, the Board believes that the Company would be more valuable as part of a larger company than as a stand-alone entity, and also be better able to serve its customers. As part of its consideration, the Board reviewed its various efforts since Fall 2021 to unlock the value of the Company's operations for its stockholders.

- The $3.75 price per share to be received in the Merger by the Company's stockholders and the historical market prices, trading volume, volatility and other trading information with respect to the Company's common stock, and that the price to be paid for each share represents a significant premium over the market prices at which the Company's common stock had previously traded during this period, including a premium of approximately 22% to the closing price of $3.07 per share on January 31, 2025 (the last trading day before the Company's announcement that it had initiated a process was published in the media).

- The proposed consideration consists solely of cash, which provides immediate liquidity and certainty of value to our stockholders compared to a transaction in which stockholders would receive shares of an acquiror's stock, while eliminating the effect of long-term business and execution risk.

- Our Board of Directors' belief that the extensive process conducted by the Company resulted in the highest price reasonably available to the Company's stockholders, and the risk that prolonging the strategic review process further could have resulted in the loss of a favorable opportunity to successfully consummate the

transaction with AMS and would be unlikely to yield a proposal that would be a material improvement to AMS's proposal.

- The potential alternatives to the acquisition of the Company by AMS (including the possibility of being acquired in whole or in part by another buyer, or continuing to operate as an independent entity, and the desirability and perceived risks of those alternatives), the potential risks and benefits to the Company's stockholders of these alternatives and the timing and the likelihood of completing such alternatives, as well as the likelihood that such alternatives could result in greater value for the Company's stockholders, taking into account risks of execution as well as business, competitive, industry and market risks.

- The results of the process conducted by our Board of Directors before approval of the Merger Agreement, with the assistance of the Company's management, to evaluate strategic alternatives, including the results of discussions with a total of six third parties regarding their interest in a potential business combination with the Company. In addition, our Board of Directors considered it unlikely that other bidders would make a superior proposal to acquire the Company, given that third parties contacted by management and the Board had not expressed interest or did not appear likely to express interest to acquire the Company at a price higher than the price and on similar terms.

- The Merger Agreement provides flexibility for our Board of Directors to terminate the Merger Agreement if a Superior Proposal is received by the Company after execution of the Merger Agreement.

- The significant advantages of entering into the Merger Agreement and consummating the Merger in comparison to the risks associated with remaining independent as a standalone company and pursuing the Company's strategic plan, including (i) the relatively small size and scale of the Company's operations, which have challenged the growth of its business, competitive positioning as a standalone entity and its prospects for future growth; (ii) the intensely competitive nature of the drug testing industry; (iii) the current drug testing industry trend toward consolidation, which has resulted in larger competitors who have greater access to capital and a more diversified base of customers than the Company; (iv) the risk of delay or interruption in anticipated revenue from new customers, which could be affected by multiple factors, such as general market timing, and other factors not directly controlled by the Company; and (v) the need to develop new products to remain competitive and relevant to existing and prospective customers, the substantial required investment and long lead times associated with the development of new products, challenges of diversification beyond the current segment and the time to market challenges for new technologies.

- After consultation with legal counsel, our Board of Directors' belief that the Merger will be consummated, based on, among other things: (i) the closing conditions to the Merger, including that the obligations of AMS are not subject to a financing condition and (ii) AMS having sufficient cash on hand to pay the proposed merger consideration of $3.75 in cash per share of the Company common stock without needing a financing contingency.

- Our Board of Directors' belief that as a result of the arm's-length negotiations with AMS, the Company and its representatives had negotiated the highest price per share that AMS was willing to pay for the Company and that the terms of the Merger Agreement include the most favorable terms to the Company in the aggregate to which AMS was willing to agree.

- The benefits that the Company and its advisors were able to obtain during its extensive negotiations with AMS, including increases in AMS's offer price per share from the beginning of the process to the end of the negotiations and a significant improvement in transaction certainty. Our Board of Directors believed that the consideration reflected in the Merger Agreement was the best transaction that could be obtained by the Company from AMS at the time, and that there was no assurance or indication that a more favorable alternative transaction would arise later.

- The terms and conditions of the Merger Agreement, including, among other things:

    - the Company's ability, subject to certain conditions, to provide information to and to engage in discussions or negotiations with a third party that makes an unsolicited Acquisition Proposal, and our Board of Directors' belief that potentially interested parties would have sufficient opportunity

to do so following the announcement of the execution of the Merger Agreement, on July 18, 2025, and before the Special Meeting;

- our Board of Directors' ability, in the exercise of its fiduciary duties, to terminate the Merger Agreement (upon payment of a termination fee) to enter into an acquisition agreement in connection with a Superior Proposal;

- our Board of Directors' belief that the terms of the Merger Agreement, including the termination fee payable to AMS upon termination of the Merger Agreement under specified circumstances, are reasonable, customary and not likely to significantly deter another party from making a Superior Proposal; and

- the consummation of the Merger is not subject to a financing condition.

- The availability of statutory appraisal rights under the DGCL in connection with the Merger for stockholders who comply with the statutory requirements of the DGCL and who believe that exercising their appraisal rights would yield a greater per share amount than what they would receive in the Merger.

Our Board of Directors weighed these factors against other uncertainties, risks and potentially negative factors relevant to the Merger, including the following (not in any relative order of importance):

- The Company will no longer exist as an independent company and, accordingly, the Company stockholders will not participate in any future earnings or growth of the Company and will not benefit from any appreciation in the value of the Company after completion of the Merger, including any appreciation in value that could be realized as a result of the combination of the Company with AMS.

- The possibility that the Merger might not be completed and the effect of the termination of the Merger Agreement on the trading price of the Company common stock and the Company's business and operating results, particularly in light of the costs incurred in connection with the transaction.

- The risks and costs to the Company if the Merger fails to close, including diversion of management and employee attention, the potential inability to attract and retain key personnel and the potential adverse effect on business and relationships with customers and suppliers.

- The gains from the consideration received by the Company's stockholders in connection with the Merger will be taxable to the Company's stockholders for U.S. federal income tax purposes.

- The provisions in the Merger Agreement relating to the potential payment by the Company of a termination fee of $1,375,000 under certain circumstances specified in the Merger Agreement, may discourage other parties potentially interested in an acquisition of, or combination with, the Company from pursuing the opportunity.

- The possibility that the executive officers and directors of the Company could have interests in the Merger that would be different from, or in addition to, those of our stockholders as discussed further in the section captioned "*The Merger—Interests of Directors and Executive Officers in the Merger May Differ From Your Interests.*"

Our Board of Directors concluded that the uncertainties, risks and potentially negative factors relevant to the Merger were significantly outweighed by the potential benefits that our Board of Directors expects for the Company and its stockholders as a result of the Merger.

The foregoing discussion of our Board of Directors' reasons for its recommendation that the Company's stockholders vote in favor of the Merger is not meant to be exhaustive, but the Company believes it addresses the material information and factors considered by our Board of Directors in consideration of its recommendation. In view of the wide variety of factors considered by our Board of Directors in connection with the evaluation of the Merger and the complexity of these matters, our Board of Directors did not find it practicable to, and did not, quantify or otherwise assign relative weights to any of the specific factors considered in reaching its determination and recommendation. Rather, our Board of Directors made its determinations and recommendations based on an overall

analysis and the totality of the information reviewed. In addition, in considering the factors described above, individual members of our Board of Directors may have been influenced to a greater or lesser degree by different factors.

The explanation of our Board of Directors' reasons for the proposed transactions and all other information in this section may be forward-looking in nature and therefore should be read in light of the factors discussed in the section captioned "*Cautionary Statement Concerning Forward-Looking Statements*" elsewhere in this proxy statement.

Recommendation of the Board of Directors

After careful consideration, our Board of Directors believes that the terms of the Merger are fair to and in the best interest of the Company and our stockholders and has unanimously approved the terms of the Merger Agreement and the transactions contemplated thereby.

Our Board of Directors unanimously recommends that you vote:

- **"FOR" the Merger Agreement Proposal; and**
- **"FOR" the Adjournment Proposal.**

Certain Prospective Financial Information

The Company does not, as a matter of course, make public disclosure of detailed forecasts or projections of its expected financial performance for extended periods due to, among other things, the inherent difficulty of accurately predicting future periods; and the likelihood that the underlying assumptions and estimates may prove incorrect.

For strategic planning purposes and in connection with a potential sale transaction, in February 2025, our management prepared financial projections for the remainder of fiscal year 2025 (the "2025 Projections"). The 2025 Projections were furnished in the data room for potential acquirors for use in their financial analyses. Before entering into the Merger Agreement, representatives of AMS conducted a due diligence review of the Company, and in connection with their review, AMS received certain non-public information concerning us, including the 2025 Projections.

We have included in this proxy statement a summary of the material results presented in the 2025 Projections to give our stockholders access to certain nonpublic information that was available to our Board of Directors at the time of the evaluation of the Merger and the Merger Agreement, as well as to AMS. The summary of the 2025 Projections is not being included in this proxy statement to influence any stockholder to vote in favor of adopting the Merger Agreement. The information from the 2025 Projections should be evaluated, if at all, in conjunction with the historical financial statements and other information contained herein and otherwise made publicly available by the Company. In light of the foregoing factors and the uncertainties inherent in these projections, stockholders are cautioned not to place undue reliance on the summary of the 2025 Projections included in this proxy statement, including in making a decision as to whether to vote in favor of adopting the Merger Agreement.

The following is a summary of the material results presented in the 2025 Projections provided to AMS and included in the data room: (i) Revenues, net, of $6,493,076, (ii) Gross profit of $4,168,555, and (iii) Income from operations of $1,743,559.

The 2025 Projections were developed from historical financial statements and a series of assumptions and estimates of our management. The 2025 Projections were not prepared with a view toward public disclosure or compliance with published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information or U.S. generally accepted accounting principles, or GAAP. Our independent registered public accounting firm has not examined, compiled, audited or performed any procedures with respect to the 2025 Projections nor has it expressed any opinion or given any form of assurance with respect to such information or their reasonableness, achievability or accuracy, and accordingly, such independent registered public accounting firm assumes no responsibility for them.

Although presented with numerical specificity, the 2025 Projections were developed by our management on the basis of general business, economic and market conditions as well as factors and consideration specific to our

business, all of which involve a high degree of uncertainty and are difficult to predict, and many of which are beyond our control. These variables, estimates and assumptions are inherently uncertain, susceptible to multiple interpretations and may prove to have been inaccurate, or may no longer be accurate. Our future financial results may materially differ from those expressed in the summarized 2025 Projections due to factors that are beyond management's ability to control or predict. We cannot guarantee that any of the projections will be realized or that our future financial results will not materially vary from the 2025 Projections. The 2025 Projections have not been updated since they were prepared, and do not take into account any circumstances or events occurring after the date they were prepared, including the entry into the Merger Agreement, the possible financial impact and other effects of the Merger on us or subsequent integration planning activities. The 2025 Projections do not take into account and do not attempt to predict or suggest future results of the combined company. In addition, the 2025 Projections do not take into account the effect of any failure of the Merger to occur and should not be viewed as accurate or continuing in that context. The summary of the 2025 Projections included below should not be construed as public guidance and will not be provided in the ordinary course of our business in the future. For the foregoing and other reasons, stockholders and readers of this proxy statement are cautioned that the summary of the 2025 Projections included in this proxy statement should not be regarded as a representation or guarantee that the targets will be achieved or have been achieved and that they should not rely on the summary of the 2025 Projections.

The projections and estimates included in this proxy statement are forward-looking statements and are qualified in their entirety by risks and uncertainties that could result in the projections not being achieved, including, but not limited to, demand for our products, our reliance on significant customers, conditions in the markets for our products, factors affecting the drug testing industry, general business and economic conditions, the effects of competition and consolidation in the industry, and other risks and uncertainties. Neither the Company nor AMS, or any of their respective affiliates, advisors, officers, directors or representatives, has made or makes any representation to any stockholder or other person regarding our ultimate performance compared to the information contained in the projections or that the projections will be achieved. Neither we nor any of our representatives have made or makes any representation to AMS, in the Merger Agreement or otherwise, concerning the projections.

Plans for the Company After the Merger

Following completion of the Merger, Merger Sub will have been merged with and into the Company, with the Company surviving the Merger as a wholly owned subsidiary of AMS. The shares of Company Common Stock are currently traded on the OTCID tier of the OTC Markets. Following completion of the Merger, there will be no further market for Company Common Stock and, as promptly as practicable following the Effective Time the Company's Company Common Stock will cease trading on the OTC Markets.

The AMS Group currently anticipates that the Company's operations following completion of the Merger will initially be conducted substantially as they are currently being conducted (except that the Company will be a wholly owned subsidiary of AMS).

From and after the Effective Time, the officers of Merger Sub immediately before the Effective Time will be the officers of the Surviving Corporation, and the directors of Merger Sub immediately before the Effective Time will be the directors of the Surviving Corporation, in each case to hold office until the earlier of their resignation or removal or until their respective successors are duly elected and qualified, as the case may be.

Certain Effects of the Merger

If the Merger Agreement is approved and adopted by the requisite votes of the Company stockholders and all other conditions to the Closing of the Merger are either satisfied or waived, Merger Sub will merge with and into the Company, with the Company surviving as a wholly owned subsidiary of AMS.

Treatment of the Shares of Company Common Stock

At the Effective Time, by virtue of the Merger and without any action on the part of any holder of any capital stock of the Company, each share of Company Common Stock issued and outstanding immediately before the Effective Time (other than the Excluded Shares), will automatically be converted into the right to receive cash in the amount of $3.75 per share, without interest, less any required withholding taxes. At the Effective Time, each share that will be converted into the right to receive cash will be cancelled and will cease to exist.

Benefits of the Merger to Stockholders

The primary benefit of the Merger to the holders of Company Common Stock, other than the Excluded Holders, will be their right to receive the Per Share Merger Consideration of $3.75 per share in cash, without interest, in accordance with and subject to the terms and conditions set forth in the Merger Agreement. Additionally, such security holders will avoid the risk after the Merger of any possible decrease in our future earnings, growth or value.

Detriments of the Merger to Stockholders

The primary detriments of the Merger include the lack of an interest of the holders of Company Common Stock in the potential future earnings, growth or value realized by the Company after the Merger.

Certain Effects of the Merger for AMS

Following the Merger, all of the equity interests in the Company will be beneficially owned by AMS. If the Merger is completed, AMS will be the sole beneficiary of our future earnings and growth, if any, and will be the only one entitled to vote on corporate matters affecting the Company following the Merger.

AMS does not own any Company Common Stock as of the date of this Proxy Statement.

Certain Effects on the Company if the Merger is not Completed

If the Merger Agreement Proposal is not approved by the Company stockholders or if the Merger is not completed for any other reason, the Company stockholders will not receive any payment for their shares of Company Common Stock in connection with the Merger. Instead, unless the Company is sold to a third party, the Company will remain an independent company, and the shares of Company Common Stock will continue to be traded on the OTCID tier of the OTC Markets, so long as the Company continues to meet the applicable requirements. In addition, if the Merger is not completed, the Company expects that management will operate the Company's business in a manner similar to that in which it is being operated today and that the Company stockholders will continue to be subject to the same risks and opportunities to which they are currently subject. There is no assurance as to the effect of these risks and opportunities on the future value of your shares of Company Common Stock, including the risk that the market price of shares of Company Common Stock may decline to the extent that the current market price of shares of Company Common Stock reflects a market assumption that the Merger will be completed.

Under certain circumstances, if the Merger is not completed, the Company would be required to pay AMS a termination fee of $1,375,000 in cash. See "*The Merger Agreement — Termination Fee*."

Interests of Executive Officers and Directors of the Company in the Merger

In considering the recommendations of the Company Board with respect to the Merger, Company stockholders should be aware that the executive officers and directors of the Company have certain interests in the Merger that may be different from, or in addition to, the interests of the Company stockholders generally. The Company Board was aware of these interests and considered them, among other matters, in evaluating the Merger Agreement and the transactions contemplated thereby, including the Merger, and in making their recommendations. These interests are described below.

Thompson Clark, a member of the Company's Board, currently serves as an interim executive officer of the Company. The other Directors are independent.

Board and Executive Officer Compensation

Based upon the amount of work undertaken by the Company Board, the Company Board approved payment of additional compensation to the members of the Board. Tim Eriksen and James Ford, independent members of the Company Board, will each receive a $12,500 bonus upon the Closing of the Merger, if they are still members of the Company Board at the time of Closing. Thompson Clark, the Company's Interim Chief Executive Officer and a member of the Company Board, will receive a $75,000 bonus, Shana Veale, the Company's Chief Financial Officer, will receive a $25,000 bonus, and Kerri Wagner, the Company's Chief Revenue Officer, will receive a $12,500 bonus upon the Closing of the Merger, if they are still employed by the Company at the time of Closing.

Post-Termination Payments Under Existing Employment Agreements

In 2021, the Company entered into employment agreements (the "Employment Agreements") with Shana Veale and Kerri Wagner which provide certain benefits to such employees if they are terminated without cause or if they resign for good reason; the Employment Agreements will remain in force following the Closing of the Merger. Under each of the Employment Agreements, if the relevant employee experiences a qualifying termination, they will be entitled to receive (i) the greater of (a) six months of their average monthly compensation for the calendar year immediately preceding their termination, or (b) one week of such average monthly compensation, multiplied by the total number of full years of their service provider relationship with the Company, and (ii) a series of monthly payments, made in accordance with the Company's normal payroll practices, in an amount sufficient, after taxes, deductions, and other withholdings, equal to their payments for health insurance coverage for a period of no less than six months post-employment. All such payments are subject to applicable deductions and withholdings and subject to the relevant employee signing (and not revoking) a general release and waiver of all claims in favor of the Company.

Indemnification; Directors' and Officers' Insurance

Pursuant to the Merger Agreement, from and after the Effective Time, the Surviving Corporation will indemnify certain persons, including the Company's directors and executive officers, for certain matters. In addition, for a period of six years from the Effective Time, the Surviving Corporation will maintain a directors and officers and fiduciary liability insurance policy for the benefit of certain persons, including the Company's directors and executive officers.

Intent of the Directors and Executive Officers to Vote in Favor of the Merger

As of the Record Date, directors and executive officers of the Company, as a group, owned and were entitled to vote 1,683,598 shares of Company Common Stock, or approximately 36% of the total voting power of the outstanding shares of Company Common Stock. The Company currently expects that these directors and executive officers will vote their shares in favor of the Merger Agreement Proposal and each of the other proposals described in this proxy statement, pursuant to the terms of the Voting Agreement. See the section titled *"Special Factors — Voting and Support Agreement."* For purposes of clarity, the shares of Company Common Stock owned and entitled to be voted by all directors and executive officers will be included in determining whether the Merger Agreement has been approved by the affirmative vote of the holders of at least a majority of the voting power of the outstanding shares of Company Common Stock entitled to vote in accordance with the DGCL, and the other proposals.

If the Merger Agreement is terminated in accordance with its terms, or if the Company Board takes certain actions constituting an adverse recommendation change with respect to its recommendation that stockholders approve and adopt the Merger Agreement and the transactions contemplated thereby, including the Merger, then the Voting Agreement will terminate, and the Supporting Stockholders will be released from their obligations under the Voting Agreement, including the obligation to vote in favor of the Agreement and Plan of Merger.

Material U.S. Federal Income Tax Consequences of the Merger

The following discussion is a summary of material U.S. federal income tax consequences of the Merger to U.S. Holders and non-U.S. Holders (each, as defined below) of the shares of Company Common Stock. This summary is general in nature and does not discuss all aspects of U.S. federal income taxation that may be relevant to a holder of the shares of Company Common Stock in light of their particular circumstances. This discussion is based on the Code, the Treasury regulations promulgated under the Code, judicial authority, published administrative positions of the Internal Revenue Service (the "IRS"), and other applicable authorities, all as in effect as of the date of this proxy statement, and all of which are subject to change or differing interpretations at any time, with possible retroactive effect. We have not sought, and do not intend to seek, any ruling from the IRS with respect to the statements made and the conclusions reached in the following discussion, and no assurance can be given that the IRS will agree with the views expressed herein, or that a court will not sustain any challenge by the IRS in the event of litigation. This discussion does not describe any tax consequences arising under the laws of any state, local or non-U.S. jurisdiction and does not consider any aspects of U.S. federal tax law other than income taxation, nor does it address any aspects of the unearned income Medicare contribution tax. In addition, this discussion only applies to the shares of Company Common Stock that are held as a capital asset (generally, property held for investment) within the meaning of Section 1221 of the Code and does not address tax considerations applicable to any holder of the shares of Company Common Stock that may be subject to special treatment under U.S. federal income tax law, including:

- a bank or other financial institution;
- a tax-exempt organization;
- a retirement plan or other tax-deferred account;
- an S corporation or other pass-through entity (or an investor in an S corporation or other pass-through entity);
- an insurance company;
- a mutual fund;
- a regulated investment company or real estate investment trust;
- a dealer or broker in commodities, stocks, securities or in currencies;
- a dealer or trader in securities that elects mark-to-market treatment;
- a controlled foreign corporation;
- a passive foreign investment company;
- a stockholder that owns, or has owned, actually or constructively, more than 5% of the shares of Company Common Stock;
- a stockholder subject to the alternative minimum tax provisions of the Code;
- a stockholder that received the shares of Company Common Stock through the exercise of an employee stock option, through a tax qualified retirement plan or otherwise as compensation;
- a person that has a functional currency other than the U.S. dollar;
- a person that is required to report income no later than when such income is reported in an "applicable financial statement";
- a person that holds the shares of Company Common Stock as part of a hedge, straddle, constructive sale, conversion or other integrated transaction;
- a stockholder that is not exchanging its shares of Company Common Stock for cash pursuant to the Merger; and
- certain former U.S. citizens or long-term residents.

If a partnership (including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the shares of Company Common Stock, the tax treatment of a partner in the partnership will depend upon the status of the partner and the activities of the partner and the partnership. Any such partnership (including any entity or arrangement treated as a partnership for U.S. federal income tax purposes), and any partners thereof, that hold the shares of Company Common Stock should consult their own tax advisors regarding the tax consequences of exchanging the shares of Company Common Stock pursuant to the Merger. In addition, holders of shares of Company Common Stock who are not U.S. Holders may be subject to different tax consequences than those described below and are urged to consult their tax advisors regarding their tax treatment under U.S. and non-U.S. tax laws.

The following summary is for general informational purposes only and is not a substitute for careful tax planning and advice. Holders of shares of Company Common Stock are urged to consult their own tax advisor with respect to the specific tax consequences to them of the Merger in light of their own particular

circumstances, including U.S. federal estate, gift and other non-income tax consequences, and tax consequences under state, local and non-U.S. tax laws.

U.S. Holders

The following is a summary of the material U.S. federal income tax consequences of the Merger that will apply to U.S. Holders. For purposes of this discussion, the term U.S. Holder refers to a beneficial owner of the shares of Company Common Stock that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident in the United States;
- a corporation (or any other entity or arrangement treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if (i) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust or (ii) the trust has validly elected to be treated as a "United States person" under applicable Treasury regulations.

Exchange of the Shares of Company Common Stock for Cash Pursuant to the Merger Agreement. The exchange of the shares of Company Common Stock by a U.S. Holder for cash in the Merger will generally be a taxable transaction for U.S. federal income tax purposes. A U.S. Holder will generally recognize gain or loss equal to the difference, if any, between the amount of cash received in the Merger and the holder's adjusted tax basis in the shares of Company Common Stock exchanged therefor. Such gain or loss will generally be capital gain or loss, and will be long-term capital gain or loss if such U.S. Holder's holding period for the shares of Company Common Stock is more than one (1) year at the time of the exchange. Long-term capital gains recognized by a non-corporate U.S. Holder are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to certain limitations. If a U.S. Holder acquired different blocks of shares of Company Common Stock at different times and for different prices, such U.S. Holder must determine its adjusted basis and holding period separately with respect to each block of shares of Company Common Stock.

Non-U.S. Holders

For purposes of this discussion, a "Non-U.S. Holder" is a beneficial owner of shares of Company Common Stock that is neither a U.S. Holder nor an entity or arrangement classified as a partnership for U.S. federal income tax purposes.

A non-U.S. Holder generally will not be subject to U.S. federal income tax on any gain realized on the receipt of cash in exchange for shares of Company Common Stock pursuant to the Merger unless:

- the gain is effectively connected with the non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, such gain is attributable to a permanent establishment or fixed base maintained by the non-U.S. Holder in the United States);
- the non-U.S. Holder is a nonresident alien individual present in the United States for 183 days or more during the taxable year of the disposition of shares of Company Common Stock pursuant to the Merger, and certain other requirements are met; or
- the non-U.S. Holder's shares of Company Common Stock constitutes a "United States Real Property Interest" as defined in the Code (a "USRPI").

Gain described in the first bullet point above generally will be subject to U.S. federal income tax on a net income basis at generally applicable U.S. federal income tax rates in the same manner as if such non-U.S. Holder were a U.S. Holder. A non-U.S. Holder that is a corporation also may be subject to a branch profits tax at a rate of 30%, or

lower rate specified in an applicable income tax treaty, on such effectively connected gain, as adjusted for certain items.

Gain described in the second bullet point above generally will be subject to U.S. federal income tax at a rate of 30% (or such lower rate as may be specified under an applicable income tax treaty), which may be offset by U.S.-source capital losses of the non-U.S. Holder (even though the individual is not considered a resident of the United States), provided the non-U.S. Holder has timely filed U.S. federal income tax returns with respect to such losses.

With respect to the third bullet above, a non-U.S. Holder's shares of Company Common Stock will not be treated as a USRPI unless the Company is or has been a "United States real property holding corporation," as defined in the Code (a "USRPHC"), at any time during the five-year period ending on the date of the Merger or the non-U.S. Holder's holding period, whichever period is shorter. Although there can be no assurance in this regard, we do not believe that we have been or will become a USRPHC at any time during the five-year period ending on the date of the Merger. Further, even if contrary to our expectation, the Company were treated as a USRPHC at any time during the applicable period, the non-U.S. Holder's shares of Company Common Stock will not be treated as a USRPI unless (1) such shares of Company Common Stock exchanged in the Merger were not regularly traded on an established securities market (within the meaning of Section 1.897-9T(d) of the Treasury Regulations) before the Merger, or (2) such holder owned, actually or constructively, more than five percent of such shares of Company Common Stock during the applicable period described above. If a non-U.S. Holder's Company Common constitutes a USRPI, such non-U.S. Holder will be subject to U.S. federal income tax on the gain recognized in the Merger on a net basis in the same manner as a U.S. Holder.

Information Reporting and Backup Withholding Tax

Proceeds from the exchange of the shares of Company Common Stock pursuant to the Merger generally will be subject to information reporting. In addition, backup withholding tax at the applicable rate (currently 24%) generally will apply unless the applicable U.S. Holder or other payee provides a valid taxpayer identification number and complies with certain certification procedures (generally, by providing a properly completed IRS Form W-9) or otherwise establishes an exemption from backup withholding tax. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding tax rules from a payment to a U.S. Holder will generally be allowed as a credit against that holder's U.S. federal income tax liability and may entitle the holder to a refund, provided, that, the required information is timely furnished to the IRS. Each U.S. Holder should duly complete, sign and deliver to the payment agent an IRS Form W-9 to provide the information and certification necessary to avoid backup withholding tax, unless an exemption applies and is established in a manner satisfactory to the exchange agent.

A non-U.S. Holder generally certifies its status as such by providing a properly completed and signed IRS Form W-8BEN or W-8BEN-E (or an IRS Form W-8ECI if the non-U.S. Holder's gain is effectively connected with the conduct of a U.S. trade or business). A non-U.S. Holder that does not provide such form generally will be subject to backup withholding tax as described above.

Financing of the Merger

The Merger Agreement does not contain any financing-related contingencies or financing conditions to the consummation of the Merger. AMS and Merger Sub intend to fund the aggregate Per Share Merger Consideration and fees and expenses from cash on hand and cash available under existing credit facilities.

Effective Time of the Merger

The closing of the Merger is scheduled to occur as promptly as practicable, but in no event later than the fifth business day following the satisfaction or waiver of the conditions set forth in the Merger Agreement (described in the section of this proxy statement entitled "*The Merger Agreement — Conditions to the Merger*") (other than those conditions that by their nature are to be satisfied at the closing, but subject to the satisfaction or waiver, to the extent waivable under applicable law and the Merger Agreement, of those conditions), or at such other date, time and place (or by means of remote communication) as the Company and AMS may agree.

The Merger will become effective at the Effective Time, upon the filing of the Certificate of Merger with the Office of the Secretary of State of the State of Delaware, or at such later time specified in the Certificate of Merger in

accordance with the DGCL. The Company, however, cannot assure that the Effective Time will occur by any particular date, if at all.

Payment of Merger Consideration and Surrender of Stock Certificates

Any holder of book-entry shares will not be required to deliver a stock certificate or, in the case of book-entry shares held through The Depository Trust Company, an executed letter of transmittal to the paying agent to receive the Per Share Merger Consideration that such holder is entitled to receive. In lieu thereof, each holder of record of one or more book-entry shares held through The Depository Trust Company whose shares of Company Common Stock were converted into the right to receive the Per Share Merger Consideration will, upon receipt by the paying agent of an "agent's message" in customary form (or such other reasonable evidence, if any, as the paying agent may reasonably request) and compliance with The Depository Trust Company's and such other procedures as agreed by the Company, AMS, the paying agent and The Depository Trust Company, be entitled to receive the Per Share Merger Consideration in respect of each such share of Company Common Stock and the book-entry shares of such holder will forthwith be cancelled.

AMS, the Surviving Corporation and the paying agent will be entitled to deduct and withhold from the Per Share Merger Consideration any taxes as required by applicable laws or regulations; provided, that, except to the extent such taxes are in respect of compensatory arrangements with any present or former employee or service provider of the Company or any of its subsidiaries, or a recipient of a payment to provide a properly completed IRS Form W-9 or IRS Form W-8, as applicable, a determination as to whether such withholding is required shall be made in good faith after consultation with the Company. Any sum that is withheld and timely paid over to the applicable taxing authority will be deemed to have been paid to the holder of shares with regard to whom such deduction and withholding was made.

No interest will be paid or accrued on the cash payable as the Per Share Merger Consideration upon your surrender of your book-entry shares or stock certificates.

If you have lost a certificate, or if it has been stolen or destroyed, then before you will be entitled to receive the Per Share Merger Consideration, you will have to make an affidavit of the loss, theft or destruction and, if required by AMS or the paying agent, post a bond in such reasonable and customary amount and upon such terms as may be required as indemnity against any claim that may be made with respect to such lost, stolen or destroyed stock certificate. These procedures will be described in the letter of transmittal and instructions that you will receive, which you should read carefully and in their entirety.

From and after the Effective Time, there will be no transfers on the stock transfer books of the Company of the shares of Company Common Stock that were outstanding immediately before the Effective Time. If, after the Effective Time, any stock certificate formerly representing any Company Common Stock that entitled to its holder to receive the Per Share Merger Consideration is presented to the Surviving Corporation, AMS or the paying agent for any reason, it will be cancelled and exchanged for the Per Share Merger Consideration to which the holder of such stock certificate is entitled pursuant to the Merger Agreement.

Any portion of the Per Share Merger Consideration deposited with the paying agent that remains unclaimed by stockholders two years after the Effective Time will be delivered to the Company. Holders of shares of Company Common Stock entitled to receive the Per Share Merger Consideration who have not complied with the exchange and payment procedures may thereafter only look to AMS for payment of the Per Share Merger Consideration (subject to abandoned property, escheat or similar laws).

None of AMS, the Company, the paying agent or representative or affiliate thereof will be liable to any former holder of Company Common Stock for any amount properly delivered to a public official pursuant to any applicable abandoned property, escheat or similar law. If any shares of Company Common Stock are not surrendered immediately before the date on which any cash in respect of such shares would otherwise escheat to or become the property of any governmental authority, then to the extent permitted by applicable law, such cash will become the property of the Company, free and clear of all claims or interest of any person previously entitled thereto.

You should not return your stock certificates with the enclosed proxy card.

Accounting Treatment

AMS anticipates that it will be considered the acquirer for accounting purposes. If so, AMS will use the acquisition method of accounting to allocate the purchase consideration to the Company assets acquired and liabilities assumed, which will be recorded at fair value.

Regulatory Approvals

The Company and AMS do not anticipate any federal or state regulatory filings or approvals that must be complied with or obtained in connection with the transactions contemplated by the Merger Agreement, including the Merger.

Appraisal Rights

If the Merger is consummated and certain conditions are met, stockholders who continuously hold shares of Company Common Stock through the effective date of the Merger, who do not vote such shares of Company Common Stock in favor of the adoption of the Merger Agreement and who properly demand appraisal of such shares of Company Common Stock and do not effectively withdraw their demands or otherwise lose their rights to seek appraisal will be entitled to seek appraisal of such shares of Company Common Stock in connection with the Merger under Section 262 of the DGCL. This means that holders of shares of Company Common Stock who perfect their appraisal rights, who do not thereafter effectively withdraw their demand for appraisal or otherwise lose their rights to seek appraisal, and who follow the procedures in the manner prescribed by Section 262 of the DGCL will be entitled to have such shares of Company Common Stock appraised by the Delaware Court of Chancery and to receive payment in cash of the "fair value" of such shares of Company Common Stock, exclusive of any elements of value arising from the accomplishment or expectation of the Merger, as determined by the Delaware Court of Chancery, together with interest to be paid on the amount determined to be fair value, if any, (or in certain circumstances described in further detail in the section of this proxy statement captioned "*The Special Meeting — Appraisal Rights*," on the difference between the amount determined to be the fair value and the amount paid by the Surviving Corporation in the Merger to each stockholder entitled to appraisal before the entry of judgment in any appraisal proceeding). Due to the complexity of the appraisal process, stockholders who wish to seek appraisal of their shares of Company Common Stock are encouraged to review Section 262 of the DGCL carefully and to seek the advice of legal counsel with respect to the exercise of appraisal rights.

Stockholders considering seeking appraisal should be aware that the fair value of their shares of Company Common Stock as determined pursuant to Section 262 of the DGCL could be more than, the same as or less than the value of the consideration that they would receive pursuant to the Merger Agreement if they did not seek appraisal of their shares of Company Common Stock.

To exercise your appraisal rights, you must: (i) submit a written demand for appraisal to the Company before the vote is taken on the adoption of the Merger Agreement; (ii) not submit a proxy with respect to, or otherwise vote, the shares of Company Common Stock for which you seek appraisal in favor of the proposal to adopt the Merger Agreement; (iii) continue to hold such shares of Company Common Stock of record on and from the date of the making of the demand through the effective date of the Merger; and (iv) comply with all other procedures for exercising appraisal rights under Section 262 of the DGCL. Your failure to follow the procedures specified under Section 262 of the DGCL may result in the loss of your appraisal rights. The DGCL requirements for exercising appraisal rights are described in further detail in the section of this proxy statement captioned "*The Special Meeting — Appraisal Rights*," which is qualified in its entirety by Section 262 of the DGCL, the relevant section of the DGCL regarding appraisal rights. A copy of Section 262 of the DGCL is reproduced and attached as Annex C to this proxy statement. Only a holder of record of shares of Company Common Stock is entitled to demand appraisal of such shares of Company Common Stock registered in that holder's name. If you hold your shares of Company Common Stock through a broker, bank or other nominee and you wish to exercise appraisal rights, you should consult with such broker, bank or other nominee to determine the appropriate procedures for the making of a demand for appraisal by such broker, bank or other nominee. For more information, please see the section of this proxy statement captioned "*The Special Meeting — Appraisal Rights*."

Voting and Support Agreement

The following describes the material provisions of the Voting Agreement, which is attached as Annex B to this proxy statement. The descriptions in this section and elsewhere in this proxy statement are subject to, and qualified in their entirety by, reference to the Voting Agreement. This summary does not purport to be complete and may not contain all of the information about the Voting Agreement that is important to you. We encourage you to carefully read the Voting Agreement in its entirety.

Concurrently with the execution and delivery of the Merger Agreement, Tim Eriksen, Tristram Jordan, Richard Jordan, Thompson Clark, James Ford, Kerri Wagner, and Shana Veale entered into a Voting and Support Agreement with AMS. The Supporting Stockholders are record or beneficial owners of shares of Company Common Stock representing approximately 62% of the voting power of the Company Common Stock.

Pursuant to the Voting Agreement, the Supporting Stockholders agreed to vote their shares of Company Common Stock in favor of adoption of the Merger Agreement and the transactions contemplated thereby, including the Merger, and against (i) any Alternative Proposal (as defined in the Merger Agreement), (ii) any action that would reasonably be expected to result in a breach of or failure to perform any representation, warranty, covenant or agreement of the Company under the Merger Agreement or of such Stockholder under the Merger Agreement, (iii) any action that would reasonably be expected to prevent or materially delay or impede the consummation of the transactions contemplated by the Merger Agreement, including the Merger, (iv) any merger agreement or merger (other than the Merger Agreement and the Merger), consolidation, combination, material business transaction, sale of assets, reorganization, recapitalization, dissolution, liquidation or winding up of the Company or any Company Subsidiary, and (v) any amendment of the Company's organizational documents that would reasonably be expected to impair the ability of the Company, Parent or Merger Sub to complete the Merger, or that would or would reasonably be expected to prevent, impede, frustrate, interfere with, delay, postpone or adversely affect the consummation of the Merger; provided, that no Supporting Stockholder is prohibited from carrying out their fiduciary duties as a director of the Company, if applicable. The Supporting Stockholders granted an irrevocable proxy to AMS, which may be exercised with respect to any Supporting Stockholder that breaches its voting obligations set forth above. If the Supporting Stockholders vote in favor of adoption of the Merger Agreement Proposal or AMS exercises its proxy in accordance with the terms of the Voting Agreement, then the Merger Agreement Proposal will be approved.

Each Supporting Stockholder also agreed that it would not, directly or indirectly, (a) solicit, initiate, knowingly encourage or knowingly facilitate any Alternative Proposal or offer or inquiry that would reasonably be expected to lead to any Alternative Proposal, or the making or consummation thereof, (b) other than to inform any anyone of the existence of certain provisions of the Voting Agreement, enter into, continue or otherwise participate in any discussions or negotiations regarding, or furnish to any Person any information or afford any person access to the business, properties, assets, books or records of the Company or any Company Subsidiary in connection with, or otherwise knowingly cooperate or assist any effort by any person in making, any Alternative Proposal, (c) enter into any agreement, letter of intent, memorandum of understanding, agreement in principle or similar agreement or document with respect to any Alternative Proposal, or (d) commit to do any of the foregoing. The foregoing obligations will not restrict any Supporting Stockholders, or any of their representatives, from taking any such actions on behalf of or as a representative of the Company that would not constitute a breach of the Merger Agreement.

Irrevocable Proxy

Each Supporting Stockholder granted an irrevocable proxy to, and appointed, AMS and any designee of AMS as their attorneys-in-fact to vote their shares of Company Common Stock during the term of the Voting Agreement, which may be exercised with respect to any Supporting Stockholders that breaches its voting obligations under the Voting Agreement. The proxy granted by each Supporting Stockholder is irrevocable during the term of the Voting Agreement. If the Supporting Stockholders vote in favor of adoption of the Merger Agreement Proposal or AMS exercises its proxy in accordance with the terms of the Voting Agreement, then the Merger Agreement Proposal will be approved.

Restrictions on Transfer

Each Supporting Stockholder agreed during the term of the Voting Agreement not to (i) sell, transfer, pledge, assign or otherwise dispose of any of the shares of Company Common Stock it owns or enter into any contract with respect to such disposition of, or limitation on the voting rights of, such shares or any economic interest therein, (ii)

grant any proxies or powers of attorney with respect to such shares, deposit such shares into a voting trust or enter into a voting agreement with respect to such shares, in each case with respect to any vote on the approval of the Merger Agreement Proposal, (iii) form, join, encourage, influence, advise or in any way participate in any "group" (as such term is defined in the Exchange Act) with any persons with respect to any securities of the Company, or (iv) commit or agree to take any of the foregoing actions. Notwithstanding the foregoing, a Supporting Stockholder is permitted to transfer such shares to an affiliate of such Supporting Stockholder who has agreed in writing to be bound by the Voting Agreement, or with AMS's prior written consent.

Termination

The Voting Agreement and all obligations of the Supporting Stockholders thereunder automatically terminate upon the earliest to occur of (i) the termination of the Merger Agreement in accordance with its terms, (ii) the Effective Time of the Merger, and (iii) the Company Board making a recommendation adverse to the Merger Agreement and the Merger.

THE MERGER AGREEMENT

The Merger Agreement

The following describes the material provisions of the Merger Agreement, which is attached as Annex A to this proxy statement. The descriptions in this section and elsewhere in this proxy statement are subject to, and qualified in their entirety by, reference to the Merger Agreement. This summary does not purport to be complete and may not contain all of the information about the Merger Agreement that is important to you. We encourage you to carefully read the Merger Agreement in its entirety before making any decisions regarding the Merger because it is the principal document governing the Merger.

The Merger Agreement and this summary of its terms have been included to provide you with information regarding the terms of the Merger Agreement, and are not intended to provide you with any factual information about us or to modify or supplement any factual disclosures about us contained in this proxy statement. In particular, the Merger Agreement and this summary are not intended to be, and should not be relied upon as, disclosures regarding the actual state of any facts and circumstances relating to the Company. Such information can be found elsewhere in this proxy statement as described in the section titled "*Where You Can Find More Information*."

The Merger Agreement contains representations and warranties by and covenants of each of the parties to the Merger Agreement that were made only for the purposes of the Merger Agreement as of specified dates. Those representations, warranties and covenants were made solely for the benefit of the parties to the Merger Agreement, were qualified and subject to important limitations in connection with the negotiation of the Merger Agreement (including by being qualified by confidential disclosure letters and certain other disclosures exchanged between the parties to the Merger Agreement, which are not reflected in the Merger Agreement) and may be subject to contractual standards of materiality which may differ from what may be viewed as material by you or other investors. In particular, in your review of the representations and warranties contained in the Merger Agreement and described in this summary, it is important to bear in mind that the representations and warranties were negotiated with the principal purpose of establishing the circumstances in which a party to the Merger Agreement may have the right not to close the transactions contemplated thereby if the representations and warranties of the other party prove to be untrue due to a change in circumstances or otherwise, and allocating risk between the parties to the Merger Agreement, rather than establishing matters as facts. Moreover, information concerning the subject matter of the representations and warranties may change after the date of the Merger Agreement, which subsequent information may or may not be fully reflected in public disclosures by the Company. As of the date of this proxy statement, except as set forth in the Company's public disclosures, there are no specific material facts that exist that the Company believes materially contradicts its representations and warranties in the Merger Agreement. The representations and warranties and other provisions of the Merger Agreement should not be read alone, but instead should be read together with the information provided elsewhere in this proxy statement and in the documents incorporated by reference herein. See the section titled "*Where You Can Find More Information*."

Capitalized terms used herein and not otherwise defined in this proxy statement have the meanings set forth in the Merger Agreement. Stockholders and other interested parties should read the Merger Agreement for a more complete description of the provisions summarized below.

Effects of the Merger; Directors and Officers; Articles of Incorporation; Bylaws

The Merger Agreement provides that Merger Sub will merge with and into the Company, with the Company continuing as the Surviving Company. At the Effective Time, Merger Sub will cease its separate corporate existence and, as a result of the Merger, the Company will become a wholly owned subsidiary of AMS. The Merger will have the effects specified in the DGCL. Without limiting the generality of the foregoing, at the Effective Time, all the property, rights, privileges, immunities, powers and franchises of the Company and Merger Sub shall vest in the Surviving Company and all debts, liabilities and duties of the Company and Merger Sub shall become the debts, liabilities and duties of the Surviving Company.

The directors of Merger Sub immediately before the Effective Time will, from and after the Effective Time, be the directors of the Surviving Company until the earlier of their death, resignation or removal or until their respective successors have been duly elected and qualified, as the case may be. The officers of Merger Sub immediately before the Effective Time will, from and after the Effective Time, be the officers of the Surviving

Company until the earlier of their death, resignation or removal or until their successors have been duly elected and qualified, as the case may be.

The certificate of incorporation and bylaws of Merger Sub, as in effect immediately before the Effective Time, will become the certificate of incorporation and bylaws, respectively, of the Surviving Company until thereafter amended in accordance with their terms and as provided by applicable law. References to the name of Merger Sub will be replaced by references to the name of the Surviving Company.

Following the completion of the Merger, shares of Company Common Stock will be delisted from the OTCID tier of the OTC Markets.

Treatment of Company Common Stock

At the Effective Time, by virtue of the Merger and without any action on the part of any holder of any capital stock of the Company, each share of Company Common Stock issued and outstanding immediately before the Effective Time (other than the Excluded Shares), will automatically be converted into the right to receive cash in the amount of $3.75 per share, without interest, less any required withholding taxes. At the Effective Time, each share that will be converted into the right to receive the Per Share Merger Consideration will be cancelled and will cease to exist.

Exchange and Payment Procedures

Immediately before the Effective Time, AMS will deposit, or cause to be deposited, with a paying agent cash in immediately available funds in an amount sufficient to pay the aggregate Merger Consideration payable to holders of Company Common Stock by the paying agent.

As soon as possible after the Effective Time, and in any event within two business days after the Effective Time, the paying agent will send each record holder of Company Common Stock entitled to receive the Per Share Merger Consideration a notice advising such holders of the effectiveness of the Merger and appropriate transmittal materials and instructions describing how such record holder may surrender his, her or its shares of Company Common Stock (or affidavits of loss in lieu thereof) in exchange for the aggregate Per Share Merger Consideration payable with respect to such shares.

Anti-Dilution

If, from the date of the Merger Agreement until the Effective Time, the number of outstanding shares of Company Common Stock has been changed into a different number of shares or a different class by reason of any stock dividend, subdivision, reclassification, recapitalization, split, combination or exchange of shares or other similar transaction, or a stock dividend or stock distribution thereon shall be declared with a record date within said period, the Per Share Merger Consideration will be appropriately adjusted to provide the holders of shares of Company Common Stock the same economic effect as contemplated by the Merger Agreement before such event, subject to any restrictions or prohibitions contained elsewhere in the Merger Agreement.

Dissenters' Rights

Notwithstanding anything in the Merger Agreement to the contrary, the Dissenting Shares, if any, will not be converted into a right to receive any portion of the Per Share Merger Consideration and the holders thereof will be entitled to such rights as are granted by Section 262 of the DGCL, unless and until such holder shall have failed to timely perfect, or shall have effectively withdrawn or lost, such holder's right to appraisal under the DGCL. If any such holder fails to perfect or withdraws or loses any such right to appraisal, each such share of Company Common Stock of such holder shall thereupon be converted into and become exchangeable only for the right to receive, as of the later of the Effective Time and the time that such right to appraisal has been irrevocably lost, withdrawn or expired, the Per Share Merger Consideration, without interest.

The Company will give AMS prompt notice of any demands received by the Company for appraisal of any shares of Company Common Stock, withdrawals or attempted withdrawals of such demands and any other instruments, notices or demands relating to the right of appraisal. The Company will not, without the prior written consent of AMS, make any voluntary payment with respect to, or settle or offer to settle any such demands or waive

any failure by any holder of shares of Company Common Stock to timely deliver a written demand for appraisal or the taking of any other action by such holder as may be necessary to perfect appraisal rights.

Representations and Warranties

The Merger Agreement contains representations and warranties made, on the one hand, by the Company to AMS and Merger Sub and, on the other hand, by AMS and Merger Sub to the Company. Certain of the representations and warranties in the Merger Agreement are subject to materiality or material adverse effect qualifications (that is, they will not be deemed to be untrue, inaccurate or incorrect unless their failure to be true or correct is material or would result in a material adverse effect, as defined below).

In addition, certain of the representations and warranties in the Merger Agreement are subject to knowledge qualifications, which means that those representations and warranties would not be deemed untrue, inaccurate or incorrect as a result of matters of which certain officers of the party making the representation did not and do not have knowledge following a reasonable inquiry, as described in the Merger Agreement.

Further, the representations and warranties made by the parties in the Merger Agreement may be further subject to specified exceptions and qualifications contained in the confidential disclosure letter that the parties exchanged in connection with signing the Merger Agreement, which disclosure letter is not reflected in the Merger Agreement and will not otherwise be publicly disclosed, and which were included for the purpose of, among other things, allocating contractual risk between AMS and Merger Sub, on the one hand, and the Company, on the other hand, rather than establishing matters as facts, and may be subject to standards of materiality that differ from the standards relevant to investors. You should not rely on the representations, warranties, covenants or any description thereof as actual characterizations of the actual state of facts or condition of AMS, the Company, or any of their respective subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations and warranties may change after the date of the Merger Agreement, which subsequent information may or may not be fully reflected in public disclosures by AMS and the Company. The representations and warranties and other provisions of the Merger Agreement should not be read alone but, instead, should be read only in conjunction with the information provided elsewhere in this proxy statement and in the documents incorporated by reference into this proxy statement. See the section titled "*Where You Can Find More Information*."

Representations and Warranties of the Company

The Company made customary representations and warranties to AMS and Merger Sub in the Merger Agreement relating to a number of matters, including, among other things:

- our organization, valid existence, good standing and authority to carry on our business and that of our subsidiaries;
- our corporate power and authority to execute, deliver and perform our obligations, and consummate the transactions under the Merger Agreement, and the enforceability of the Merger Agreement against us;
- the approval and declaration of advisability of the Merger Agreement and the Merger by the Company Board;
- the absence of conflicts, breaches or violations of organizational documents, contracts or applicable law as a result of the Company entering into and consummating the transactions contemplated by the Merger Agreement;
- our capital structure;
- our subsidiaries;
- our filings with the OTC Markets;
- our compliance with GAAP in our financial statements and our internal controls over financial reporting;

- the compliance of the Information Statement;
- the absence of undisclosed liabilities;
- the absence of changes in our business since December 31, 2024;
- the absence of any governmental orders, litigation, governmental inquiries, investigations and other proceedings against the Company;
- our compliance with laws and possession of and compliance with certain permits, licenses and other governmental authorizations;
- certain of our material contracts, including the Government Contracts;
- tax matters;
- labor matters and compliance with labor and employment laws;
- employee benefit plans and other agreements, plans and policies with or concerning employees;
- intellectual property, data privacy and software matters;
- leased real property and personal property;
- environmental matters;
- our relationships with certain of our customers and vendors;
- insurance policies;
- international trade;
- regulatory matters;
- arrangements with related parties;
- product warranties;
- anti-takeover laws with respect to the transactions contemplated by the Merger Agreement; and
- fees payable to brokers and financial advisors in connection with the Merger.

Material Adverse Effect

Many of the Company's representations and warranties are qualified by exceptions relating to the absence of a "material adverse effect," which means any means any circumstance, occurrence, effect, change, event or development that, individually or in the aggregate, (x) has materially adversely affected or would reasonably be expected to materially adversely affect the business, assets, properties, condition (financial or otherwise), operations or results of operations of the Company and the Company Subsidiaries, taken as a whole

However, none of the following, either alone or in combination, shall constitute, and none of the following shall be taken into account in determining whether there has been a material adverse effect with respect to clause (x) above):

- (a) conditions affecting the United States economy or any other national or regional economy in which the Company and the Company Subsidiaries operate or the global economy generally,

- (b) political conditions (or changes in such conditions) in the United States or any other country or region in the world, declared or undeclared acts of war, cyber-attacks (not specifically targeting the Company or the Company Subsidiaries or the industries in which the Company and Company Subsidiaries operate), sabotage or terrorism, epidemics, pandemics or other public health emergency, or national or international emergency in the United States or any other country or region of the world occurring after the date hereof,

- (c) changes in the financial, credit, banking or securities markets in the United States or any other country or region in the world (including any disruption thereof and any decline in the price of any security or any market index) and including changes or developments in or relating to currency exchange or interest rates,

- (d) changes required by GAAP or other accounting standards (or interpretations thereof),

- (e) changes in any Laws or other binding directives issued by any Governmental Entity (or interpretations thereof),

- (f) changes that are generally applicable to the industries in which the Company and the Company Subsidiaries operate (and not specifically relating to the Company and the Company Subsidiaries),

- (g) any failure by the Company to meet any internal or published projections, forecasts or revenue or earnings predictions for any period ending on or after the date of the Merger Agreement or any decline in the market price or trading volume of the Common Stock (provided that the underlying causes of any such failure or decline may be considered in determining whether a Company Material Adverse Effect has occurred to the extent not otherwise excluded by another exception in the Merger Agreement),

- (h) the execution or delivery of the Merger Agreement, or the public announcement of the Merger (including as to the identity of the parties hereto) (including losses or threatened losses of employees, customers, suppliers, distributors or others having relationships with the Company); provided that the underlying causes of any such failure or decline may be considered in determining whether a Company Material Adverse Effect has occurred to the extent not otherwise excluded by another exception herein,

- (i) the occurrence of natural disasters, weather conditions or similar events adverse to the business being carried on by the Company and the Company Subsidiaries,

- (j) any action required by the express terms of the Merger Agreement, or with the prior written consent or at the written direction of Parent, shall not be taken into account in determining whether a Company Material Adverse Effect has occurred or would reasonably be expected to occur; or

or (y) is or would be reasonably likely to prevent or materially impair, interfere with, hinder or delay the consummation of the Merger or the other transactions contemplated by the Merger Agreement by the Company.

except in the case of the foregoing clauses (a), (b), (c), (d), (e), (f) or (i), to the extent disproportionately affecting the Company and the Company Subsidiaries relative to other companies in the industries in which the Company and the Company Subsidiaries operate.

Representations and Warranties of AMS and Merger Sub

AMS and Merger Sub made customary representations and warranties to the Company in the Merger Agreement relating to a number of matters, including, among other things:

- their organization, valid existence, good standing and authority to carry on their businesses;

- their corporate power and authority to execute, deliver and perform their obligations, and consummate the transactions under the Merger Agreement, and the enforceability of the Merger Agreement against them;

- the absence of conflicts, breaches or violations of organizational documents, contracts or applicable law as a result of their entry into and consummation of the transactions contemplated by the Merger Agreement;

- the governmental filings, notices and approvals required in connection with the transactions contemplated by the Merger Agreement;

- the ownership and operations of Merger Sub;

- the absence of legal proceedings, investigations and governmental orders;

- the accuracy and completeness of the information provided by them for inclusion in this proxy statement;

- their ability to make payments required by them under the Merger Agreement;

- their independent investigation of the Company;

- their ownership of Company Common Stock; and

- fees payable to brokers and financial advisors in connection with the Merger.

Certain of the representations of AMS and Merger Sub are qualified by material adverse effect. With respect to such entities, a material adverse effect means any circumstance, occurrence, effect, change, event or development that, individually or taken together with other circumstances, occurrences, effects, changes, events or developments, is or would be reasonably likely to prevent or materially impair, interfere with, hinder or delay the consummation of the Merger or the other transactions contemplated by the Merger Agreement by the End Date (as defined therein).

Covenants of the Company

Conduct of Our Business Pending the Merger

Under the Merger Agreement, we have agreed, subject to certain exceptions contemplated by the Merger Agreement, included in the Company's disclosure letter that we delivered in connection with the Merger Agreement or as otherwise required by applicable law, between the date of the Merger Agreement and the Effective Time, unless AMS gives its prior written approval (which may not be unreasonably conditioned, withheld or delayed), to conduct our business and the business of our subsidiaries in all material respects in the ordinary course, and to use reasonable best efforts to preserve our business organizations substantially intact and use reasonable best efforts to preserve our relationships with customers, contract manufacturers, suppliers, partners, licensors, licensees, distributors and other Persons having business dealings with us.

Except as required by applicable law, or pursuant to certain exceptions set forth in the Merger Agreement and the disclosure letter that we delivered in connection with the Merger Agreement, the Company has agreed not to, and not permit its subsidiaries to, take any of the following actions without AMS's written approval (which may not be unreasonably withheld, conditioned or delayed):

- declare, set aside or pay any dividends on, or make any other distributions (whether in cash, stock or property or any combination thereof) in respect of, any of its capital stock, other equity interests or voting securities, other than dividends and distributions by a direct or indirect Company Subsidiary to its parent,

- split, combine, subdivide or reclassify any of its capital stock, other equity interests or voting securities or securities convertible into or exchangeable or exercisable for capital stock or other equity interests or voting securities, or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for its capital stock, other equity interests or voting securities; or

- repurchase, redeem or otherwise acquire, or offer to repurchase, redeem or otherwise acquire, any capital stock or voting securities of, or equity interests in, the Company or any Company Subsidiary or any securities of the Company or any Company Subsidiary convertible into or exchangeable or exercisable

for capital stock or voting securities of, or equity interests in, the Company or any Company Subsidiary, or any warrants, calls, options or other rights to acquire any such capital stock, securities or interests;

- issue, sell, grant, pledge, transfer, encumber or otherwise enter into any contract or other agreement or arrangement, or subject to any lien (other than liens imposed by applicable securities Laws), with respect to the voting of any shares of its capital stock or other equity interests or securities exercisable or convertible into, or exchangeable or redeemable for, any such shares or other equity interests, or any rights, warrants, options, calls or commitments to acquire any such shares or other equity interests, except for issuances or sales of any of the foregoing to the Company or any wholly owned subsidiary of the Company;

- adopt, amend or propose changes to its charter or bylaws, or equivalent organizational documents;

- change its accounting methods, principles, or practices, except as may be required by law, GAAP or interpretations thereof;

- directly or indirectly acquire or agree to acquire in any transaction any equity interest in or business (including by way of acquisition of assets) of any person or division thereof or, except in the ordinary course of business, any properties or assets;

- sell, lease (as lessor), license, mortgage, sell and leaseback or otherwise subject to any lien (other than permitted liens), or otherwise dispose of any properties or assets or any interests therein, other than in the ordinary course of business;

- assign, transfer, cancel, amend, modify, fail to use commercially reasonable efforts to renew or fail to use commercially reasonable efforts to extend any material Permit of the Company or any Company Subsidiary;

- waive, concede, settle or compromise any suit, action, proceeding, investigation, arbitration, litigation or other claim or dispute, or, release, dismiss or otherwise dispose of any claim, liability, obligation or arbitration, except to the extent such release, dismissal or disposal (i) is in the ordinary course of business, (ii) does not involve a claim, liability, obligation or arbitration that exceeds $10,000 in the aggregate, and (ii) does not impose material restrictions on the business or operations of the Company or any of the Company Subsidiaries;

- abandon, allow to lapse, cancel, convey title (in whole or in part) or exclusively license any Intellectual Property Rights owned by the Company or any Company Subsidiary;

- cancel, reduce, terminate or fail to use commercially reasonable efforts to (i) keep in force material insurance policies and (ii) in the event of a termination, cancellation or lapse of any insurance policies, obtain replacement policies (which may be via self-insurance) providing insurance coverage with respect to the material assets, operations and activities of the Company and the Company Subsidiaries as is currently in effect;

- make, change or revoke any election with respect to Taxes (other than (A) any entity classification election and other initial elections with respect to any newly formed entity or (B) any initial election made in the ordinary course of business), (ii) amend any Tax Return, (iii) settle or compromise any Tax liability, (iv) enter into any "closing agreement" under Section 7121 of the Code (or any similar provision of state, local or foreign Law), (v) surrender any right to claim a refund of Taxes, (vi) fail to timely pay to the appropriate Taxing Authority any Taxes, or (vii) file any Tax Return that was not prepared in accordance with the past practices of the Company or any Company Subsidiary;

- increase the compensation or benefits payable to any director, officer or employee of the Company or any Company Subsidiary; (ii) accelerate the time of payment, funding or vesting of any compensation or benefits payable to any director, officer or employee of the Company or any Company Subsidiary; or (iii) amend any Company Benefit Plan or adopt or enter into any plan, agreement or arrangement that would be a Company Benefit Plan if in effect on the date hereof;

- hire or terminate any employee;

- enter into, terminate, amend or modify (other than in the ordinary course of business and to the extent such modification would not (x) adversely change the terms of any material contract with respect to the Company or any Company Subsidiary, or (y) impose additional or increased costs or obligations on the Company or any Company Subsidiary) any material contract or contract that, if in effect on the date hereof, would have been a material contract or (ii) waive in any material respect any term of, or waive any material default under, or release, settle or compromise any material claim by or against the Company or any of the Company Subsidiaries or material liability or obligation owing to the Company or any of the Company Subsidiaries under, any material contract or contract that, if in effect on the date hereof, would have been a material contract;

- make or authorize capital expenditures except in the ordinary course of business;

- adopt a plan of complete or partial liquidation, dissolution or other similar reorganization of the Company or any Company Subsidiary;

- incur any Indebtedness for borrowed money or guarantee any Indebtedness for borrowed money, (ii) make any loans or advances to any Person that is not a Company Subsidiary, or (iii) make any capital contributions to, or investments in, any Person that is not a Company Subsidiary;

- change in any material respect or terminate any existing line of business or enter into any new line of business; or

- agree to take any of the foregoing actions.

No Control

The Merger Agreement is not intended to give AMS or Merger Sub or any of their affiliates, directly or indirectly, the right to control or direct our or our subsidiaries' operations before the Effective Time. Before the Effective Time, each of AMS, Merger Sub and the Company will exercise, consistent with the terms and conditions of the Merger Agreement, complete control and supervision over their respective businesses.

No Solicitation

From the date of the Merger Agreement, the Company will not, and will cause the Company Subsidiaries, and its and their officers, directors, managers, employees, accountants, consultants, legal counsel, financial advisors and agents and other representatives not to, in addition to certain other actions related to any Alternative Proposal (as defined in the Merger Agreement), solicit or engage in discussions regarding any Alternative Proposal, and will promptly cease any ongoing discussions and revoke access to any related data rooms.

During the period commencing on the date of execution of the Merger Agreement until the earlier of (i) the date of termination of the Merger Agreement in accordance with its terms and (ii) the Effective Time, the Company agreed not to, and to cause its subsidiaries and its and their respective directors, officers and representatives not to, directly or indirectly (and not to publicly announce any intention to, directly or indirectly):

- solicit, initiate, knowingly encourage or facilitate any inquiry, discussion, offer or request that constitutes, or would reasonably be expected to lead to an Alternative Proposal (as defined in the Merger Agreement, and generally including a proposal involving 20% or more of the Company's common stock, or assets representing 20% or more of the Company's consolidated revenues, net income or assets) (an "Inquiry");

- furnish non-public information regarding the Company and the Company Subsidiaries, give access to the business, employees, officers, contracts, properties, assets or books and records of the Company or the Company Subsidiaries to or host any meeting (including by telephone, videoconference or virtually) with anyone in connection with an Inquiry or an Alternative Proposal;

- enter into, continue or maintain discussions or negotiations with anyone with respect to an Inquiry or an Alternative Proposal;

- otherwise cooperate with or assist or participate in or facilitate any discussions or negotiations (other certain limited exceptions) regarding, or furnish or cause to be furnished to anyone any non-public information with respect to, or take any other action to facilitate any inquiries or the making of any proposal that constitutes, or would reasonably be expected to lead to, an Alternative Proposal;

- approve, agree to, accept, endorse or recommend any Alternative Proposal;

- submit to a vote of its stockholders, approve, endorse or recommend any Alternative Proposal;

- effect any Adverse Recommendation Change (as defined in the Merger Agreement, but generally involving an adverse change of the Company Board's recommendation that stockholders approve the Merger Agreement and the Merger);

- fail to enforce or grant any waiver or release under any standstill or similar agreement with respect to any class of equity securities of the Company or any of the Company Subsidiaries; or

- enter into any letter of intent or agreement in principle or any agreement providing for any Alternative Proposal.

If the Company receives an unsolicited bona fide Alternative Proposal that could reasonably lead to a Superior Proposal (as defined in the Merger Agreement, but generally involving a more financially favorable proposal), the Company may, if required to comply with its fiduciary duties and subject to a confidentiality agreement, provide information and engage in discussions with the proposing party. The Company will notify AMS within 24 hours of receiving any such proposal or inquiry, provide details (including the identity of the party), and share any non-public information about the Company and Company Subsidiaries provided to others that has not already been shared with Parent.

At any time before the Company Stockholders Meeting, the Company Board may change its recommendation or terminate the Merger Agreement to accept a Superior Proposal or respond to an Intervening Event (as defined in the Merger Agreement, but generally involving any previously unknown material event, change, development or occurrence, other than those related to an Alternative Proposal, Superior Proposal, the announcement of the Merger Agreement, exceeding forecasts/predictions, or changes in the market price of the Common Stock), but only if it determines in good faith (after consulting outside counsel) that not doing so would be inconsistent with its fiduciary duties. Before taking such action, the Company must: (i) give AMS at least four Business Days' prior written notice explaining the reasons and providing details of the Superior Proposal or Intervening Event; (ii) negotiate in good faith with AMS during that period to allow AMS to propose adjustments; and (iii) after considering any revised terms from AMS, determine in good faith that the Superior Proposal remains superior or that the change remains necessary. If the Superior Proposal is revised during the notice period, the Company must provide a new notice and restart the process, using a three Business Day period.

Except as permitted above, the Company Board may not withdraw or modify its recommendation, approve or recommend any Alternative Proposal, fail to reaffirm its recommendation when requested by AMS, or enter into any agreement relating to a Superior Proposal. A factual public statement acknowledging receipt of an Alternative Proposal is permitted, provided it includes an express reaffirmation of the Company Recommendation.

Payoff Indebtedness

The Company will arrange for the delivery of customary payoff letters to AMS from each holder of Payoff Indebtedness at least two business days before the closing date. These letters will confirm that all outstanding obligations will be repaid in full at closing, that all related liens will be released upon such payment, and that the holders will take any actions reasonably requested by AMS to evidence and record such releases.

Additional Agreements

Preparation of Information Statement; Company Stockholders Meeting

Within 10 Business Days, the Company will prepare an information statement accurately describing the Merger Agreement, the Merger, and the provisions of Section 262 of the DGCL, and provide AMS a reasonable opportunity to review it, and deliver it along with the Merger Agreement to the Company's stockholders informing them of the approval of the Merger by our Board and their rights under Section 262 of the DGCL.

The Company will cause the Company Stockholders Meeting to be duly called and held as soon as reasonably practicable for the purpose of voting on the approval and adoption of the Merger Agreement and the Merger. The Company agrees to recommend to its stockholders that they give the approve the Merger, and shall include such recommendation in the Information Statement, in each case, except to the extent that the Company Board has made an Adverse Recommendation Change (as defined in the Merger Agreement) that is still in effect.

Access to Information; Confidentiality

From the date of the Merger Agreement and until the earlier of the closing of the Merger or the termination of the Merger Agreement, the Company has agreed that it will, and will cause each subsidiary and their respective representatives to, (i) provide AMS reasonable access to the properties, books, contracts, commitments, personnel and records of the Company and its subsidiaries, (ii) provide AMS, to the extent not publicly available, a copy of each report, schedule, registration statement and other document filed by it during such period pursuant to the requirements of federal or state securities laws or commission actions, and (iii) furnish to AMS or its representatives such all other information concerning its business, properties and personnel as AMS may reasonably request in a manner so as to not unduly interfere in any material respect with the normal business operations of the Company or any Company Subsidiary, subject to limitations. All information exchanged pursuant to the foregoing is subject to the confidentiality agreement, dated as of February 13, 2025, between Riverside and the Company.

Indemnification, Exculpation and Insurance

For a period of at least six years following the closing date of the Merger, AMS will continue in full force and effect in accordance with their terms all rights to indemnification, advancement of expenses and exculpation from liabilities for acts or omissions occurring at or before the effective time of the Merger now existing in favor of the current or former directors, officers or employees of the Company and the Company Subsidiaries as provided in their respective certificates of incorporation or bylaws (or comparable organizational documents) and any indemnification or other similar agreements of the Company or any of the Company Subsidiaries.

For six years after the Effective Time, the Surviving Company must maintain or provide equivalent directors' and officers' liability insurance for the Company and its directors and officers, ensuring coverage is not less than current levels for claims before the effective time of the Merger. Alternatively, a "tail" insurance policy may be purchased to meet these requirements, with coverage and terms not less favorable than existing policies. The Surviving Company shall maintain such policies in full force and effect, including following certain transformative transactions.

Transaction Litigation

The Company and AMS plan to enter into a customary joint defense agreement, and the Company agrees to (a) promptly notify AMS of litigation relating to the Merger and other transactions contemplated by the Merger Agreement, (b) keep AMS reasonably informed with respect to the status thereof, and (c) give AMS the opportunity to consult with the Company and participate in the defense or settlement of any stockholder litigation against the Company, any Company Subsidiary and/or their respective directors or officers relating to the Merger and the other transactions contemplated by the Merger Agreement. The Company and affiliates of the Company cannot compromise, settle or come to an arrangement regarding any such stockholder litigation without AMS Consent.

Public Announcements

Except with respect to certain exceptions, including if there is an Adverse Recommendation Change or dispute between the parties, AMS and the Company shall provide an opportunity for the other party to review and comment upon any press release or other public statements with respect to the transactions contemplated by the Merger

Agreement, including the Merger, and will not issue any such press release or make any such public statement before providing such opportunity to review and comment, except as such party may reasonably conclude may be required by applicable Law, court process or by obligations pursuant to any listing agreement with any national securities exchange or national securities quotation system.

Merger Sub

AMS will deliver a written consent on behalf of Merger Sub, as sole stockholder of Merger Sub, approving the Merger Agreement and Merger.

Non-USRPHC Certificate

Before the closing of the Merger, the Company will deliver a certificate to AMS certifying that the Company has not been a United States real property holding corporation at any time during the five-year period ending on the closing date of the Merger.

Further Assurances; Reasonable Best Efforts

The officers and directors of the Surviving Company will be authorized to take necessary further actions with respect to the Merger. AMS and Merger Sub will use their reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, and cooperate with each other in order to do, all things necessary, proper or advisable under applicable law to consummate the Merger and the other transactions contemplated by the Merger Agreement as promptly as practicable.

OTC De-listing

Before the effective time of the Merger, the Company shall use its reasonable best efforts to enable the de-listing by the Surviving Company of the Common Stock from the OTC and cause the Common Stock to cease trading on the OTC as promptly as practicable after the effective time of the Merger.

Takeover Statutes

If any takeover law is or may become applicable to the Merger or any of the other transactions contemplated by the Merger Agreement, each of the Company, AMS and Merger Sub and their respective boards of directors shall grant such approvals and take such actions as are necessary so that the transactions contemplated by the Merger Agreement may be consummated as promptly as practicable on the terms contemplated by the Merger Agreement and will otherwise act to eliminate or minimize the effects of any such provision, statute or regulation on the Merger.

Retirement Plan Termination

The Company shall, effective no later than one Business Day prior to the Closing Date, terminate the PharmChem, Inc. 401(k) Plan pursuant to a consent executed by the Company Board, which consent shall be reasonably acceptable to AMS.

Conditions to the Merger

The respective obligations of the Company, AMS and Merger Sub to consummate the Merger are subject to the satisfaction or waiver at or before the Effective Time of the following conditions:

- the Merger Agreement must have been duly approved by the Company’s stockholders; and
- No governmental authority may have enacted, entered or enforced any order or law that is in effect and enjoins or makes unlawful the consummation of the Merger; and

Our obligation to consummate the Merger is subject to the satisfaction or waiver at or before the Effective Time of the following conditions:

- the representations and warranties of AMS and Merger Sub in the Merger Agreement (except for those set forth in the first sentence of the “Organization, Standing and Power," "Authority; Execution and Delivery; Enforceability," and "Brokers' Fees and Expenses" sections of the Merger Agreement) must have been true and correct (without giving effect to any limitation as to “materiality” or material adverse effects of AMS) at and as of the date of the Merger Agreement and at and as of the closing date of the Merger as if made at and as of such time (except to the extent expressly made as of an earlier date, in which case as of such earlier date), except where the failure of such representations and warranties to be true and (without giving effect to any limitation as to “materiality” or material adverse effects of AMS), individually or in the aggregate, has not had and would not reasonably be expected to have a material adverse effect on AMS, and (ii) the representations and warranties of AMS and Merger Sub in the first sentence of the “Organization, Standing and Power section," "Authority; Execution and Delivery; Enforceability," and "Brokers' Fees and Expenses" sections of the Merger Agreement must be true and correct in all material respects at and as of the date of the Merger Agreement and at and as of the closing date of the Merger as if made at and as of such time (except to the extent expressly made as of an earlier date, in which case as of such earlier date);

- AMS and Merger Sub must have performed in all material respects all obligations to be performed by them under the Merger Agreement at or before the Effective Time; and

- we must have received a certificate signed by a duly authorized officer of AMS certifying that all of the above conditions have been satisfied.

The obligations of AMS and Merger Sub to consummate the Merger are also subject to the satisfaction or waiver at or before the Effective Time of the following conditions:

- (i) our representations and warranties set forth in the Merger Agreement in the “No Conflicts; Consents," "Financial Statements," "Information Supplied," "Absence of Certain Changes or Events (excluding the first sentence)," "Taxes," "Employee Benefits," "Litigation," "Compliance with Applicable Laws," "Environmental Matters," "Contracts," "Government Contracts," "International Trade," "Anti-Corruption," "Properties," "Intellectual Property; Data Privacy," "Labor Matters," "Product Warranty and Liability," "Customers and Vendors," "Insurance," and "Regulatory Matters," sections must be true and correct as of the date of the Merger Agreement and as of the closing date of the Merger, except where the failure of such representations and warranties to be true and correct (without giving effect to any limitation as to “materiality” or “Company Material Adverse Effect” as defined in the Merger Agreement), individually or in the aggregate, has not had and would not reasonably be expected to have a Company Material Adverse Effect, and (ii) our representations and warranties set forth in the Merger Agreement in the "Organization, Standing and Power," "Company Subsidiaries," "Capital Structure subsection (b)," "Capital Structure subsection (c)," "Authority; Execution and Delivery; Enforceability," "Anti-Takeover Provisions," "Brokers' Fees and Expenses," and "Related Party Transactions," section must be true and correct in all respects as of the date of the Merger Agreement and as of the closing date of the Merger as though made as of the that time (except to the extent expressly made as of an earlier date, in which case as of such earlier date); and (iii) the representations and warranties of the Company contained in "Capital Structure subsection (c)," and "Absence of Certain Changes or Events (the first sentence)," shall be true and correct in all respects at and as of the date of the Merger Agreement and at and as of the closing date of the Merger Agreement as if made at and as of such time (except to the extent expressly made as of an earlier date, in which case as of such earlier date);

- we have performed or complied in all material respects with all obligations required to be performed or complied with by us under the Merger Agreement (other than the obligations set forth in the section titled “Payoff Indebtedness”) at or before the Closing Date;

- there must not have occurred any circumstance, occurrence, effect, change, event or development that, individually or in the aggregate, has had or would reasonably be expected to have a material adverse effect on the Company;

- AMS must have received a certificate signed by an officer of the Company certifying that the three above conditions have been satisfied; and

- Dissenting shares shall represent no more than 5 (five) percent of the issued and outstanding shares of the Company Common Stock.

Termination

We and AMS may, by mutual written consent, terminate the Merger Agreement and abandon the Merger at any time before the Effective Time, notwithstanding any approval of the Merger Agreement by our stockholders (except with respect to a termination in connection with a superior proposal).

The Merger Agreement may also be terminated and the Merger abandoned at any time before the Effective Time as follows:

- by either AMS or the Company, if:
    - the Merger has not been consummated by September 15, 2025; provided that the terminating party has not breached any provision of the Merger Agreement in any manner that resulted in the failure of the Merger to be consummated by such date;
    - any governmental entity has enacted, entered or enforced any order or law preventing, enjoining, prohibiting or making illegal the consummation of the Merger, which order or law has become final and non-appealable, provided that the terminating party has not breached or failed to perform any obligation under the Merger Agreement that was the primary factor resulting in the issuance of such order or law; or
    - our stockholders do not approve and adopt the Merger Agreement and the transactions contemplated thereby, including the Merger, at the stockholders meeting or at any adjournment or postponement of the stockholders meeting.
- by the Company, if:
    - there has been a breach of any representation, warranty, covenant or agreement made by AMS or Merger Sub in the Merger Agreement that would cause the conditions to the consummation of the Merger not to be satisfied and (i) such violation or breach has not been waived by the Company; (ii) the Company has provided written notice to AMS of such violation or breach; and (iii) such violation or breach cannot be cured by the end date or has not been cured by AMS within 30 days of receipt of such written notice; provided that the Company is not then in breach of the Merger Agreement; or
    - before our stockholders approving and adopting the Merger Agreement and the transactions contemplated thereby, including the Merger, the Company has paid the Company Termination Fee in order to enter into a definitive written agreement providing for a Superior Proposal, provided that the Company is not then in breach of the Merger Agreement in any material respect.
- by AMS, if:
    - there has been a breach of any representation, warranty, covenant or agreement made by the Company in the Merger Agreement that would cause the conditions to the consummation of the Merger not to be satisfied and (i) such violation or breach has not been waived by AMS; (ii) AMS has provided written notice to the Company of such violation or breach; and (iii) such violation or breach cannot be cured by the end date or has not been cured by the Company within 30 days of receipt of such written notice; provided that AMS and Merger Sub are not then in breach of the Merger Agreement in any material respect; or
    - at any time before, but not after, Company stockholder approval has been obtained, (i) the Company Board has made and not withdrawn an adverse change of the Company Board recommendation that stockholders approve the Merger Agreement and the Merger, (ii) the Company fails to include the Company Recommendation in the Information Statement, or (iii)

the Company Board fails to publicly reaffirm the Company Recommendation or fails to publicly recommend against any Alternative Proposal within five business days of receiving a request to do so from AMS, or (iv) there has been a willful breach by the Company of its obligations to hold a meeting of stockholders to approve the transaction or to prepare the Information Statement or the restriction on solicitation of other acquisition proposals.

Termination Fee

A termination fee of $1,375,000.00 would be payable by us to AMS in the event the Merger Agreement is terminated:

- by the Company because the Company Board has determined to enter into an alternative acquisition agreement with respect to a superior proposal in compliance with the terms of the Merger Agreement;

- by AMS because (i) the Company Board has made and not withdrawn an adverse change of the Company Board recommendation that stockholders approve the Merger Agreement and the Merger, or (ii) the Company fails to include the Company Recommendation in the Information Statement, or (iii) the Company Board fails to publicly reaffirm the Company Recommendation or fails to publicly recommend against any Alternative Proposal within five business days of receiving a request to do so from AMS, or (iv) there has been a willful breach by the Company of its obligations to hold a meeting of stockholders to approve the transaction or to prepare the Information Statement or the restriction on solicitation of other acquisition proposals;

- if an alternative proposal is made by a third party to the Company or the Company Board (whether or not withdrawn) or has been made directly to the Company's stockholders generally by a third party (whether or not withdrawn), and, following such proposal, the Merger Agreement is terminated by (i) either AMS or Company for (a) failure to complete the transaction by September 15, 2025, or (b) failure to obtain the approval of our stockholders to the Merger Agreement and the transactions contemplated thereby, including the Merger, or (ii) by AMS if the event of a breach of the Merger Agreement by us, and, within 12 months after termination, the Company enters into an agreement for, or consummates certain transactions contemplated by, an acquisition proposal for 50% or more of the Company's common stock, or assets representing 50% or more of the Company's consolidated revenues, net income or assets.

Fees and Expenses

All fees and expenses incurred in connection with the Merger Agreement and the transactions contemplated by the Merger Agreement will be paid by the party incurring such fees and expenses, whether or not such transactions are consummated. AMS will pay the fees for the paying agent.

Remedies

In the event the termination fee becomes payable, and is paid, by the Company, such termination fee will be the sole and exclusive remedy for monetary damages to which AMS and Merger Sub will be entitled. In no event will the Company be required to pay the Termination Fee more than once.

Modification or Amendment; Waiver

Subject to applicable law and the terms of the Merger Agreement, the parties to the Merger Agreement may amend or modify any provision of the Merger Agreement by a writing executed by such parties, except that after the Company obtains stockholder approval of the Merger Agreement, there may not be any amendment or modification that would require additional stockholder approval without such approval first having been obtained. No amendment may be submitted to the Company's stockholders unless required by applicable law. The conditions to the obligations of AMS, Merger Sub and the Company to consummate the Merger may be waived in whole or in part by a writing executed by the party against whom the waiver is to be effective.

Governing Law and Jurisdiction

The Merger Agreement and its enforcement will be governed by the laws of the State of Delaware without regard to conflicts of law provisions thereof. Any disputes arising out of or relating to the Merger Agreement must be brought in the state or federal courts of the State of Delaware.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

This proxy statement contains forward-looking statements. All statements, other than statements of historical facts, including statements concerning the Company's plans, objectives, goals, beliefs, strategy and strategic objectives, future events, business conditions, results of operations, financial position, business outlook, business trends and other information, as well as statements related to the expected timing, completion, financial benefits, and other effects of the proposed Merger, may be forward-looking statements. These statements are based on current expectations of future events and may include words such as "anticipate," "estimate," "plan," "project," "continuing," "ongoing," "expect," "believe," "intend," "may," "will," "should," "could," and similar expressions. Such statements are based on current plans, estimates, expectations and assumptions and involve a number of known and unknown economic, business, competitive, technological, and/or regulatory risks, uncertainties and other factors that could cause the Company's future results, performance or achievements to differ significantly from the results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements represent management's beliefs, based upon information available at the time the statements are made, with regard to the matters addressed; they are not guarantees of future performance. Actual results may prove to be materially different from the results expressed or implied by the forward-looking statements. Risks and uncertainties include, but are not limited to:

- the risk that the proposed Merger may not be completed in a timely manner or at all, which may adversely affect the Company's business and the price of its shares of Company Common Stock;
- the failure to satisfy the conditions to the consummation of the proposed Merger, including the adoption of the Merger Agreement by the stockholders of the Company;
- the occurrence of any event, change or other circumstance that could give rise to the termination of the Merger Agreement;
- the effect of the announcement or pendency of the proposed Merger on the Company's business relationships, operating results and business generally;
- the risk that the proposed Merger disrupts the Company's current plans and operations and potential difficulties in the Company's employee retention as a result of the proposed Merger;
- the risk of litigation related to the proposed Merger or unfavorable results from currently pending litigation and proceedings or litigation and proceedings that could arise in the future;
- the risk that the proposed Merger and its announcement could have an adverse effect on the ability of the Company to retain and hire key personnel and to maintain relationships with customers, vendors, employees, stockholders and other business partners and on its operating results and business generally;
- the risk that the Company's business will be adversely impacted during the pendency of the acquisition;
- significant transaction costs;
- risks related to disruption of management attention from ongoing business operations due to the proposed Merger; and
- increasing interest rates and any deterioration of the global business and economic environment.

The foregoing list of risk factors is not exhaustive. Although the Company believes that the forward-looking statements included in this proxy statement are based upon reasonable assumptions, it cannot guarantee future results, events, levels of activity, performance or achievements. Forward-looking statements speak only as of the date on which they are made, and the Company undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as otherwise required by law. You are cautioned not to place undue reliance on these forward-looking statements.

PARTIES TO THE MERGER

The Company

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Fort Worth, TX 76118
Telephone: 817-591-4100

The Company sells and distributes the PharmChek® Sweat Patch Device (the "Sweat Patch" or "PharmChek®"). PharmChek® is a system that uses sweat to detect the presence of illegal drugs. It consists of a transparent polyurethane outer covering, a small absorbent pad, and a release liner. A unique number is printed on the Sweat Patch for identification and anti-counterfeiting purposes. Unlike urinalysis, flushing or employing a diuretic to rid the body of drugs of abuse does not affect PharmChek® test results, since the drugs in the sweat simply collect on the absorption pad until the pad is removed for analysis. The Company's principal executive office is 2411 E. Loop 820 N., Fort Worth, TX 76118 and the telephone number of the principal executive office is 817-591-4100. The Company's shares of Common Stock are traded on the OTCID tier of the OTC Markets under the trading symbol "PCHM."

AMS

Alcohol Monitoring Systems, Inc.
6251 Greenwood Plaza Blvd.
Suite 300
Greenwood Village, CO 80111
Attention: Joe Sovcik

AMS was incorporated in Delaware in 2002. AMS is a provider of electronic monitoring solutions sold to state and local criminal justice agencies to monitor and manage alcohol and criminal offenders. AMS's principal executive office is 6251 Greenwood Plaza Blvd. Suite 300 Greenwood Village, CO 80111. AMS's common stock is not publicly traded.

Merger Sub

SCRAM Merger Sub, Inc.
c/o Alcohol Monitoring Systems, Inc.
6251 Greenwood Plaza Blvd.
Suite 300
Greenwood Village, CO 80111
Attention: Joe Sovcik

Merger Sub. Merger Sub is a direct, wholly owned subsidiary of AMS and was incorporated in Delaware solely for the purpose of completing the Merger and has conducted no business activities other than those related to the structuring and negotiation of the Merger. The principal executive office of Merger Sub is 6251 Greenwood Plaza Blvd. Suite 300 Greenwood Village, CO 80111.

THE SPECIAL MEETING

Date, Time and Place

This proxy statement is being furnished to our stockholders as part of the solicitation of proxies by the Company Board for use at the Special Meeting to be held on August 27, 2025. The meeting will be held in person at our corporate offices, 2411 E. Loop 820 N., Fort Worth, TX 76118 at 10:00 CDT. We will not provide for attendance virtually at the meeting, but as a courtesy to our stockholders we will stream the meeting live online via Microsoft Teams. If you would like to view the meeting online, please contact Shana Veale, CFO, at sveale@pharmchem.com for the Microsoft Teams link.

Purpose of the Special Meeting

At the Special Meeting, holders of shares of Company Common Stock entitled to vote at the Special Meeting will be asked to approve:

- the Merger Agreement Proposal; and
- the Adjournment Proposal.

Our stockholders must approve the Merger Agreement Proposal in order for the Merger to occur. If our stockholders fail to approve the Merger Agreement Proposal, the Merger will not occur. Approval of the Adjournment Proposal in not a condition to completion of the Merger. A copy of the Merger Agreement is attached as Annex A to this proxy statement. We encourage you to read the Merger Agreement carefully in its entirety.

The vote on the Adjournment Proposal is separate and apart from the Merger Agreement Proposal. Accordingly, a stockholder may vote in favor of the Adjournment Proposal and vote not to approve the Merger Agreement Proposal (and vice versa).

Recommendation of the Company Board

Based on the unanimous recommendation of the Board, the Company Board recommends that you vote:

- "**FOR**" the Merger Agreement Proposal; and
- "**FOR**" the Adjournment Proposal.

You should read *"Special Factors — Purpose and Reasons of the Company for the Merger; Recommendation of the Company Board; Fairness of the Merger"* for a discussion of the factors that the Company Board considered in deciding to recommend the approval of the Merger Agreement. See also *"Special Factors — Interests of Executive Officers and Directors of the Company in the Merger."*

Record Date and Quorum

We have fixed July 25, 2025 as the Record Date for the Special Meeting, and only record holders of shares of Company Common Stock as of the close of business on the Record Date are entitled to notice of, and to attend and vote at, the Special Meeting or any adjournment or postponement thereof. You are entitled to receive notice of, and to attend and vote at, the Special Meeting if you are a record holder of the shares of Company Common Stock at the close of business on the Record Date.

Each record holder of Company Common Stock is entitled to one vote for each outstanding share of Company Common Stock owned of record on the Record Date. As of the Record Date, there were 4,621,187 shares of Company Common Stock entitled to vote at the Special Meeting.

The holders of a majority of the outstanding shares of Company Common Stock as of the Record Date must be present at the Special Meeting, attending the Special Meeting in person or represented by proxy, in order to constitute a quorum, for the purposes of holding the Special Meeting and conducting business.

The shares of Company Common Stock entitled to vote at and represented at the Special Meeting, that are not voted, including the shares of Company Common Stock for which a stockholder directs an abstention from voting, if any, will be counted for purposes of establishing a quorum. Once a share of Company Common Stock entitled to vote at the Special Meeting is represented at the Special Meeting, it will be counted for the purpose of determining a quorum at the Special Meeting and any adjournment of the Special Meeting. However, if a new record date is set for the adjourned Special Meeting, a new quorum will have to be established. If a quorum is not present at the Special Meeting, the stockholders who are present or represented by proxy may be asked to vote as to whether the Special Meeting will be adjourned to another time and/or place.

Vote Required

The approval of the Merger Agreement Proposal requires the affirmative vote of the holders of at least a majority of the voting power of the outstanding shares of Company Common Stock entitled to vote, in accordance with the DGCL. For the Merger Agreement Proposal, you may vote "**FOR**," "**AGAINST**" or "**ABSTAIN**."

The approval of the Adjournment Proposal requires the affirmative vote of the holders of a majority of the voting power of the shares of Company Common Stock present or represented by proxy at the Special Meeting and entitled to vote thereat. For the Adjournment Proposal, you may vote "**FOR**," "**AGAINST**" or "**ABSTAIN**."

Each record holder of Company Common Stock is entitled to one vote for each outstanding share of Company Common Stock owned of record on the Record Date.

Voting Intentions of the Company's Directors and Executive Officers

Our directors and executive officers have informed us that, as of the date of this proxy statement, they intend to vote all of the shares of Company Common Stock owned directly by them "**FOR**" the Merger Agreement Proposal and "**FOR**" the Adjournment Proposal.

As of the Record Date, the directors and executive officers of the Company (Tim Eriksen, Thompson Clark, James Ford, Kerri Wagner, and Shana Veale), as a group, owned and were entitled to vote 1,683,598 shares of Company Common Stock, or approximately 36% of the total voting power of the outstanding shares of Company Common Stock. The Company expects that these directors and executive officers will vote their shares in favor of the Merger Agreement Proposal and each of the other proposals described in this proxy statement, pursuant to the terms of the Voting Agreement. See the section titled *"Special Factors — The Voting and Support Agreement."* For purposes of clarity, the shares of Company Common Stock owned and entitled to be voted by all directors and executive officers will be included in determining whether the Merger Agreement has been approved by the affirmative vote of the holders of at least a majority of the voting power of the outstanding shares of Company Common Stock entitled to vote in accordance with the DGCL. A copy of the Voting Agreement is attached as Annex B to this proxy statement.

Voting

Stockholders of Record

If your shares of Company Common Stock are registered directly in your name with our transfer agent, Transfer Online, Inc., you are considered, with respect to those shares of Company Common Stock, the stockholder of record or record holder. This proxy statement and proxy card have been sent directly to you by the Company. As the stockholder of record, you have the right to grant your voting proxy directly to us (or another proxyholder) or to vote in person at the Special Meeting. If you have requested printed proxy materials, we have enclosed a proxy card for you to use.

If you do not attend the Special Meeting and fail to vote, either electronically or by proxy, your shares of Company Common Stock will not be voted at the Special Meeting, and will not be counted for purposes of determining whether a quorum exists.

Additionally, if you do not attend the Special Meeting and fail to vote, either electronically or by proxy, your failure to vote will have (a) the effect of counting "**AGAINST**" the Merger Agreement Proposal with respect to the approval threshold requiring the affirmative vote of the holders of at least a majority of the voting power of the

outstanding shares of Company Common Stock entitled to vote in accordance with the DGCL, and (b) no effect on the Adjournment Proposal.

Beneficial Owners

If your shares of Company Common Stock are held through a broker, bank or other nominee, you are considered the beneficial owner of those shares of Company Common Stock held in "street name." In that case, this proxy statement has been forwarded to you by your broker, bank or other nominee who is considered, with respect to those shares of Company Common Stock, the stockholder of record. As the beneficial owner, you have the right to direct your broker, bank or other nominee as to how to vote your shares of Company Common Stock by following their instructions for voting. You are also invited to attend the Special Meeting. However, since you are not the stockholder of record, you may not vote these shares of Company Common Stock in person at the Special Meeting unless you submit a legal proxy from your broker, bank or other nominee.

Your broker, bank or other nominee will only be permitted to vote your shares of Company Common Stock if you instruct your broker, bank or other nominee as to how to vote. You should follow the instructions provided by your broker, bank or other nominee regarding the voting of your shares of Company Common Stock. Absent your instructions, a broker, bank or other nominee does not have discretionary authority to vote on "non-routine" matters and all of the matters to be considered at the Special Meeting are "non-routine." As a result, absent specific instructions from the beneficial owner of such shares of Company Common Stock, your broker, bank or other nominee is not empowered to vote such shares of Company Common Stock.

If you instruct your broker, bank or other nominee how to vote on at least one, but not all, of the proposals to be considered at the Special Meeting, your shares of Company Common Stock will be voted according to your instructions on those proposals for which you have provided instructions and will be counted as present for purposes of determining whether a quorum is present at the Special Meeting. If you hold shares beneficially in "street name" and do not provide your broker, bank or other nominee with voting instructions, your shares may constitute "broker non-votes." Broker non-votes occur on a matter when banks, brokers and other nominees are not permitted to vote on certain non-discretionary matters without instructions from the beneficial owner and instructions are not given. These matters are referred to as "non-routine" matters. Each of the Merger Agreement Proposal and the Adjournment Proposal are anticipated to be non-routine matters. Because there are no routine matters to be considered at the Special Meeting, banks, brokers or other nominees do not have discretionary authority to vote on any proposals at the Special Meeting.

A failure to provide instructions with respect to any of the proposals, and a broker non-vote with respect to the following proposals, will have (a) the effect of a vote "**AGAINST**" the Merger Agreement Proposal with respect to the approval threshold requiring the affirmative vote of the holders of at least a majority of the voting power of the outstanding shares of Company Common Stock entitled to vote in accordance with the DGCL and (b) no effect on the Adjournment Proposal.

Abstentions

An abstention will have the same effect as a vote cast "**AGAINST**" the Merger Agreement Proposal and the Adjournment Proposal but will count for the purpose of determining if a quorum is present at the Special Meeting.

How to Vote

Your vote is important. You may submit a proxy to vote via the Internet, by telephone, by mail or by attending the Special Meeting and voting in person, all as described below. The control number located on your proxy card is designed to verify your identity and allow you to submit a proxy for your shares of Company Common Stock, and to confirm that your voting instructions have been properly recorded when submitting a proxy over the Internet or by telephone. If you requested printed materials and choose to submit a proxy by telephone or via the Internet, you do not need to return your proxy card or voting instruction form. If you are a stockholder of record, telephone and Internet facilities for proxy submission are available now and will be available twenty-four (24) hours a day until 11:59 p.m., on August 26, 2025. If you are the beneficial owner of shares of Company Common Stock held in "street name," your broker, bank or other nominee will provide instructions as to whether you may submit your voting instructions via the Internet or by telephone and any applicable deadlines.

The Internet. If you are a stockholder of record, you may submit your proxy via the Internet by following the instructions provided set forth on the enclosed proxy card. If, as of the Record Date, you are the beneficial owner of shares of Company Common Stock held in "street name" by your broker, bank or other nominee, you will need to go to the website provided on the enclosed voting instruction form. Have your proxy card or voting instruction form in hand when you access the voting website. On the Internet site for submitting your instructions, you can confirm that your instructions have been properly recorded.

Telephone. If you are a stockholder of record, you can also submit a proxy to vote your shares by following the instructions set forth on your enclosed proxy card. If, as of the Record Date, you are the beneficial owner of shares of Company Common Stock held in "street name" by your broker, bank or other nominee, you can cause your shares to be voted by telephone by dialing the number specified on your enclosed voting instruction form. Voice prompts will allow you to vote your shares of Company Common Stock and confirm that your instructions have been properly recorded. Have your proxy card or voting instruction form in hand when you call.

Mail. If you are a stockholder of record or if, as of the Record Date, you are the beneficial owner of shares of Company Common Stock held in "street name" by your broker, bank or other nominee, and you have requested printed proxy materials, you may choose to submit a proxy or voting instructions to vote your shares by mail, by marking your enclosed proxy card or voting instruction form, dating and signing it, and returning it in the accompanying prepaid reply envelope. If the envelope is missing and you are the beneficial owner of shares of Company Common Stock held in "street name" by your broker, bank or other nominee, please mail your completed voting instruction form to the address specified therein. Please allow sufficient time for mailing if you decide to vote by mail.

Voting at the Special Meeting. If you are a stockholder of record you may vote by attending the Special Meeting and casting your vote in person. The method or timing of your vote by proxy will not limit your right to vote at the Special Meeting if you attend the Special Meeting and vote in person. If, as of the Record Date, you are the beneficial owner of shares of Company Common Stock held in "street name" by your broker, bank or other nominee, and you wish to vote in person at the Special Meeting, you will need to provide proof of ownership, such as a recent account statement or letter from your broker, bank or other nominee, along with proper identification. Please note that if you are a beneficial owner and wish to vote in person at the Special Meeting, you must have a legal proxy from your broker, bank or other nominee naming you as the proxy. You should allow yourself enough time before the Special Meeting to obtain this proxy from the holder of record.

The shares of Company Common Stock for which proxies are received electronically, telephonically, or by proxy card properly marked, dated, signed and not revoked, will be voted at the Special Meeting.

If, as of the Record Date, you are the beneficial owner of shares of Company Common Stock held in "street name" by your broker, bank or other nominee, you will receive instructions from your broker, bank or other nominee that you must follow in order to have your shares of Company Common Stock voted. Those instructions will identify which of the above choices are available to you in order to have your shares of Company Common Stock voted.

The control number located on your proxy card is designed to verify your identity and allow you to submit a proxy for your shares of Company Common Stock, and to confirm that your voting instructions have been properly recorded when submitting a proxy over the Internet or by telephone.

Please refer to the instructions on your proxy card or voting instruction form to determine the deadlines for submitting a proxy over the Internet or by telephone. If you choose to submit your proxy by mailing a proxy card, your proxy card must be received by our Corporate Secretary by the time the Special Meeting begins.

If you vote by proxy, regardless of the method you choose to submit a proxy, the individuals named on the enclosed proxy card, and each of them, with full power of substitution will vote your shares of Company Common Stock in the way that you indicate. When completing the Internet or telephone proxy processes or the proxy card, you may specify whether your shares of Company Common Stock should be voted "**FOR**" or "**AGAINST**," or to "**ABSTAIN**" from voting on, all, some or none of the specific items of business to come before the Special Meeting.

If you properly sign your proxy card but do not mark the boxes indicating how your shares of Company Common Stock should be voted on a matter, the shares of Company Common Stock represented by your properly signed proxy will be voted "**FOR**" the Merger Agreement Proposal and "**FOR**" the Adjournment Proposal.

If you have any questions or need assistance voting your shares of Company Common Stock, please contact our Corporate Secretary, Shana Veale, at (817) 591-4302.

IT IS IMPORTANT THAT YOU SUBMIT A PROXY FOR YOUR SHARES PROMPTLY. WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, AS PROMPTLY AS POSSIBLE, PLEASE COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY CARD IN THE ACCOMPANYING PREPAID REPLY ENVELOPE OR SUBMIT YOUR PROXY OVER THE INTERNET OR BY TELEPHONE BY FOLLOWING THE INSTRUCTIONS SET FORTH ON THE ENCLOSED PROXY CARD. STOCKHOLDERS WHO ATTEND THE SPECIAL MEETING MAY REVOKE THEIR PROXIES AND VOTE AT THE SPECIAL MEETING.

Proxies and Revocation

Any stockholder of record entitled to vote at the Special Meeting may submit a proxy over the Internet, by telephone or by returning the enclosed proxy card in the accompanying prepaid reply envelope or may vote in person by attending the Special Meeting and casting your vote. If, as of the Record Date, you are the beneficial owner of shares of Company Common Stock held in "street name" by your broker, bank or other nominee, you should instruct your broker, bank or other nominee on how to vote your shares of Company Common Stock using the instructions provided by your broker, bank or other nominee. If you fail to submit a proxy or to vote in person at the Special Meeting, or you do not provide your broker, bank or other nominee with instructions, as applicable, your shares of Company Common Stock will not be voted at the Special Meeting, which will have the same effect as a vote cast "**AGAINST**" the Merger Agreement Proposal and no effect on the Adjournment Proposal.

You have the right to revoke a proxy, whether delivered over the Internet, by telephone or by mail, at any time before it is exercised, by (1) submitting another proxy, including a proxy card, at a later date by telephone or on the Internet or by timely delivery of a validly executed, later-dated proxy, (2) giving written notice of revocation to our Corporate Secretary, which must be filed with our Corporate Secretary before the Special Meeting begins, or (3) attending the Special Meeting and voting in person. If, as of the Record Date, you are the beneficial owner of shares of Company Common Stock held in "street name" by your broker, bank or other nominee, please refer to the information forwarded by your broker, bank or other nominee for procedures on revoking your proxy.

Only your last submitted proxy with respect to any shares will be considered. Please cast your vote "**FOR**" each of the proposals, following the instructions in your proxy card or voting instruction form provided by your broker, bank or other nominee, as promptly as possible.

Adjournments and Postponements

Any adjournment of the Special Meeting may be made from time to time by the affirmative vote of the holders of a majority of the voting power of the shares of Company Common Stock present or represented by proxy at the Special Meeting, regardless of whether a quorum is present, without further notice other than by an announcement made at the Special Meeting. If a quorum is not present at the Special Meeting, or if a quorum is present at the Special Meeting but there are not sufficient votes at the time of the Special Meeting to approve the Merger Agreement Proposal, then our stockholders may be asked to vote on a proposal to approve one or more proposals to adjourn the Special Meeting, including adjournments to solicit additional proxies if there are insufficient votes at the time of the Special Meeting to adopt the Merger Agreement Proposal (as further described in "*Adjournment of the Special Meeting (The Adjournment Proposal — Proposal 2*)"). Any adjournment of the Special Meeting for the purpose of soliciting additional proxies with respect to any such proposal will allow our stockholders who have already sent in their proxies to revoke them at any time with respect to such proposal before their use at the reconvened Special Meeting.

Each record holder of Company Common Stock is entitled to one vote for each outstanding share of Company Common Stock owned of record on the Record Date.

Anticipated Date of Completion of the Merger

We are working to complete the Merger as promptly as practicable. Assuming timely satisfaction of necessary closing conditions, we anticipate that the Merger will be completed by the end of 2025. If our stockholders vote to approve the Merger Agreement Proposal, the Merger will become effective as promptly as practicable following the

satisfaction or waiver of the other conditions to the Merger as set forth in the Merger Agreement, and in any event, at the Effective Time.

Appraisal Rights

If the Merger is consummated, stockholders who continuously hold shares of Company Common Stock from the date of making the demand described below through the effective date of the Merger, who do not vote such shares of Company Common Stock in favor of the adoption of the Merger Agreement and who properly demand appraisal of such shares of Company Common Stock and who do not effectively withdraw their demands or otherwise lose their rights of appraisal will be entitled to seek appraisal of such shares of Company Common Stock in connection with the Merger under Section 262 of the DGCL ("Section 262"). The following discussion is not a complete statement of the law pertaining to appraisal rights under the DGCL and is qualified in its entirety by the full text of Section 262, which is attached to this proxy statement as Annex C and is incorporated by reference in this proxy statement in its entirety. The following summary does not constitute any legal or other advice and does not constitute a recommendation that stockholders exercise their appraisal rights under Section 262. All references in Section 262 and in this summary to a "stockholder" are to the record holder of shares of Company Common Stock unless otherwise expressly noted therein or herein. Only a holder of record of shares of Company Common Stock is entitled to demand appraisal of such shares of Company Common Stock registered in that holder's name. A person having a beneficial interest in shares of Company Common Stock held of record in the name of another person, such as a broker, bank or other nominee, must act promptly to cause the record holder to make a demand for appraisal and follow the steps set forth in Section 262 (and summarized below) properly and in a timely manner to perfect appraisal rights. If you hold your shares of Company Common Stock through a broker, bank or other nominee and you wish to exercise appraisal rights, you should consult with such broker, bank or other nominee.

Under Section 262, if the Merger is completed, holders of shares of Company Common Stock who: (i) submit a written demand for appraisal to the Company before the vote is taken on the adoption of the Merger Agreement; (ii) do not submit a proxy with respect to, or otherwise vote, the shares of Company Common Stock for which such holders seek appraisal in favor of the proposal to adopt the Merger Agreement; (iii) continue to hold such shares of Company Common Stock of record on and from the date of the making of the demand through the effective date of the Merger; and (iv) comply with all other procedures for exercising appraisal rights under Section 262 of the DGCL may be entitled to have such shares of Company Common Stock appraised by the Delaware Court of Chancery and to receive payment in cash of the "fair value" of such shares of Company Common Stock, exclusive of any element of value arising from the accomplishment or expectation of the Merger, together with interest to be paid on the amount determined to be fair value, if any, as determined by the court. Unless the Delaware Court of Chancery, in its discretion, determines otherwise for good cause shown, interest on an appraisal award will accrue and compound quarterly from the effective date of the Merger through the date the judgment is paid at 5% over the Federal Reserve discount rate (including any surcharge) as established from time to time during such period. However, at any time before the Delaware Court of Chancery enters judgment in the appraisal proceedings, the Surviving Corporation may voluntarily pay to each stockholder entitled to appraisal an amount in cash pursuant to subsection (h) of Section 262, in which case such interest will accrue after the time of such payment only on an amount that equals the difference, if any, between the amount so paid and the "fair value" of the shares of Company Common Stock as determined by the Delaware Court of Chancery, in addition to any interest accrued before the time of such voluntary cash payment, unless paid at such time. The Surviving Corporation is under no obligation to make such voluntary cash payment before such entry of judgment.

Under Section 262, where a merger agreement is to be submitted for adoption at a meeting of stockholders, the corporation, not less than twenty (20) days before the meeting, must notify each of its stockholders who was such on the record date for notice of such meeting with respect to shares for which appraisal rights are available that appraisal rights are available and include in the notice a copy of Section 262.

This proxy statement constitutes the Company's notice to stockholders that appraisal rights are available in connection with the Merger, and the full text of Section 262 is attached to this proxy statement as Annex C, in compliance with the requirements of Section 262. In connection with the Merger, any holder of shares of Company Common Stock who wishes to exercise appraisal rights, or who wishes to preserve such holder's right to do so, should review Annex C carefully. Failure to comply with the requirements of Section 262 in a timely and proper manner may result in the loss of appraisal rights under the DGCL. A stockholder who loses his, her, its or their appraisal rights will be entitled to receive the Per Share Merger Consideration described in the Merger Agreement, without interest thereon. Moreover, because of the complexity of the procedures for exercising the right to seek appraisal of

any shares of Company Common Stock, the Company believes that if a stockholder considers exercising such rights, that stockholder should seek the advice of legal counsel. To the extent there are any inconsistencies between the summary of Section 262 contained herein and Section 262, Section 262 will govern.

Stockholders wishing to exercise the right to seek an appraisal of their shares of Company Common Stock must do ALL of the following:

- NOT vote the shares of Company Common Stock for which appraisal is sought in favor of the proposal to adopt the Merger Agreement;

- deliver to the Company a written demand for appraisal of such shares of Company Common Stock before the vote on the Merger Agreement at the Special Meeting, which written demand must reasonably inform the Company of the identity of the stockholder who intends to demand appraisal of his, her, its or their shares of Company Common Stock and that such stockholder intends thereby to demand appraisal of such shares of Company Common Stock;

- continuously hold such shares of Company Common Stock on and from the date of making the demand through the effective date of the Merger (a stockholder will lose appraisal rights with respect to any shares the stockholder transfers before the Effective Time and after delivering a written demand for appraisal); and

- otherwise comply with the applicable procedures and requirements set forth in Section 262.

In addition, a petition for appraisal rights must be filed in the Delaware Court of Chancery requesting a determination of the fair value of such shares of Company Common Stock within 120 days after the effective date of the Merger. This may be undertaken by any stockholder (or any person who is the beneficial owner of shares of Company Common Stock held either in a voting trust or by a broker, bank or other nominee on behalf of such person) who has complied with the foregoing requirements and who is otherwise entitled to appraisal right or by the Surviving Corporation. The Surviving Corporation is under no obligation to file any petition and has no intention of doing so.

Because a proxy that does not contain voting instructions will, unless revoked, be voted in favor of the adoption of the Merger Agreement, a stockholder who votes by proxy and who wishes to exercise appraisal rights must vote against the adoption of the Merger Agreement or abstain from voting.

Written Demand

Any holder of shares of Company Common Stock wishing to exercise appraisal rights must deliver to the Company, before the vote on the adoption of the Merger Agreement at the Special Meeting at which the proposal to adopt the Merger Agreement will be submitted to stockholders, a written demand for the appraisal of the stockholder's shares of Company Common Stock, and that stockholder must not vote such shares of Company Common Stock or submit a proxy for such shares of Company Common Stock in favor of the adoption of the Merger Agreement that is not revoked. A holder of shares of Company Common Stock exercising appraisal rights must hold of record the shares of Company Common Stock on the date the written demand for appraisal is made and must continue to hold the shares of Company Common Stock of record through the effective date of the Merger. A proxy that is submitted and does not contain voting instructions will, unless revoked, be voted in favor of the adoption of the Merger Agreement, and it will constitute a waiver of the stockholder's right of appraisal and will nullify any previously delivered written demand for appraisal.

Therefore, a stockholder who submits a proxy and who wishes to exercise appraisal rights for such stockholder's shares of Company Common Stock must submit a proxy containing instructions to vote against the adoption of the Merger Agreement or abstain from voting, with respect to such shares of Company Common Stock. Neither voting against the adoption of the Merger Agreement nor abstaining from voting or failing to vote on the proposal to adopt the Merger Agreement will, in and of itself, constitute a written demand for appraisal satisfying the requirements of Section 262. The written demand for appraisal must be in addition to and separate from any proxy or vote against the adoption of the Merger Agreement. A stockholder's failure to make the written demand before the taking of the vote on the adoption of the Merger Agreement at the Special Meeting will constitute a waiver of appraisal rights.

Only a holder of record of shares of Company Common Stock is entitled to demand appraisal rights for the shares of Company Common Stock registered in that holder's name. A demand for appraisal in respect of shares of Company Common Stock must be executed by or on behalf of the holder of record, and must reasonably inform the Company of the identity of the holder and state that the person intends thereby to demand appraisal of the holder's shares of Company Common Stock in connection with the Merger. If the shares of Company Common Stock are owned of record in a fiduciary or representative capacity, such as by a trustee, guardian or custodian, such demand must be executed by or on behalf of the record owner, and if the shares of Company Common Stock are owned of record by more than one person, as in a joint tenancy and tenancy in common, the demand must be executed by or on behalf of all joint owners. An authorized agent, including an authorized agent for two (2) or more joint owners, may execute a demand for appraisal on behalf of a holder of record; however, the agent must identify the record owner or owners and expressly disclose that, in executing the demand, the agent is acting as agent for the record owner or owners. A record holder such as a broker, bank or other nominee who holds shares of Company Common Stock as nominee for several beneficial owners may exercise appraisal rights with respect to the shares of Company Common Stock held for one or more beneficial owners, while not exercising appraisal rights for other beneficial owners. In such case, the written demand should set forth the number of shares of Company Common Stock as to which appraisal is sought, and where no number of shares of Company Common Stock is expressly mentioned it will be presumed to cover all shares of Company Common Stock held in the name of the record owner. If a stockholder holds shares of Company Common Stock through a broker who in turn holds the shares of Company Common Stock through a central securities depositary nominee such as Cede & Co., a demand for appraisal of such shares of Company Common Stock must be made by or on behalf of the depository nominee and must identify the depository nominee as the record holder.

STOCKHOLDERS WHO HOLD THEIR SHARES THROUGH A BROKER, BANK OR OTHER NOMINEE AND WHO WISH TO EXERCISE APPRAISAL RIGHTS SHOULD CONSULT WITH THEIR BROKER, BANK OR OTHER NOMINEE, AS APPLICABLE, TO DETERMINE THE APPROPRIATE PROCEDURES FOR THE BROKER, BANK OR OTHER NOMINEE TO MAKE A DEMAND FOR APPRAISAL OF THOSE SHARES. A PERSON HAVING A BENEFICIAL INTEREST IN SHARES HELD OF RECORD IN THE NAME OF ANOTHER PERSON, SUCH AS A BROKER, BANK OR OTHER NOMINEE, MUST ACT PROMPTLY TO CAUSE THE RECORD HOLDER TO FOLLOW PROPERLY AND IN A TIMELY MANNER THE STEPS NECESSARY TO PERFECT APPRAISAL RIGHTS.

All written demands for appraisal pursuant to Section 262 should be mailed or delivered to the Company at 2411 E. Loop 820 N., Fort Worth, TX 76118, and may not be submitted by electronic submission. Such written demand must be delivered to and received by the Company before the vote on the adoption of the Merger Agreement at the Special Meeting.

Any holder of shares of Company Common Stock who has delivered a written demand to the Company and who has not commenced an appraisal proceeding or joined that proceeding as a named party may withdraw his, her, its or their demand for appraisal and accept the consideration offered pursuant to the Merger Agreement by delivering to the Company a written withdrawal of the demand for appraisal. However, any such attempt to withdraw the demand made more than sixty (60) days after the effective date of the Merger will require written approval of the Surviving Corporation. no appraisal proceeding in the Delaware Court of Chancery will be dismissed as to any stockholder without the approval of the Delaware Court of Chancery, and such approval may be conditioned upon such terms as the Delaware Court of Chancery deems just; provided, however, that this shall not affect the right of any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party to withdraw such stockholder's demand for appraisal and to accept the Per Share Merger Consideration, without interest thereon, less any applicable withholding taxes, within sixty (60) days after the effective date of the Merger. If an appraisal proceeding is commenced and the Company, as the Surviving Corporation, does not approve a request to withdraw a demand for appraisal when that approval is required, or, except with respect to any stockholder who withdraws such stockholder's demand in accordance with the proviso in the immediately preceding sentence, if the Delaware Court of Chancery does not approve the dismissal of an appraisal proceeding with respect to a stockholder, the stockholder will be entitled to receive only the appraised value determined in any such appraisal proceeding, which value could be less than, equal to or more than the Per Share Merger Consideration being offered pursuant to the Merger Agreement.

Notice by the Surviving Corporation

If the Merger is completed, within ten days after the effective date of the Merger, the Surviving Corporation will notify each holder of shares of Company Common Stock who has properly made a written demand for appraisal pursuant to Section 262, and who has not voted in favor of the adoption of the Merger Agreement, that the Merger has become effective and the effective date thereof.

Filing a Petition for Appraisal

Within 120 days after the effective date of the Merger, the Surviving Corporation or any holder of shares of Company Common Stock who has complied with Section 262 and is otherwise entitled to seek appraisal under Section 262 (including for this purpose any beneficial owner of the relevant shares of Company Common Stock) may commence an appraisal proceeding by filing a petition in the Delaware Court of Chancery, with a copy served on the Surviving Corporation in the case of a petition filed by a stockholder (or beneficial owner), demanding a determination of the fair value of the shares of Company Common Stock held by all dissenting stockholders entitled to appraisal. The Surviving Corporation is under no obligation, and has no present intention, to file a petition, and stockholders should not assume that the Surviving Corporation will file a petition or initiate any negotiations with respect to the fair value of the shares of Company Common Stock. Accordingly, any holders of shares of Company Common Stock who desire to have their shares of Company Common Stock appraised should initiate all necessary action to perfect their appraisal rights in respect of their shares of Company Common Stock within the time and in the manner prescribed in Section 262. If no such petition is filed by the Surviving Corporation or a holder of shares of Company Common Stock who has demanded appraisal (or a beneficial owner of such shares) within the period specified in Section 262, appraisal rights will be lost as to all stockholders' previous written demand for appraisal.

Within 120 days after the effective date of the Merger, any holder of shares of Company Common Stock who has complied with the requirements of Section 262 and who is otherwise entitled to appraisal rights thereunder will be entitled, upon written request, to receive from the Surviving Corporation a statement setting forth the aggregate number of shares of Company Common Stock not voted in favor of the adoption of the Merger Agreement and with respect to which the Company has received demands for appraisal, and the aggregate number of holders of such shares of Company Common Stock. The Surviving Corporation must provide this statement to the requesting stockholder within ten days after receipt by the Surviving Corporation of the written request for such a statement or within ten days after the expiration of the period for delivery of demands for appraisal, whichever is later. A beneficial owner of shares of Company Common Stock held either in a voting trust or by a broker, bank or other nominee on behalf of such person may, in such person's own name, file a petition seeking appraisal or request from the Surviving Corporation the foregoing statements. As noted above, however, the demand for appraisal can only be made by a stockholder of record.

If a petition for an appraisal is duly filed by a holder of shares of Company Common Stock and a copy thereof is served upon the Surviving Corporation, the Surviving Corporation will then be obligated within twenty (20) days after such service to file with the Delaware Register in Chancery a duly verified list containing the names and addresses of all stockholders who have demanded payment for their shares of Company Common Stock and with whom agreements as to the value of their shares of Company Common Stock have not been reached. Upon the filing of any such petition, the Delaware Court of Chancery may order that notice of the time and place fixed for the hearing on the petition be mailed to the Surviving Corporation and all of the stockholders shown on the written statement described above at the addresses stated therein. Such notice will also be published at least one week before the day of the hearing in a newspaper of general circulation published in the City of Wilmington, Delaware, or in another publication determined by the court. The costs of these notices are borne by the Surviving Corporation.

After notice to stockholders as required by the court, the Delaware Court of Chancery is empowered to conduct a hearing on the petition to determine those stockholders who have complied with Section 262 and who have become entitled to appraisal rights thereunder. The Delaware Court of Chancery may require the stockholders who demanded payment for their shares of Company Common Stock to submit their stock certificates (if any) to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings and, if any stockholder fails to comply with the direction, the Delaware Court of Chancery may dismiss that stockholder from the proceedings. The Delaware Court of Chancery will dismiss appraisal proceedings as to all shares of Company Common Stock for which appraisal rights have been asserted if neither of the ownership thresholds is met.

Determination of Fair Value

After determining the holders of shares of Company Common Stock entitled to appraisal and that at least one of the ownership thresholds described above has been satisfied as to any holders of Company Common Stock seeking appraisal rights, the appraisal proceeding will be conducted in accordance with the rules of the Delaware Court of Chancery, including any rules specifically governing appraisal proceedings. Through such proceeding, the Delaware Court of Chancery will determine the "fair value" of the shares of Company Common Stock, exclusive of any element of value arising from the accomplishment or expectation of the Merger, together with interest, if any, to be paid upon the amount determined to be the fair value. In determining fair value, the Delaware Court of Chancery will take into account all relevant factors. Unless the court in its discretion determines otherwise for good cause shown, interest from the effective date of the Merger through the date of payment of the judgment will be compounded quarterly and will accrue at 5% over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the effective date of the Merger and the date of payment of the judgment. However, at any time before the Delaware Court of Chancery enters judgment in the appraisal proceedings, the Surviving Corporation may pay to each stockholder entitled to appraisal an amount in cash, in which case such interest will accrue after the time of such payment only on an amount that equals the difference, if any, between the amount so paid and the "fair value" of the shares of Company Common Stock as determined by the Delaware Court of Chancery, in addition to any interest accrued before the time of such voluntary payment, unless paid at such time.

In *Weinberger v. UOP, Inc.*, the Supreme Court of Delaware discussed the factors that could be considered in determining fair value in an appraisal proceeding, stating that "proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court" should be considered, and that "[f]air price obviously requires consideration of all relevant factors involving the value of a company." The Delaware Supreme Court stated that, in making this determination of fair value, the court must consider market value, asset value, dividends, earnings prospects, the nature of the enterprise and any other facts that could be ascertained as of the date of the merger that throw any light on future prospects of the merged corporation. Section 262 provides that fair value is to be "exclusive of any element of value arising from the accomplishment or expectation of the merger." In *Cede & Co. v. Technicolor, Inc.*, the Delaware Supreme Court stated that such exclusion is a "narrow exclusion [that] does not encompass known elements of value," but which rather applies only to the speculative elements of value arising from such accomplishment or expectation. In *Weinberger*, the Supreme Court of Delaware also stated that "elements of future value, including the nature of the enterprise, which are known or susceptible of proof as of the date of the merger and not the product of speculation, may be considered."

Stockholders considering seeking appraisal should be aware that the fair value of their shares of Company Common Stock as so determined by the Delaware Court of Chancery could be more than, the same as or less than the consideration they would receive pursuant to the Merger if they did not seek appraisal of their shares of Company Common Stock and that an opinion of an investment banking firm as to the fairness from a financial point of view of the consideration payable in a merger is not an opinion as to, and does not in any manner address, fair value under Section 262. No representation is made as to the outcome of the appraisal of fair value as determined by the Delaware Court of Chancery, and stockholders should recognize that such an appraisal could result in a determination of a value higher or lower than, or the same as, the Per Share Merger Consideration. Neither the Company nor AMS anticipates offering more than the Per Share Merger Consideration to any stockholder exercising appraisal rights, and each of the Company and AMS reserves the rights to make a voluntary cash payment pursuant to subsection (h) of Section 262 and to assert, in any appraisal proceeding, that for purposes of Section 262, the "fair value" of a share is less than the Per Share Merger Consideration. If a petition for appraisal is not timely filed then the right to an appraisal will cease. If neither of the ownership thresholds described above has been satisfied with respect to the shares of Company Common Stock for which appraisal is sought, then the right to an appraisal will cease with respect to such shares. The costs of the appraisal proceedings (which do not include attorneys' fees or the fees and expenses of experts) may be determined by the Delaware Court of Chancery and charged upon the parties as the Delaware Court of Chancery deems equitable under the circumstances. Upon application of a stockholder, the Delaware Court of Chancery may also order that all or a portion of the expenses incurred by a stockholder in connection with an appraisal proceeding, including, without limitation, reasonable attorneys' fees and the fees and expenses of experts, be charged pro rata against the value of all the shares of Company Common Stock entitled to be appraised. In the absence of such determination or assessment, each party bears its own expenses.

If any stockholder who demands appraisal of his, her, its or their shares of Company Common Stock under Section 262 fails to perfect, or effectively loses or withdraws, such holder's right to appraisal, the stockholder's shares of Company Common Stock will be deemed to have been converted at the Effective Time into the right to receive the

Per Share Merger Consideration, without interest thereon, less any applicable withholding taxes, subject to and in accordance with the terms and conditions of the Merger Agreement. A stockholder will fail to perfect, or effectively lose or withdraw, the holder's right to appraisal if no petition for appraisal is filed within 120 days after the effective date of the Merger or if the stockholder delivers to the Surviving Corporation an effective written withdrawal of the holder's demand for appraisal and an acceptance of the Per Share Merger Consideration, either within sixty (60) days after the effective date of the Merger with respect to any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party or thereafter with the written approval of the Surviving Corporation, in accordance with Section 262. In addition, a holder of shares of Company Common Stock will fail to perfect, or effectively lose or withdraw, the holder's right to appraisal with respect to such shares if neither of the ownership thresholds described above has been satisfied with respect to the shares of Company Common Stock for which appraisal is sought.

From and after the effective date of the Merger, no stockholder who has demanded appraisal rights will be entitled to vote such shares of Company Common Stock for any purpose or to receive payment of dividends or other distributions on the stock, except dividends or other distributions on the holder's shares of Company Common Stock, if any, with a record date as of a time before the Effective Time. If no petition for an appraisal is filed, or if the stockholder delivers to the Surviving Corporation a written withdrawal of the demand for an appraisal and an acceptance of the Merger, either within sixty (60) days after the effective date of the Merger or thereafter with the written approval of the Surviving Corporation, then the right of such stockholder to an appraisal will cease. Once a petition for appraisal is filed with the Delaware Court of Chancery, however, the appraisal proceeding may not be dismissed as to any stockholder without the approval of the court, and such approval may be conditioned upon such terms as the court deems just; provided, however, that the foregoing shall not affect the right of any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party to withdraw such stockholder's demand for appraisal and to accept the terms offered upon the Merger within sixty (60) days after the effective date of the Merger. In addition, a holder of shares of Company Common Stock will fail to perfect, or effectively lose or withdraw, the holder's right to appraisal with respect to such shares if neither of the ownership thresholds described above has been satisfied with respect to the shares of Company Common Stock for which appraisal is sought.

Failure to comply with all of the procedures set forth in Section 262 may result in the loss of a stockholder's statutory appraisal rights. Consequently, any stockholder wishing to exercise appraisal rights is encouraged to consult legal counsel before attempting to exercise those rights.

Solicitation of Proxies; Payment of Solicitation Expenses

Solicitation of proxies is being made by the Company and will initially be made by mail. Our directors, officers and employees may also solicit proxies by telephone, by facsimile, by mail, over the Internet or in person, but will not be paid any additional amounts for soliciting proxies. The Company will bear the cost of soliciting proxies.

The Company will reimburse brokers, banks, other nominees, custodians and fiduciaries representing beneficial owners of the shares of Company Common Stock for their expenses in forwarding soliciting materials to beneficial owners of our shares of Company Common Stock and in obtaining voting instructions from those owners.

Questions and Additional Information

If you have additional questions about the Special Meeting, the Merger or this proxy statement, need assistance in submitting your proxy or voting your shares of Company Common Stock, or need additional copies of the proxy statement or the enclosed proxy card or voting instructions, please contact us at:

PharmChem, Inc.
2411 E. Loop 820 N.
Fort Worth, TX 76118
Telephone Number: 817-591-4302

THE MERGER (THE MERGER AGREEMENT PROPOSAL — PROPOSAL 1)

The Proposal

The Company is asking you to approve the Merger Agreement Proposal. A copy of the Merger Agreement is attached as Annex A to this proxy statement.

General

We are asking our stockholders to consider and vote on the approval and adoption of the Merger Agreement and the transactions contemplated thereby, including the Merger. Pursuant to the Merger Agreement, subject to the satisfaction or waiver of certain conditions, Merger Sub will merge with and into the Company, with the Company surviving as a wholly owned subsidiary of AMS. If the Merger is completed, the holders of shares of Company Common Stock (other than the Excluded Holders) will have the right to receive the Per Share Merger Consideration of $3.75 per share of Company Common Stock in cash, without interest, subject to and in accordance with the terms and conditions set forth in the Merger Agreement. For a detailed description of the Merger Agreement and the transactions contemplated thereby, including the Merger, see "*The Merger Agreement*."

As discussed in the section entitled *"Special Factors — Purpose and Reasons of the Company for the Merger; Recommendation of the Company Board; Fairness of the Merger,"* the Company Board has determined that the Merger Agreement and the transactions contemplated thereby, including the Merger, is advisable, fair to, and in the best interests of, the Company and the Company stockholders.

Our stockholders must approve the Merger Agreement Proposal in order for the Merger to occur. If our stockholders fail to approve the Merger Agreement Proposal, the Merger will not occur.

Vote Required

The approval of the Merger Agreement Proposal requires the affirmative vote of holders of a majority of the voting power of the outstanding shares of Company Common Stock entitled to vote in accordance with the DGCL.

Each record holder of Company Common Stock is entitled to one vote for each outstanding share of Company Common Stock owned of record on the Record Date.

The Supporting Stockholders are record or beneficial owners of shares of Company Common Stock representing approximately 62% of the voting power of the Company Common Stock and approximately 62% of the voting power of the outstanding shares of Company Common Stock. Pursuant to the Voting Agreement, the Supporting Stockholders agreed, among other things, to vote their shares of Company Common Stock in favor of the approval and adoption of the Merger Agreement and of the transactions contemplated thereby, including the Merger, subject to the terms of the Voting Agreement. The Supporting Stockholders granted an irrevocable proxy to AMS, which may be exercised with respect to any Supporting Stockholder that breaches their voting obligations. If the Supporting Stockholders vote in favor of adoption of the Merger Agreement Proposal or AMS exercises its proxy in accordance with the terms of the Voting Agreement, then the Merger Agreement Proposal will be approved.

Appraisal Rights

If the Merger is consummated, stockholders who properly demand appraisal for shares that they continuously hold shares of Company Common Stock through the effective date of the Merger, who do not vote such shares of Company Common Stock in favor of the adoption of the Merger Agreement and who do not effectively withdraw their demands or otherwise lose their rights to seek appraisal will be entitled to seek appraisal of such shares of Company Common Stock in connection with the Merger under Section 262 of the DGCL. This means that holders of shares of Company Common Stock who perfect their appraisal rights, who do not thereafter effectively withdraw their demand for appraisal or otherwise lose their rights to seek appraisal, and who follow the procedures in the manner prescribed by Section 262 of the DGCL will be entitled to have such shares of Company Common Stock appraised by the Delaware Court of Chancery and to receive payment in cash of the "fair value" of such shares of Company Common Stock, exclusive of any elements of value arising from the accomplishment or expectation of the Merger, together with interest to be paid on the amount determined to be fair value, if any, as determined by the Delaware Court of Chancery (or in certain circumstances described in further detail in the section of this proxy statement captioned "*The*

Special Meeting — Appraisal Rights," on the difference between the amount determined to be the fair value and the amount paid by the Surviving Corporation in the Merger to each stockholder entitled to appraisal before the entry of judgment in any appraisal proceeding). Due to the complexity of the appraisal process, stockholders who wish to seek appraisal of their shares of Company Common Stock are encouraged to review Section 262 of the DGCL carefully and to seek the advice of legal counsel with respect to the exercise of appraisal rights.

The Company stockholders considering seeking appraisal should be aware that the fair value of their shares of Company Common Stock as determined pursuant to Section 262 of the DGCL could be more than, the same as or less than the value of the consideration that they would receive pursuant to the Merger Agreement if they did not seek appraisal of their shares of Company Common Stock.

To exercise your appraisal rights, you must: (i) submit a written demand for appraisal to the Company before the vote is taken on the adoption of the Merger Agreement; (ii) not submit a proxy with respect to, or otherwise vote, the shares of Company Common Stock for which you seek appraisal in favor of the proposal to adopt the Merger Agreement; (iii) continue to hold such shares of Company Common Stock of record on and from the date of the making of the demand through the effective date of the Merger; and (iv) comply with all other procedures for exercising appraisal rights under Section 262 of the DGCL. Your failure to follow the procedures specified under Section 262 of the DGCL may result in the loss of your appraisal rights. The DGCL requirements for exercising appraisal rights are described in further detail in the section of this proxy statement captioned "*The Special Meeting — Appraisal Rights*," which is qualified in its entirety by Section 262 of the DGCL, the relevant section of the DGCL regarding appraisal rights. A copy of Section 262 of the DGCL is reproduced and attached as Annex C to this proxy statement. Only a holder of record of shares of Company Common Stock is entitled to demand appraisal of such shares of Company Common Stock registered in that holder's name. If, as of the Record Date, you are the beneficial owner of shares of Company Common Stock held in "street name" by your broker, bank or other nominee and you wish to exercise appraisal rights, you should consult with such broker, bank or other nominee to determine the appropriate procedures for the making of a demand for appraisal by such broker, bank or other nominee.

Vote Recommendation

The Company Board recommends that you vote "FOR" the Merger Agreement Proposal.

ADJOURNMENT OF THE SPECIAL MEETING
(THE ADJOURNMENT PROPOSAL — PROPOSAL 2)

The Proposal

The Company is asking you to approve the Adjournment Proposal.

General

The Company is asking you to approve one or more proposals to adjourn the Special Meeting, if necessary or appropriate, including adjournments to solicit additional proxies if there are insufficient votes at the time of the Special Meeting to approve the Merger Agreement Proposal.

If the Company stockholders approve the Adjournment Proposal, the Company may adjourn the Special Meeting and any adjourned session of the Special Meeting and use the additional time to solicit additional proxies, including the solicitation of proxies from stockholders that have previously provided proxies to vote against the approval of the Merger Agreement Proposal (other than in respect of any proposal for which the vote has been taken and the polls have been closed at the Special Meeting). Among other things, approval of the Adjournment Proposal could mean that, even if the Company had received proxies representing a sufficient number of votes against the Merger Agreement Proposal such that the Merger Agreement Proposal would be defeated, the Company could adjourn the Special Meeting without a vote on the Merger Agreement Proposal and seek to convince the holders of those shares of Company Common Stock to change their votes to votes in favor of any such proposal. Additionally, the Company may seek to adjourn the Special Meeting if a quorum is not present at the Special Meeting.

Vote Required

The approval of the Adjournment Proposal requires the affirmative vote of the holders of a majority of the voting power of the shares of Company Common Stock present or represented by proxy at the Special Meeting, irrespective of whether a quorum is present.

Each record holder of Company Common Stock is entitled to one vote for each outstanding share of Company Common Stock owned of record on the Record Date.

Vote Recommendation

The Company Board recommends that you vote "FOR" the Adjournment Proposal.

OTHER IMPORTANT INFORMATION REGARDING THE COMPANY

Directors and Executive Officers of the Company

The Company Board presently consists of three (3) members. The persons listed below are the directors and executive officers of the Company as of the date of this proxy statement.

From and after the Effective Time, the Merger Agreement provides that (a) the directors of Merger Sub immediately before the Effective Time shall be the directors of the Surviving Corporation, and such directors will serve until the earlier of their resignation or removal or until their respective successors have been duly elected and qualified, as the case may be, and (b) the officers of Merger Sub immediately before the Effective Time shall be the officers of the Surviving Corporation, until the earlier of their resignation or removal or until their respective successors are duly elected and qualified, as the case may be.

Neither the Company, nor any of the Company's directors or executive officers listed below has, to the knowledge of the Company, been convicted in a criminal proceeding during the past five years (excluding traffic violations or similar misdemeanors). In addition, neither the Company, nor any of the Company's directors or executive officers listed below has, to the knowledge of the Company, during the past five years, been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws.

All of the Company's directors and executive officers can be reached c/o PharmChem, Inc., 2411 E. Loop 820 N., Fort Worth, TX 76118, and each of the directors and executive officers is a citizen of the United States.

Directors

Set forth below is biographical information of each of the Company's directors as of August 1, 2025.

Name	Age	Position
Tim Eriksen	56	Chairman of the Board
Thompson Clark	36	Director, Interim Chief Executive Officer
James Ford	45	Director

Tim Eriksen. Tim Eriksen has been a member of the Board of Directors of the Company since 2021 and serving as the Chairman since September 2023. Mr. Eriksen founded Eriksen Capital Management, a Lynden, Washington- based investment advisory firm ("ECM"), in 2005. Mr. Eriksen is the President of ECM, which is the managing member of Cedar Creek Partners LLC ("CCP"), a private fund. Mr. Eriksen is the Chief Executive Officer and Chief Financial Officer of, and since July 2015 has been a director of, Solitron Devices, Inc. ("Solitron"). Solitron designs, develops, manufactures and markets solid-state semiconductor components and related devices primarily for the military and aerospace markets. In December 2024, Mr. Eriksen was appointed a director and Chairman of the Nominating and Corporate Governance Committee of Paragon Technologies Inc., a provider of material handling solutions. He served through June 2025. From October 2019 through its acquisition in June 2024, Mr. Eriksen was a member of the Board of Directors of TSR Inc. ("TSR"), which provides contract computer programming services to its customers. He was appointed Lead Independent Director and Chairman of the Audit Committee of TSR on December 30, 2019. From April 2018 through August 2021, Mr. Eriksen was a director of Novation Companies, Inc. ("Novation"). Novation owned Healthcare Staffing, Inc., which, among other activities, provided outsourced healthcare staffing and related services. Before founding ECM, Mr. Eriksen worked for Walker's Manual, Inc., a publisher of books and newsletters on microcap stocks, unlisted stocks and community banks. Earlier in his career, Mr. Eriksen worked for Kiewit Pacific Co, a subsidiary of Peter Kiewit Sons, as an administrative engineer on the Benicia Martinez Bridge project. Mr. Eriksen received a B.A. from The Master's University and an M.B.A. from Texas A&M University. Mr. Eriksen (and related parties) manage 33.4% of the shares outstanding.

Thompson Clark. . Thompson Clark has been a member of the Board of Directors of the Company since 2021 and the Interim CEO beginning in March 2024. Mr. Clark is the President and CEO of Odyssey Railcar, a railcar repair services company and short-line railroad operator. In 2019, Mr. Clark served as a Senior Analyst with Choice Equities Capital Management, a boutique hedge fund manager, investing in public equities. From 2012 to 2019, Mr. Clark was

a publishing research analyst for multiple financial newsletter publications with a particular focus on small and microcap stocks. From 2010 to 2012, Mr. Clark was employed by Deloitte & Touche as an International Tax Consultant. Mr. Clark received a bachelor's in business administration from Emory University. He is a Chartered Financial Analyst (CFA) charterholder and is a Certified Public Accountant (CPA) (inactive). Mr. Clark has extensive experience covering and analyzing small and microcap companies, as well as operating and acquiring small businesses. Mr. Clark owns less than 1% of the shares outstanding.

James Ford. James Ford, CFA has been a member of the Board of Directors of the Company since 2023. Mr. Ford serves as the President and Managing Partner at First Ballantyne, LLC, a registered fixed income broker dealer, a role he has held since 2014. In his capacity at First Ballantyne, he has successfully restructured several distressed bonds in the corporate and municipal sectors. He also manages over a dozen investment traders, analysts, and specialists. Mr. Ford also has extensive experience as a fiduciary while working for various asset management companies, which preceded his time at First Ballantyne, LLC. Mr. Ford has a Bachelor's of Science in Business Administration from the University of North Carolina – Chapel Hill and has been a Chartered Financial Analyst charter holder since 2006. James is also a board member of Armanino Foods of Distinction, Inc. Mr. Ford owns 2.6% of the shares outstanding.

Executive Officers

Set forth below is biographical information of each of the Company's executive officers, other than Mr. Clark, the Company's Interim Chief Executive Officer, whose information is above.

Name	Age	Position
Shana Veale	46	Chief Financial Officer, Vice President
Kerri Wagner	53	Chief Revenue Officer

Shana Veale. Shana Veale, CPA, began with PharmChem, Inc. as the Vice President / Controller in September 2017 and moved to the Vice President / Chief Financial Officer in August 2021. From 2014 to 2017, Ms. Veale was the Controller for the National Cutting Horse Association, also serving as the Acting Youth Coordinator (January 2017 – March 2017) and Acting Chief Financial Officer (October 2016 – April 2017). From 2012 to 2014, Ms. Veale was an audit manager with Whitley Penn focusing on not-for-profit and manufacturing entities. From 2003 to 2012, Ms. Veale worked her way from audit/tax staff to Audit Manager at KPMG LLP. Ms. Veale received both a master's and bachelor's in accountancy from New Mexico State University. She is an active Certified Public Accountant. Ms. Veale owns less than 1% of the shares outstanding.

Kerri Wagner. Kerri Wagner has played a pivotal role at PharmChem since 2010, initially as a part-time consultant and now as the Company's Chief Revenue Officer. She leads daily operations, sales, account management, and customer service, with a clear focus on accelerating revenue growth, scaling operational performance, and aligning teams to drive the company's mission of advancing accountability-based drug testing in the criminal justice system. Ms. Wagner began her career in 1992 as a police officer in two South Dakota municipalities. In 2004, she transitioned to the Division of Parole Services as a Parole Agent, supervising adult parolees reentering the community. In 2006, she was appointed to lead South Dakota's 24/7 Sobriety Program, a nationally recognized initiative that utilizes the PharmChek® Sweat Patch as a core drug-testing method. Promoted in 2013 to Senior Agent and Evidence-Based Practice Specialist, Ms. Wagner implemented strategic, data-driven programs aimed at improving client outcomes and strengthening public safety. She remained in that role until retiring from law enforcement in 2015. That same year, Ms. Wagner joined PharmChem full time as President of the PharmChek® Sweat Patch Division, overseeing operations, business development, and training. She was named CEO in 2021 and transitioned to Chief Revenue Officer in 2022. Ms. Wagner earned a Bachelor of Science from South Dakota State University (1992) and pursued post-graduate studies in Criminal Justice and Public Policy at the University of Cincinnati (2013 – 2015). Ms. Wagner owns less than 1% of the shares outstanding.

Market Price of Shares of Company Common Stock and Dividends

Our Company Common Stock is listed and traded on the OTCID tier of the OTC Markets under the symbol "PCHM." As of July 25, 2025 there were 4,621,187 shares of Company Common Stock outstanding. Also as of that date, we had approximately105 stockholders of record of our Company Common Stock. The number for the shares of Company Common Stock does not include the beneficial owners for whom shares are held in a "nominee" or "street" name.

We paid a special dividend of $.25 per share on October 1, 2024, and a special dividend of $.20 per share on February 8, 2023. We have no present intention to pay dividends on our Company Common Stock, and we are prohibited by the Merger Agreement from declaring or paying any dividends on the shares of Company Common Stock without AMS's consent until the Effective Time of the Merger or the termination of the Merger Agreement.

The last quoted sale price of the Company's shares of Company Common Stock on July 17, 2025, the last trading day before the date of execution of the Merger Agreement, was $3.95. On July 25, 2025, the most recent practicable date before this proxy statement was distributed to our stockholders, the last quoted sale price for the shares of Company Common Stock on the OTCID tier of the OTC Markets was $3.69 per share of Company Common Stock.

You are encouraged to obtain current market quotations for the shares of Company Common Stock in connection with voting your shares, and review the included financial information.

If the Merger is completed, there will be no further market for the shares of Company Common Stock and, as promptly as practicable following the Effective Time and in compliance with applicable law, the Company's securities will cease trading on the OTC Markets.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information regarding beneficial ownership of Company Common Stock as of the Record Date, by:

- each person who is known by us to beneficially own more than 5% of the outstanding shares of our capital stock (each, a "5% Stockholder");
- each of our named executive officers;
- each of our directors; and
- all of our directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC. Except as otherwise indicated, we believe, based on the information furnished or otherwise available to us, that each person or entity named in the table has sole voting and investment power with respect to all shares of Company Common Stock shown as beneficially owned by them, subject to applicable community property laws. The percentage of beneficial ownership set forth below is based upon 4,621,187 shares of Company Common Stock outstanding as of the close of business on July 19, 2025.

Unless otherwise noted below, the address of each beneficial owner listed in the table is c/o PharmChem, Inc., 2411 E. Loop 820 N., Fort Worth, TX 76118.

Name and Address of Beneficial Owner	Shares of Company Common Stock Beneficially Owned[(1)]	Percentage of Company Common Stock Beneficially Owned
5% Stockholders		
Richard Jordan	454,442 [(2)]	9.8%
Tristram Jordan	721,576	15.6%
Tim Eriksen	1,545,524	33.4%

Named Executive Officers and Directors		
Tim Eriksen	1,545,524	33.4%
Thompson Clark	17,000	*
James Ford	120,954	2.6%
Shana Veale	20	*
Kerri Wagner	100	*
All directors and executive officers as a group (5 persons)	1,683,598	36%

* Indicates percentage is less than 1%.

(1) The amounts and percentages of our common stock beneficially owned are reported on the basis of regulations of the SEC governing the determination of beneficial ownership of securities. Under the rules of the SEC, a person is deemed to be a "beneficial owner" of a security if that person has or shares "voting power," which includes the power to vote or to direct the voting of such security, or "investment power," which includes the power to dispose of or to direct the disposition of such security. Under these rules, more than one person may be deemed to be a beneficial owner of such securities as to which such person has an economic interest.

(2) Includes 19,577 shares held in the name of Richard Jordan's mother, Deidre Jordan, over which Richard exercises investment and voting authority.

Historical Financial Data

The Company's 2024 Audited Financial Statements, as well as the Unaudited Financial Statements for the three months ended March 31, 2025, are included in this Notice as Annex D.

We post certain additional financial information on the OTC Markets. The information we have posted is available to the public on the OTC website at https://www.otcmarkets.com. The information provided on the OTC website is not part of this Notice and is not incorporated herein by reference.

Certain Transactions in the Shares of Company Common Stock

Except as set forth below, and other than the Merger Agreement and agreements entered into in connection therewith, including the Voting Agreement, (i) none of the Company, the AMS Group, and their respective affiliates have executed any transactions with respect to the shares of Company Common Stock during the past 60 days and (ii) neither the Company nor the AMS Group have purchased shares of Company Common Stock during the past two years.

Purchases of Company Common Stock by the Company

The following table sets forth the number of shares of Company Common Stock repurchased by the Company, the range of prices paid per share and the average purchase price per share for each quarter during the periods indicated. The shares were repurchased pursuant to a repurchase program adopted by the Company Board, with authorized repurchase amounts subsequently increased by the Company Board.

Period	Total Number of Shares Purchased	Range of Prices Paid Per Share	Average Purchase Price Per Share
2024 Q1	---	---	---

2024 Q2	---	---	---
2024 Q3	---	---	---
2024 Q4	26,544	$3.08 - $3.10	$3.098
2025 Q1	---	---	---
2025 Q2	---	---	---

Delisting of Company Common Stock

If the Merger is completed, there will be no further market for the shares of Company Common Stock and, as promptly as practicable following the Effective Time and in compliance with applicable law, the Company's securities will be delisted from the OTCID tier of the OTC Markets.

WHERE YOU CAN FIND MORE INFORMATION

We post annual, quarterly and current reports, meeting notices and other information on the OTC Markets. The information we have posted is available to the public at the OTC website at https://www.otcmarkets.com/stock/PCHM/disclosure. You may also obtain a copy of this information at no cost by writing or telephoning us at the following address:

PharmChem, Inc.
2411 E. Loop 820 N.
Fort Worth, TX 76118
Telephone: 817-591-4100

Any person, including any beneficial owner, to whom this proxy statement is delivered may request copies of this proxy statement or other information concerning us, without charge, by written or telephonic request directed to PharmChem, Inc., 2411 E. Loop 820 N., Fort Worth, TX 76118, Attention: Shana Veale, Telephone 817-591-4100.

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROXY STATEMENT TO VOTE YOUR SHARES AT THE SPECIAL MEETING. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION THAT IS DIFFERENT FROM WHAT IS CONTAINED IN THIS PROXY STATEMENT. THIS PROXY STATEMENT IS DATED AUGUST 1, 2025. YOU SHOULD NOT ASSUME THAT THE INFORMATION CONTAINED IN THIS PROXY STATEMENT IS ACCURATE AS OF ANY DATE OTHER THAN THAT DATE, AND THE MAILING OF THIS PROXY STATEMENT TO STOCKHOLDERS DOES NOT CREATE ANY IMPLICATION TO THE CONTRARY.

Annex A

Agreement and Plan of Merger

AGREEMENT AND PLAN OF MERGER

Dated as of July 18, 2025

among

PHARMCHEM, INC.

ALCOHOL MONITORING SYSTEMS, INC.

and

SCRAM MERGER SUB, INC.

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AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER (this "Agreement"), dated as of July 18, 2025, by and among PharmChem, Inc., a Delaware corporation (the "Company"), Alcohol Monitoring Systems, Inc., a Delaware corporation ("Parent"), and SCRAM Merger Sub, Inc., a Delaware corporation and a wholly owned Subsidiary of Parent ("Merger Sub"). The Company, Parent and Merger Sub are each a "party" and collectively the "parties."

WHEREAS, the Company, Parent and Merger Sub desire to effect the Merger, pursuant to which Merger Sub shall be merged with and into the Company, with the Company continuing as the surviving corporation, and each share of Common Stock issued and outstanding shall be converted into the right to receive the Merger Consideration, without interest and subject to applicable Tax withholding, subject to the terms set forth in this Agreement;

WHEREAS, the Company Board has (a) determined that the terms of this Agreement, the Merger and the other transactions contemplated hereby are fair and in the best interests of the Company and its stockholders, (b) approved and declared advisable the execution, delivery and performance of this Agreement and the transactions contemplated hereby, including the Merger, and (c) recommended that the Company's stockholders vote in favor of the adoption and approval of this Agreement and the transactions contemplated hereby, including the Merger, at the Company Stockholders Meeting;

WHEREAS, the Parent Board and the Merger Sub Board have each approved this Agreement and declared it advisable for Parent and Merger Sub, respectively, to enter into this Agreement;

WHEREAS, the Merger Sub Board has recommended adoption and approval of this Agreement by Parent, as its sole stockholder;

WHEREAS, as a condition and an inducement to the willingness of Parent and Merger Sub to enter into this Agreement, concurrently with the execution and delivery of this Agreement, certain stockholders of the Company are each entering into a voting and support agreement with Parent and Merger Sub, in substantially the form attached as Exhibit A hereto, pursuant to which, among other things, each such stockholder has agreed to vote in favor of the adoption of this Agreement;

WHEREAS, the Company, Parent and Merger Sub desire to make certain representations, warranties, covenants and agreements in connection with the Merger and also to prescribe various conditions to the Merger; and

WHEREAS, certain capitalized terms used in this Agreement are defined in Section 9.03.

NOW, THEREFORE, in consideration of the foregoing and the representations, warranties, covenants and agreements herein and intending to be legally bound, the parties hereto agree as follows:

ARTICLE I

The Merger

Section 1.01 The Merger. On the terms and subject to the conditions set forth in this Agreement, and in accordance with the Delaware General Corporation Law (the "DGCL"), on the Closing Date, Merger Sub shall be merged with and into the Company (the "Merger"). At the Effective Time, the separate corporate existence of Merger Sub shall cease and the Company shall continue as the surviving corporation in the Merger (the "Surviving Company").

Section 1.02 Closing. The closing (the "Closing") of the Merger shall take place remotely by the electronic exchange of documents and signatures (or their electronically delivered counterparts and countersignatories), on a date to be specified by the Company and Parent, which shall be no later than the fifth Business Day following the satisfaction or (to the extent permitted by Law) waiver by the party or parties entitled to the benefits thereof of the conditions set forth in Article VII (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or (to the extent permitted by Law) waiver of those conditions by the party or parties entitled to the benefits of such conditions), or at such other place, time and date as shall be agreed in writing between the Company and Parent. The date on which the Closing occurs is referred to in this Agreement as the "Closing Date."

Section 1.03 Effective Time. Subject to the provisions of this Agreement, at the Closing on the Closing Date, the parties shall file with the Delaware Secretary the certificate of merger relating to the Merger (the "Certificate of Merger"), executed and acknowledged in accordance with the relevant provisions of the DGCL, and, as soon as practicable at or after the Closing, shall make all other filings required under the DGCL or by the Delaware Secretary in connection with the Merger. The Merger shall become effective at the time that the Certificate of Merger has been duly filed with the Delaware Secretary, or at such later time as the Company and Parent shall agree and specify in the Certificate of Merger (the time the Merger becomes effective being the "Effective Time").

Section 1.04 Effects. The Merger shall have the effects set forth in this Agreement and the applicable provisions of the DGCL.

Section 1.05 Certificate of Incorporation and Bylaws. The certificate of incorporation and bylaws of Merger Sub, as in effect immediately prior to the Effective Time, shall be the certificate of incorporation and bylaws, respectively, of the Surviving Company until thereafter changed or amended as provided therein or by applicable Law, except that references to the name of Merger Sub shall be replaced by references to the name of the Surviving Company.

Section 1.06 Directors and Officers of Surviving Company. The directors of Merger Sub immediately prior to the Effective Time shall be the directors of the Surviving Company until the earlier of their death, resignation or removal or until their respective successors are duly elected and qualified, as the case may be. The officers of the Merger Sub immediately prior to the Effective Time shall be the officers of the Surviving Company until the

earlier of their death, resignation or removal or until their respective successors are duly elected or appointed and qualified, as the case may be.

ARTICLE II

Effect on the Capital Stock of the Constituent Entities; Exchange of Certificates.

Section 2.01 Effect on Capital Stock. At the Effective Time, by virtue of the Merger and without any action on the part of the Company, Parent, Merger Sub or the holder of any shares of common stock, par value $0.001 per share, of the Company (the "Common Stock") or any shares of common stock, par value $0.01 per share, of Merger Sub (the "Merger Sub Common Stock"):

(a) Conversion of Common Stock. Subject to Sections 2.02 and 2.03, each share of Common Stock issued and outstanding immediately prior to the Effective Time (other than (i) shares to be canceled or converted into shares of the Surviving Company in accordance with Section 2.01(c) and (ii) shares that are held by any holder who has not voted in favor of the Merger and who is entitled to demand and properly demands appraisal of such Common Stock pursuant to Section 262 of the DGCL (the "Dissenting Shares") and, as of the Effective Time, has not failed to perfect, or not effectively withdrawn or lost rights to appraisal under the DGCL) shall be converted into the right to receive $3.75 in cash, without interest and subject to applicable Tax withholding (the "Merger Consideration"). All such shares of Common Stock, when so converted, shall no longer be outstanding and shall automatically be canceled and shall cease to exist, and each holder of a certificate (or evidence of shares in book-entry form (such shares, "Book-Entry Shares")) that immediately prior to the Effective Time represented any such shares of Common Stock (each, a "Certificate") shall cease to have any rights with respect thereto, except the right to receive the Merger Consideration. Notwithstanding the foregoing, if between the date of this Agreement and the Effective Time the outstanding shares of Common Stock shall have been changed into a different number of shares or a different class, including by reason of any stock dividend, subdivision, reclassification, recapitalization, split, combination or exchange of shares, or any similar event shall have occurred, then any number or amount contained herein that is based upon the number of shares of Common Stock will be appropriately adjusted to provide to the holders of Common Stock the same economic effect as contemplated by this Agreement prior to such event; *provided* that nothing in this Section 2.01(a) will be construed to permit the Company to take any action with respect to its securities that is otherwise prohibited by the terms of this Agreement.

(b) Conversion of Merger Sub Common Stock. Each share of Merger Sub Common Stock issued and outstanding immediately prior to the Effective Time shall be converted into one fully paid and nonassessable share of common stock, par value $0.001 per share, of the Surviving Company with the same rights, powers and privileges as the shares so converted and shall constitute the only outstanding shares of capital stock of the Surviving Company. From and after the Effective Time, all certificates representing shares of Merger Sub Common Stock shall be deemed for all purposes to represent the number of shares of common stock of the Surviving Company into which they were converted in accordance with the immediately preceding sentence.

(c) Cancellation of Company and Parent-Owned Stock; Conversion of Subsidiary-Owned Stock. Each share of Common Stock that is owned directly by the Company, Parent or Merger Sub, or by any direct or indirect Subsidiary of the Company, Parent or Merger Sub, immediately prior to the Effective Time shall no longer be outstanding and shall automatically be canceled and shall cease to exist, and no consideration shall be delivered in exchange therefor.

Section 2.02 Exchange of Certificates; Payment Fund.

(a) Paying Agent. Prior to the Effective Time, Parent shall appoint a bank or trust company reasonably acceptable to the Company to act as paying agent (the "Paying Agent") for the payment and delivery of the Merger Consideration pursuant to this Article II. Immediately prior to the Effective Time, Parent shall deposit with the Paying Agent for payment in accordance with this Article II through the Paying Agent, cash sufficient to pay the Merger Consideration. All such cash deposited with the Paying Agent is hereinafter referred to as the "Payment Fund."

(b) Letter of Transmittal. As reasonably promptly as practicable after the Effective Time (and in any event within two Business Days after the Effective Time), Parent shall cause the Paying Agent to send, or otherwise provide in the case of Book-Entry Shares, to each holder of record of Common Stock (i) a form of letter of transmittal (the "Letter of Transmittal") which shall specify that delivery shall be effected and risk of loss and title shall pass (A) with respect to shares evidenced by Certificates, only upon the proper delivery of the Certificates (subject to Section 2.02(i)) and validly executed Letter of Transmittal to the Paying Agent (and such other documents as the Paying Agent may reasonably request) and (B) with respect to Book-Entry Shares, only upon proper delivery of an "agent's message" regarding the book-entry transfer of Book-Entry Shares (or such other evidence, if any, of the transfer as the Paying Agent may reasonably request) and (ii) instructions for effecting the surrender of Book-Entry Shares or Certificates in exchange for the applicable Merger Consideration.

(c) Merger Consideration Received in Connection with Exchange. Upon (i) in the case of shares of Common Stock represented by a Certificate, the surrender of such Certificate (subject to Section 2.02(i)) for cancellation to the Paying Agent together with the Letter of Transmittal, duly, completely and validly executed in accordance with the instructions thereto, or (ii) in the case of shares of Common Stock held as Book-Entry Shares, the receipt of an "agent's message" by the Paying Agent, in each case together with such other documents as may reasonably be required by the Paying Agent, the holder of such shares shall be entitled to receive in exchange therefor the Merger Consideration into which such shares of Common Stock have been converted pursuant to Section 2.01. In the event of a transfer of ownership of Common Stock that is not registered in the transfer records of the Company, the Merger Consideration may be paid to a transferee if the Certificate or Book-Entry Share representing such Common Stock is presented to the Paying Agent (or, in the case of Book-Entry Shares, proper evidence of such transfer) accompanied by all documents required to evidence and effect such transfer and to evidence that any stock transfer Taxes required by reason of the payment of the Merger Consideration to a Person other than the registered holder of such Common Stock have been paid or are otherwise not payable. Until surrendered as contemplated by this Section 2.02(c), each share of Common Stock (other than Dissenting Shares), and any Certificate

with respect thereto, shall be deemed at any time from and after the Effective Time to represent only the right to receive upon such surrender the Merger Consideration that the holders of shares of Common Stock are entitled to receive in respect of such shares pursuant to this Section 2.02(c). No interest will be paid or accrued on the cash payable upon surrender of the Certificates (or shares of Common Stock held as Book-Entry Shares).

(d) No Further Ownership Rights in Common Stock. The Merger Consideration paid in accordance with the terms of this Article II upon conversion of any shares of Common Stock shall be deemed to have been issued and paid in full satisfaction of all rights pertaining to such shares of Common Stock. From and after the Effective Time, there shall be no further registration of transfers on the stock transfer books of the Surviving Company of shares of Common Stock that were outstanding immediately prior to the Effective Time. From and after the Effective Time, the holders of Certificates (or evidence of Book-Entry Shares) that evidenced ownership of shares of Common Stock outstanding immediately prior to the Effective Time shall cease to have any rights with respect to such shares of Common Stock, except as otherwise provided herein or by applicable Law. If, after the Effective Time, any Certificates formerly representing shares of Common Stock (or shares of Common Stock held as Book-Entry Shares) are presented to Parent or the Paying Agent for any reason, they shall be canceled and exchanged as provided in this Article II, subject to applicable Law in the case of Dissenting Shares.

(e) Termination of Payment Fund. Any portion of the Payment Fund (including any interest received with respect thereto) that remains undistributed to the holders of Common Stock for one year after the Effective Time shall be delivered to Parent (or its designee), and any holder of Common Stock who has not theretofore complied with this Article II shall thereafter look only to Parent (subject to abandoned property, escheat or similar Laws) as general creditors of the Surviving Company for payment of its claim for Merger Consideration without any interest thereon. Any Merger Consideration remaining unclaimed by the holders of shares of Common Stock two years after the Effective Time (or such earlier date immediately prior to such time as such amounts would otherwise escheat to or become property of any Governmental Entity) shall, to the extent permitted by applicable Law, become the property of Parent free and clear of any claims or interest of any Person previously entitled thereto.

(f) No Liability. None of the Company, Parent, Merger Sub or the Paying Agent shall be liable to any Person in respect of any portion of the Payment Fund delivered to a public official pursuant to any applicable abandoned property, escheat or similar Law.

(g) Investment of Payment Fund. The Paying Agent shall invest any cash in the Payment Fund if and as directed by Parent; *provided* that such investment shall be in obligations of, or guaranteed by, the United States of America, in commercial paper obligations of issuers organized under the Law of a state of the United States of America, rated A-1 or P-1 or better by Moody's Investors Service, Inc. or Standard & Poor's Ratings Service, respectively, or in certificates of deposit, bank repurchase agreements or bankers' acceptances of commercial banks with capital exceeding $10 billion, or in mutual or money market funds investing in such assets. Any interest and other income resulting from such investments shall be paid to, and be the property of, Parent. No investment losses resulting from investment of the Payment Fund

shall diminish the rights of any of the Company's stockholders to receive the Merger Consideration or any other payment as provided herein. To the extent there are losses with respect to such investments or the Payment Fund diminishes for any other reason below the level required to make prompt cash payment of the aggregate funds required to be paid pursuant to the terms hereof, Parent shall reasonably promptly replace or restore the cash in the Payment Fund so as to ensure that the Payment Fund is at all times maintained at a level sufficient to make such cash payments.

(h) Withholding Rights. Each of Parent, the Company and the Paying Agent (without duplication) shall be entitled to deduct and withhold from any amounts otherwise payable to any Person pursuant to this Agreement such amounts as are required to be deducted and withheld with respect to the making of such payment under applicable Law; *provided, however,* that, as long as the Company shall have delivered the certificate and notice pursuant to Section 6.07, the parties agree that no withholding shall be made under Section 1445 of the Code with respect to the amounts payable under this Agreement that are not compensatory. Except with respect to any payment that is compensatory, each such withholding agent shall use commercially reasonable efforts to reduce or eliminate any such withholding, including by requesting any necessary Tax forms, including IRS Form W-9 or the appropriate series of IRS Form W-8, as applicable, or any similar information. Amounts so withheld and properly remitted to the appropriate Taxing Authority shall be treated for all purposes of this Agreement as having been paid to the Person in respect of which such deduction or withholding was made. Parent shall pay, or shall cause to be paid, all amounts deducted and withheld pursuant to this Section 2.02(h) to the appropriate Taxing Authority within the period required under applicable Law.

(i) Lost Certificates. If any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed and, if required by Parent or the Surviving Company, as the case may be, the posting by such Person of an indemnity agreement or, at the election of Parent or the Paying Agent, a bond in such customary amount as indemnity against any claim that may be made against it with respect to such Certificate, the Paying Agent shall, if such holder has otherwise delivered a properly completed and duly executed Letter of Transmittal, in exchange for such lost, stolen or destroyed Certificate, pay the Merger Consideration deliverable in respect thereof pursuant to this Agreement.

Section 2.03 Dissenter's Rights.

(a) Notwithstanding anything herein to the contrary, no Dissenting Shares shall be converted into or represent the right to receive the Merger Consideration as provided in Section 2.01, and instead the holders of such Dissenting Shares shall be entitled to such rights as are granted by Section 262 of the DGCL (unless and until such stockholder shall have failed to timely perfect, or shall have effectively withdrawn or lost, such stockholder's right to dissent from the Merger under the DGCL, in which case such stockholder shall be entitled to receive the Merger Consideration in accordance with Section 2.01, without interest thereon, in exchange for such shares of Common Stock, and such shares of Common Stock shall no longer be deemed to be Dissenting Shares) and to receive such consideration as may be determined to be due with respect to such Dissenting Shares pursuant to and subject to the requirements of the DGCL (the

"Dissenter's Rights"). In such case, at the Effective Time, the Dissenting Shares shall no longer be outstanding and shall automatically be canceled and cease to exist, and each holder of Dissenting Shares shall cease to have any rights with respect thereto, except with respect to Dissenter's Rights and as provided in this Section 2.03. Notwithstanding the foregoing, if any such holder shall have failed to timely perfect or shall have otherwise waived, or effectively withdrawn or lost such holder's right to appraisal under Section 262 of the DGCL, or a court of competent jurisdiction shall issue a final and non-appealable order that such holder is not entitled to the relief provided by Section 262 of the DGCL, then the right of such holder to be paid the fair value of such holder's Dissenting Shares under Section 262 of the DGCL shall cease, such shares shall no longer be considered Dissenting Shares for purposes hereof, and such holder's shares of Common Stock shall thereupon be deemed to have been converted as of the Effective Time into the right to receive the Merger Consideration in accordance with Section 2.01, without interest thereon.

(b) The Company shall promptly provide Parent any instruments delivered by any holders of Common Stock with respect to demands, or attempted withdrawal of demands, for appraisal by such holder of shares of Common Stock and any other instruments received by the Company relating to the Dissenter's Rights, and, to the extent permitted by applicable Law, Parent shall have the right to direct all negotiations and proceedings with respect to such demands. The Company shall not, without the prior written consent of Parent (which shall not be unreasonably withheld, conditioned or delayed) or as otherwise required by a final non-appealable order of a Governmental Entity of competent jurisdiction, voluntarily make any payment with respect to, settle or offer to settle any such demands, or waive any failure by any holder of Common Stock to timely deliver a written demand for appraisal or the taking of any other action by any such holder as may be necessary to perfect appraisal rights under Section 262 of the DGCL, or agree to do any of the foregoing.

ARTICLE III

Representations and Warranties of the Company

The Company represents and warrants to Parent and Merger Sub, as of the date hereof and as of the Closing, that the statements contained in this Article III are true and correct except as set forth in the corresponding section of the disclosure letter delivered by the Company to Parent concurrently with the execution and delivery by the Company of this Agreement (the "Company Disclosure Letter"). The Company Disclosure Letter shall be arranged in numbered and lettered sections corresponding to the numbered and lettered sections contained in this Agreement, and the disclosure in any section or subsection shall be deemed to qualify any other section in this Agreement to the extent that it is reasonably apparent on its face that such disclosure also qualifies or applies to such other section or subsection.

Section 3.01 Organization, Standing and Power. Each of the Company and the Company Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is organized (in the case of good standing, to the extent such jurisdiction recognizes such concept). Each of the Company and the Company Subsidiaries has all requisite power and authority required to conduct its businesses as presently conducted. Each of the Company and the Company Subsidiaries is duly qualified or licensed to do business and in

good standing in each jurisdiction (in the case of good standing, to the extent such jurisdiction recognizes such concept) where the nature of its business or the ownership or leasing of its properties make such qualification necessary, other than in such jurisdictions where the failure to be so qualified or licensed has not had and would not reasonably be expected to have a Company Material Adverse Effect. The Company is not in violation of any of the provisions of the Company Charter or the Company Bylaws.

Section 3.02 Company Subsidiaries.

(a) All of the outstanding shares of capital stock or voting securities of, or other equity interests in, each Company Subsidiary have been validly issued and are fully paid and nonassessable and are owned by the Company, by a Company Subsidiary, by the Company and a Company Subsidiary or by multiple Company Subsidiaries, free and clear of all Liens, and free of any other restriction (including any restriction on the right to vote, sell or otherwise dispose of such capital stock, voting securities or other equity interests), except for restrictions imposed by applicable securities Law. There are no non-wholly owned Company Subsidiaries. None of the Company Subsidiaries is in violation in any material respect of its organizational documents.

(b) Except for the capital stock and voting securities of, and other equity interests in, the Company Subsidiaries, none of the Company or any Company Subsidiary owns, directly or indirectly, any capital stock or voting securities of, or other equity interests in, or any interest convertible into or exchangeable or exercisable for, any capital stock or voting securities of, or other equity interests in, any Person.

(c) Section 3.02(c) of the Company Disclosure Letter sets forth each Company Subsidiary and such Company Subsidiaries' capital stock, equity interest or other direct or indirect ownership interest in any other Person. None of the Company or any Company Subsidiary owns, directly or indirectly, any voting interest in any Person other than as set forth on Section 3.02(c) of the Company Disclosure Letter.

(d) None of the Company Subsidiaries currently conducts any business. Each of the Company Subsidiaries has no assets, liabilities or obligations of any nature other than those incident to its formation and continued existence.

Section 3.03 Capital Structure.

(a) The authorized capital stock of the Company consists of 25,000,000 shares of Common Stock, and 5,000,000 shares of preferred stock, $0.001 par value, of the Company (the "Preferred Stock" and, together with the Common Stock, the "Capital Stock"). At the close of business on July 17, 2025, (i) 4,621,187 shares of Common Stock were issued and outstanding, and (ii) no shares of Preferred Stock were issued and outstanding. Except as set forth in this Section 3.03(a), at the close of business on July 17, 2025, no shares of capital stock or voting securities of, or other equity interests in, the Company were issued, reserved for issuance or outstanding.

(b) All outstanding shares of Common Stock are duly authorized, validly issued, fully paid and nonassessable and not subject to, or issued in violation of, any purchase option, call option, right of first refusal, preemptive right, subscription right or any similar right under any provision of the DGCL, the Company Charter, the Company Bylaws or any Contract to which the Company is a party or otherwise bound. Except as set forth above in this Section 3.03, there are not issued, reserved for issuance or outstanding, and there are not any outstanding obligations of the Company or any Company Subsidiary to issue, deliver or sell, or cause to be issued, delivered or sold, (x) shares of any capital stock of, or voting securities of, or other equity interests in, the Company or any Company Subsidiary or any securities of the Company or any Company Subsidiary convertible into or exchangeable or exercisable for shares of capital stock or voting securities of, or other equity interests in, the Company or any Company Subsidiary, (y) any warrants, calls, options, conversion rights, redemption rights, repurchase rights, agreements, arrangements, commitments or other rights to acquire from the Company or any Company Subsidiary, or any other obligation of the Company or any Company Subsidiary to issue, deliver or sell, or cause to be issued, delivered or sold, any capital stock or voting securities of, or other equity interests in, the Company or any Company Subsidiary or any Company Subsidiary convertible into or exchangeable or exercisable for shares of capital stock or voting securities of, or other equity interests in, the Company or any Company Subsidiary or (z) any rights issued by, or other obligations of, the Company or any Company Subsidiary that are linked in any way to the price of any class of Capital Stock or any shares of capital stock of the Company or any Company Subsidiary, the value of the Company, any Company Subsidiary or any part of the Company or any Company Subsidiary or any dividends or other distributions declared or paid on any shares of capital stock of the Company or any Company Subsidiary (including any share options, restricted shares, share appreciation rights, phantom equity, profits interests, performance units or similar securities). There are not any outstanding obligations of the Company or any of the Company Subsidiaries to repurchase, redeem or otherwise acquire any shares of capital stock or voting securities or other equity interests of the Company or any Company Subsidiary or any securities, interests, warrants, calls, options or other rights referred to in clauses (x), (y) or (z) of the immediately preceding sentence. There are no debentures, bonds, notes or other Indebtedness of the Company having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matters on which the Company's stockholders may vote ("Company Voting Debt"). None of the Company or any of the Company Subsidiaries is a party to any voting agreement with respect to the voting of any capital stock or voting securities of, or other equity interests in, the Company. None of the Company or any of the Company Subsidiaries is a party to any agreement pursuant to which any Person is entitled to elect, designate or nominate any director of the Company or any of the Company Subsidiaries.

(c) On March 26, 2004, the Company filed with the SEC a Form 15 deregistering its Common Stock (effective on June 24, 2004) under Section 12(g) of the Exchange Act and terminated its obligations to file periodic reports under Sections 13(a) and 15(d) of the Exchange Act. No Capital Stock is registered under Section 12(g) of the Exchange Act.

Section 3.04 Authority; Execution and Delivery; Enforceability. The Company has all requisite corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the Merger and the other transactions contemplated by

this Agreement, subject, in the case of the Merger, to the receipt of the affirmative vote of the holders of a majority of the outstanding shares of Common Stock entitled to vote at the Company Stockholders Meeting (the "Company Stockholder Approval"). The Board of Directors of the Company (the "Company Board") has adopted resolutions, by unanimous vote of the directors present at a meeting duly called at which a quorum of directors of the Company was present, (i) determining that the terms of this Agreement, the Merger and the other transactions contemplated hereby are fair and in the best interests of the Company and its stockholders, (ii) approving and declaring advisable the execution, delivery and performance of this Agreement and the transactions contemplated hereby, including the Merger, and (iii) recommending that the Company's stockholders vote in favor of the adoption and approval of this Agreement and the transactions contemplated hereby, including the Merger, at a duly held meeting of such stockholders for such purpose (the "Company Stockholders Meeting"). As of the date of this Agreement, such resolutions have not been amended or withdrawn. Except for the Company Stockholder Approval, no other corporate proceedings on the part of the Company are necessary to authorize, adopt or approve, as applicable, this Agreement or to consummate the Merger and the other transactions contemplated by this Agreement (except for the filing of the Certificate of Merger in accordance with the relevant provisions of the DGCL). The Company has duly executed and delivered this Agreement and, assuming the due authorization, execution and delivery by Parent and Merger Sub, this Agreement constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms except, in each case, as enforcement may be limited by bankruptcy, insolvency, reorganization or similar Laws affecting creditors' rights generally and by general principles of equity.

Section 3.05 No Conflicts; Consents.

(a) The execution and delivery by the Company of this Agreement does not, and the performance by it of its obligations hereunder and the consummation of the Merger and the other transactions contemplated by this Agreement will not, conflict with, or result in any violation of or default (with or without notice or lapse of time, or both) under, or (solely with respect to clause (ii)) give rise to a right of termination, cancellation, acceleration or other change of any right or obligation, any obligation to make an offer to purchase or redeem any capital stock or any loss of a benefit under, require any consent or any action by any Person or result in the creation of any Lien upon any of the properties or assets of the Company or any of the Company Subsidiaries under, any provision of (i) the Company Charter, the Company Bylaws or the comparable charter or organizational documents of any Company Subsidiary (assuming that the Company Stockholder Approval is obtained), (ii) any Contract to which the Company or any Company Subsidiary is a party or by which any of their respective properties or assets is bound, or (iii) subject to the filings and other matters referred to in Section 3.05(b), any Permit, Judgment or Law, in each case, applicable to the Company or any Company Subsidiary or their respective properties or assets (assuming that the Company Stockholder Approval is obtained), other than, in the case of clauses (ii) and (iii) above, any matters that, individually or in the aggregate, have not had and would not reasonably be expected to have a Company Material Adverse Effect.

(b) No Consent of or from, or registration, declaration, notice or filing made to or with, any Governmental Entity (other than as a party to any Government Contract or as the

ultimate customer of any Government Contract) is required to be obtained or made by or with respect to the Company or any Company Subsidiary in connection with the execution and delivery of this Agreement or its performance of its obligations hereunder or the consummation of the Merger and the other transactions contemplated by this Agreement, other than (i) the filing of the Certificate of Merger with the Delaware Secretary and appropriate documents with the relevant authorities of the other jurisdictions in which Parent, the Company or any Company Subsidiary are qualified to do business; and (ii) such other matters that, individually or in the aggregate, have not had and would not reasonably be expected to have a Company Material Adverse Effect.

(c) The Company Stockholder Approval is the only vote of the holders of any class or series of the Company's capital stock necessary for the adoption of this Agreement.

Section 3.06 Financial Statements.

(a) The Company has furnished or filed, on a timely basis, all reports, schedules, forms, certifications, registration and other statements and other documents (including exhibits and other information incorporated therein) required to be furnished or filed by the Company with the OTC Markets Group (the "OTC") since January 1, 2023.

(b) Section 3.06(b) of the Company Disclosure Letter sets forth true, correct and complete copies of: (i) the audited balance sheets of the Company and the Company Subsidiaries as of December 31, 2024 and December 31, 2023 and the related audited statements of income, retained earnings and cash flows for the fiscal years then ended and (ii) the unaudited balance sheet of the Company as of May 31, 2025 and the related unaudited statement of income for the five-month period then ended (the financial statements identified in this sentence, collectively, the "Financial Statements"). The Financial Statements are accurate and complete and present fairly, in all material respects, the financial position, results of operations, shareholders' equity, and cash flows of the Company and the Company Subsidiaries at the dates and for the time periods indicated and have been prepared and reviewed by the management of the Company in accordance with United States generally accepted accounting principles ("GAAP"), consistently applied throughout the periods indicated. The Financial Statements were derived from the books and records of the Company, which are accurate and complete and there are no material inaccuracies or discrepancies of any kind contained or reflected therein. All of the books and records of the Company have been maintained in the ordinary course of business and fairly reflect, in all material respects, all transactions of the business of the Company and the Company Subsidiaries. The Company's and each Company Subsidiary's internal controls and procedures are sufficient to ensure that the Financial Statements are accurate in all material respects. There has been no, and there does not currently exist any, fraud, nor is there the existence of or allegation of financial improprieties that involves management of the Company or any of the Company Subsidiaries.

(c) Neither the Company nor any Company Subsidiary has any material liabilities arising out of transactions or events entered into on or prior to the Closing Date, or any action or inaction, or any state of facts existing, with respect to or based upon transactions or events occurring on or prior to the Closing Date, except (a) liabilities reflected in the Financial Statements, or (b) liabilities that have arisen after December 31, 2024 in the ordinary course of

business, none of which relates to (i) a breach of Contract, (ii) a breach of warranty, (iii) a tort, (iv) an infringement, (v) a violation of Law, or (vi) an environmental liability.

Section 3.07 Information Supplied. None of the information supplied or to be supplied by the Company for inclusion or incorporation by reference in the Information Statement will, at the date it is first sent to the Company's stockholders or at the time of the Company Stockholders Meeting, contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they are made, not materially misleading. The Information Statement will comply as to form in all material respects with the requirements of the DGCL. No representation is made by the Company with respect to statements made or incorporated by reference therein based on information supplied by Parent, Merger Sub or any of their respective Affiliates for inclusion or incorporation by reference therein.

Section 3.08 Absence of Certain Changes or Events. Since December 31, 2024, there has not occurred any circumstance, effect, development, event, change or occurrence that, individually or in the aggregate, has had or would reasonably be expected to have a Company Material Adverse Effect. Since December 31, 2024, (a) each of the Company and the Company Subsidiaries has conducted its respective business in the ordinary course of business in all material respects, (b) there has not been any material damage, destruction or other casualty loss with respect to any material property or asset owned, leased or otherwise used by the Company or its Subsidiaries (including any real property), whether or not covered by insurance, and (c) neither the Company nor any of the Company Subsidiaries has taken any action that, if taken during the period from the date of this Agreement through the Effective Time without Parent's consent, would constitute a breach of Section 5.01.

Section 3.09 Taxes.

(a) Each of the Company and the Company Subsidiaries has timely filed or caused to be filed, with the appropriate Taxing Authority taking into account any extensions of time within which to file, all Tax Returns required to have been filed in accordance with all applicable Laws, and all such Tax Returns are accurate and complete.

(b) Except as provided in Section 3.09(b) of the Company Disclosure Letter, neither the Company nor any Company Subsidiary is currently a beneficiary of any extension of time within which to file any Tax Return.

(c) Except as provided in Section 3.09(c) of the Company Disclosure Letter, each of the Company and the Company Subsidiaries has timely paid or caused to be paid to the appropriate Taxing Authority all Taxes required to have been paid by it whether or not such Taxes were shown as due and payable on any Tax Return, other than Taxes (i) that are not yet due or (ii) that are being diligently contested in good faith by appropriate proceedings and with respect to which adequate reserves have been established to the extent required under GAAP.

(d) The unpaid Taxes of the Company and the Company Subsidiaries do not exceed the reserve for Tax liability (excluding any reserve for deferred Taxes established to reflect timing differences between book and Tax income) as set forth on the Financial Statements

(and not in the note thereto), and do not exceed that reserve as adjusted for the passage of time through the Closing Date in accordance with past custom and practice.

(e) No deficiency for any Tax has been asserted or assessed by a Taxing Authority against the Company or any Company Subsidiary, which has not been resolved.

(f) No Tax Return of the Company or any Company Subsidiary has been audited by any Taxing Authority during the past five years.

(g) Neither the Company nor any Company Subsidiary has granted, or has had granted on its behalf, any extension or waiver of the statute of limitations period applicable to any Tax Return or within which any Tax may be assessed or collected by any Taxing Authority, which period (after giving effect to such extension or waiver) has not yet expired.

(h) There is no audit, investigation, proceeding or action now pending or threatened in writing against or with respect to the Company or any Company Subsidiary in respect of any Tax.

(i) Neither the Company nor any Company Subsidiary has failed to withhold, collect or timely remit all to the appropriate Taxing Authority all amounts required to have been withheld, collected and remitted in respect of Taxes with respect to any payments to a vendor, employee, independent contractor, creditor, stockholder or other Person. Each of the Company and the Company Subsidiaries has timely filed or provided all information, returns or reports, including Forms 1099 and W-2 (and foreign state and local equivalents), that are required to have been filed or provided and has accurately reported all information required to be included on such returns or reports.

(j) Except as provided in Section 3.09(j) of the Company Disclosure Letter, no claim has been made in writing by any Governmental Entity in any jurisdiction in which the Company or any Company Subsidiary does not file Tax Returns that such Person is or may be subject to taxation in that jurisdiction that has not been resolved.

(k) Neither the Company nor any Company Subsidiary has any liability for Taxes of any Person (other than the Company and the Company Subsidiaries) under Treasury Regulation Section 1.1502-6 (or any similar provision of local, state or foreign Law), as a transferee or successor, pursuant to any Contract (other than any Contract exclusively between or among the Company and Company Subsidiaries or any customary commercial Contract entered into in the ordinary course of business no principal purpose of which relates to Taxes), or otherwise.

(l) Neither the Company nor any Company Subsidiary is a party to or is bound by any Tax sharing, allocation or indemnification agreement or arrangement or similar Contract that remains in effect (other than any Contract exclusively between or among the Company and Company Subsidiaries or any customary commercial Contract entered into in the ordinary course of business no principal purpose of which relates to Taxes). None of the Company or any Company Subsidiary is or has been a member of an affiliated group filing

consolidated or combined Tax Returns (other than a group of which the Company or a Company Subsidiary is or was the common parent).

(m) There are no Liens for Taxes upon the assets or properties of the Company or any Company Subsidiary, except for Permitted Liens.

(n) Neither the Company nor any Company Subsidiary will be required to include any item of income in, or exclude any item of deduction from, taxable income for any period or portion thereof ending after the Closing Date (i) under Section 481 of the Code (or any similar provision of state, local or foreign Law) as a result of a change in method of accounting for a Pre-Closing Tax Period, (ii) pursuant to the provisions of any agreement entered into with any Taxing Authority or pursuant to a "closing agreement" as defined in Section 7121 of the Code (or any similar provision of state, local or foreign Law) executed on or prior to the Closing Date, (iii) as a result of any intercompany transactions or any excess loss account described in Treasury Regulation Section 1.1502-19 (or any similar provision of state, local or foreign Law), (iv) as a result of the installment method of accounting, the completed contract method of accounting or the cash method of accounting with respect to a transaction that occurred prior to the Closing Date, (v) as a result of any prepaid amount received on or prior to the Closing Date, (vi) as a result of any election under Section 108(i) of the Code (or any similar provision of state, local or foreign Law) with respect to the discharge of any Indebtedness on or prior to the Closing Date, (vii) as a result of the use of any impermissible method of accounting on or before the Closing Date, (viii) as a result of using the deferral method provided for under IRS Rev. Proc. 2004-34 or making an election under Section 451(c) of the Code, as applicable, in respect of any transaction occurring or payment received prior to the Closing Date, (ix) as a result of any debt instrument held prior to the Closing that was acquired with "original issue discount" as defined in Section 1273(a) of the Code or subject to the rules set forth in Section 1276 of the Code, (x) pursuant to Section 965 of the Code (or any similar provision of state, local or foreign Law) or (xi) pursuant to Section 59A of the Code (or any similar provision of state, local or foreign Law).

(o) Neither the Company nor any Company Subsidiary will be required to include any item of income in its taxable income under Section 951(a) or Section 951A of the Code (or any similar provision of state, local or foreign Law) attributable to (i) "subpart F income," within the meaning of Section 952 of the Code (or any similar provision of state, local or foreign Law) that is related or attributable to the Company or any Company Subsidiary, or the income, assets or operations of the Company or any Company Subsidiary, (ii) direct or indirect holding of "United States property" within the meaning of Section 956 of the Code (or any similar provision of state, local or foreign Law) that is related or attributable to the Company or any Company Subsidiary, or the income, assets or operations of the Company or any Company Subsidiary, or (iii) "global intangible low-taxed income" as defined in Section 951A of the Code, in each case, with respect to any Pre-Closing Tax Period.

(p) Neither the Company nor any Company Subsidiary has been a United States real property holding corporation within the meaning of Section 897(c)(2) of the Code during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code.

(q) Since January 1, 2023, neither the Company nor any Company Subsidiary has distributed the stock of another Person, or has not had its stock distributed by another Person,

in a transaction that was purported or intended to be governed in whole or in part by Sections 355 or 361 of the Code.

(r) Neither the Company nor any Company Subsidiary participated in any "reportable transaction" as defined in Section 6707A of the Code or Treasury Regulation Section 1.6011-4 (or any predecessor provision).

(s) Neither the Company nor any Company Subsidiary is the beneficiary of any Tax incentive, Tax rebate, Tax holiday or similar arrangement or agreement with any Governmental Entity.

(t) Neither the Company nor any Company Subsidiary has any permanent establishment in any foreign country other than the country in which the Company or such Company Subsidiary is organized and does not and has not engaged in a trade or business in any foreign country other than the country in which the Company or such Company Subsidiary is organized.

Section 3.10 Employee Benefits.

(a) Section 3.10(a) of the Company Disclosure Letter sets forth a true, correct and complete list of all Company Benefit Plans. For purposes of this Agreement, "Company Benefit Plan" means each "employee benefit plan" as defined in Section 3(3) of ERISA (whether or not subject to ERISA) and each other employment, individual consulting, bonus, deferred compensation, incentive compensation, equity or equity-based award, retention or "stay" bonus, change in control, transaction bonus, severance or termination pay, salary continuation, hospitalization, medical, dental, vision, life insurance, disability or sick leave benefit, supplemental unemployment benefits, profit-sharing, pension or retirement plan, program, contract, agreement, fund or arrangement, in each case, (A) that is maintained, sponsored or contributed to by the Company, any Company Subsidiary or their ERISA Affiliates in respect of any current or former directors, officers, employees, equity holders, managers, consultants or independent contractors who are natural Persons (or any dependents or beneficiaries of such Persons) of the Company or any Company Subsidiary or (B) to which the Company or any Company Subsidiary has or would reasonably be expected to have any material liability (including on account of any ERISA Affiliate); *provided* that in no event shall a Company Benefit Plan include any arrangement operated by a Governmental Entity.

(b) True, correct and complete copies of the following materials have been made available to Parent with respect to each material Company Benefit Plan in existence as of the date hereof, in each case to the extent applicable: (i) the plan document and all amendments thereto, or in the case of an unwritten Company Benefit Plan, a written description thereof, (ii) the current determination, pre-approval, or opinion letter from the Internal Revenue Service (the "IRS"), (iii) the current summary plan description, any summary of material modifications, (iv) the most recent annual report on Form 5500 filed with the IRS, (v) the most recently prepared actuarial reports and financial statements, (vi) nondiscrimination testing for the last three plan years, (vii) each Contract (including any trust agreement, funding agreement, insurance agreement or investment management agreement) relating to the funding of any Company Benefit Plan, and (viii) non-routine, material correspondence relating to any such

Company Benefit Plan between the Company or any Company Subsidiary or their representatives and any Governmental Entity or regulatory body since January 1, 2020.

(c) (i) Each Company Benefit Plan and related trust has been established, maintained, operated and administered in accordance with its terms and any related documents or agreements and in compliance with applicable Law (including ERISA and the Code) in all material respects, (ii) there is no pending or, to the Knowledge of the Company, threatened assessment, complaint, proceeding or investigation of any kind in any Governmental Entity with respect to any Company Benefit Plan (other than routine claims for benefits), nor is there any basis for one, and (iii) each Company Benefit Plan intended to be qualified under Section 401(a) of the Code is so qualified and has received a favorable determination, pre-approval, or opinion letter from the IRS, and, to the Knowledge of the Company, no circumstances have occurred or exist that could reasonably be expected to result in any such letter being revoked or result in the loss of the tax-qualified status of any such Company Benefit Plan.

(d) Except as set forth on Section 3.10(d) of the Company Disclosure Letter, (i) no Company Benefit Plan is or has at any time been covered by Title IV of ERISA or subject to Section 412 of the Code or Section 302 of ERISA and (ii) none of the Company, any Company Subsidiary or their ERISA Affiliates has, since January 1, 2019, maintained, established, participated in or contributed to, or is or has been obligated to contribute to, or has otherwise incurred any actual or contingent liability under a (A) "multiemployer plan" (as defined in Section 3(37) of ERISA or 4001(a)(3) of ERISA) (a "Multiemployer Plan"), (B) a "multiple employer welfare arrangement" (as defined in Section 3(40) of ERISA), (C) a "multiple employer plan" (including a "pooled employer plan") within the meaning of Section 210(a) of ERISA or Section 413(c) of the Code, or (D) any plan, program or arrangement that provides life, medical or health benefits to retirees or other former employees following a termination of employment, other than benefit continuation rights under COBRA. As of the Closing Date, no individuals are currently receiving or have a right to elect continuation coverage under any Company Benefit Plan pursuant to COBRA or any other similar Law.

(e) Except as would not be reasonably expected to, individually or in the aggregate, result in any liability material to the Company and the Company Subsidiaries, taken as a whole, (i) no liability under Section 302 or Title IV of ERISA or Section 412 of the Code has been incurred by the Company, a Company Subsidiary or any of their ERISA Affiliates that has not been satisfied in full, (ii) with respect to any Company Benefit Plan that is subject to the minimum funding requirements of Section 412 of the Code or Title IV of ERISA: (A) no such plan is, or is expected to be, in "at-risk" status (within the meaning of Section 303(i)(4)(A) of ERISA or Section 430(i)(4)(A) of the Code), (B) the Pension Benefit Guaranty Corporation has not instituted proceedings to terminate any such plan, (C) no "reportable event" within the meaning of Section 4043 of ERISA (excluding any such event for which the 30 day notice requirement has been waived under the regulations to Section 4043 of ERISA) has occurred, and (D) no event described in Sections 4062, 4063 or 4041 of ERISA has occurred.

(f) Except as would not be reasonably expected to, individually or in the aggregate, result in any liability material to the Company and the Company Subsidiaries, taken as a whole, (i) none of the Company, Company Subsidiaries or any of their ERISA Affiliates has incurred withdrawal liability under Section 4201 of ERISA in respect of any Multiemployer

Plan, (ii) all contributions required to be paid by the Company, the Company Subsidiaries or any of their ERISA Affiliates have been timely paid to any applicable Multiemployer Plan to which the Company, Company Subsidiaries or any of their ERISA Affiliates has an obligation to contribute, and (iii) no Multiemployer Plan to which the Company, Company Subsidiaries or any of their ERISA Affiliates has an obligation to contribute is in endangered or critical status (under Section 432(b) of the Code or Section 305(b) of ERISA), or has requested or been granted by the IRS any waiver of the minimum funding standards of Section 412 of the Code or Section 302 of ERISA.

(g) Except as contemplated by the terms of this Agreement or as set forth on Section 3.10(g) of the Company Disclosure Letter, neither the execution nor delivery of this Agreement nor the consummation of the Merger (either alone or in combination with another event) will (i) entitle any current or former director, officer, employee, manager, consultant or independent contractor who is a natural Person of the Company or any Company Subsidiary (or the dependent of such Person) to any payment (whether of severance pay or otherwise) or benefit, (ii) materially increase the amount or value of any benefit or compensation otherwise payable or required to be provided to any such current or former director, officer, employee, manager, consultant or independent contractor who is a natural Person (or the dependent of such Person), (iii) accelerate the time of payment, funding or vesting of any compensation or benefits due to any such current or former director, officer, employee, manager, consultant or independent contractor who is a natural Person (or the dependent of such Person), (iv) result in any amounts payable, or benefits provided to any such current or former director, officer, employee, manager, consultant or independent contractor who is a natural Person to fail to be deductible for federal income Tax purposes by virtue of Section 280G of the Code, (v) result in the forgiveness of any loan or indebtedness owed to the Company or any Company Subsidiary by any current or former director, officer, employee, manager, consultant or independent contractor who is a natural Person of the Company or any Company Subsidiary (or the dependent of such Person) in respect of their service to the Company or any Company Subsidiary, or (vi) trigger any funding obligation under any Company Benefit Plan or result in the limitation or restriction of the rights of the Company or any Company Subsidiary to merge, amend or terminate any Company Benefit Plan.

(h) Each Company Benefit Plan which is a nonqualified deferred compensation plan within the meaning of Section 409A of the Code has been administered and maintained in all material respects in both form and operation according to the requirements of Section 409A of the Code and the guidance issued thereunder. Neither the Company nor any Company Subsidiary has an obligation to make a "gross-up" or similar payment in respect of any Taxes that may become payable, including under Sections 409A or 4999 of the Code.

(i) There have been no prohibited transactions within the meaning of Code Section 4975 or ERISA Section 406 or 407, and not otherwise exempt under ERISA Section 408, imposed on "fiduciaries" (within the meaning of Section 3(21) of ERISA) by ERISA with respect to any Company Benefit Plans by the Company or, to the Knowledge of the Company, any third party. No breaches of fiduciary duty (as determined under ERISA or common law) with respect to any Company Benefit Plan have occurred that could reasonably be expected to subject the Company or any Company Subsidiary to any material liability. No asset or property

of the Company or a Company Subsidiary is subject to any material Lien arising under the Code or ERISA due to any Company Benefit Plan.

(j) Neither the Company nor any Company Subsidiary has agreed or committed to institute any plan, program, arrangement or agreement for the benefit of any current or former employees, officers, directors, managers, consultants or independent contractors (who are natural Persons) of the Company or any Company Subsidiary other than the Company Benefit Plans, or to make any amendments to any of the Company Benefit Plans.

(k) The Company and each Company Subsidiary has reserved all rights necessary to amend or terminate each of the Company Benefit Plans as of the Closing Date without the consent of any other Person.

(l) No Company Benefit Plan provides health, welfare or retirement benefits to any individual who is not a current or former employee of the Company or any Company Subsidiary, or the dependents or other beneficiaries of any such current or former employee.

(m) All (i) insurance premiums required to be paid with respect to, (ii) benefits, expenses and other amounts due and payable under, and (iii) contributions, transfers or payments required to be made to, any Company Benefit Plan on or prior to the Closing Date will have been paid, made or accrued on or prior to the Closing Date.

(n) No amount, economic benefit or other entitlement that could be received (whether in cash or property or the vesting of property) as a result of any of the transactions contemplated by this Agreement (alone or in combination with any other event) by any "disqualified individual" (as such term is defined in Treasury Regulation Section 1.280G-1) with respect to the Company or any of its Affiliates under any employment, severance or termination agreement, other compensation arrangement or Company Benefit Plan in effect as of the Closing Date would be characterized as an "excess parachute payment" (as such term is defined in Section 280G(b)(1) of the Code), and no such disqualified individual is entitled to receive any "gross-up", indemnification or other payment from the Company, any Company Subsidiary or any other Person in the event that the excise tax required by Section 4999(a) of the Code is imposed on such disqualified individual.

(o) No Company Benefit Plan is or at any time was funded through a "welfare benefit fund" as defined in Section 419(e) of the Code, and no benefits under any Company Benefit Plan are or at any time have been provided through a voluntary employees' beneficiary association (within the meaning of Section 501(c)(9) of the Code) or a supplemental unemployment benefit plan (within the meaning of Section 501(c)(17) of the Code).

(p) Except as would not be reasonably expected to, individually or in the aggregate, result in any material liability to the Company or any Company Subsidiary, (i) the Company and each Company Subsidiary subject to the Patient Protection and Affordable Care Act of 2010, as amended, and regulations promulgated thereunder (the "ACA"), and each applicable Company Benefit Plan has been and is in compliance with the ACA, such that there is no reasonable expectation that any Tax or penalty could be imposed pursuant to the ACA, and (ii) neither the Company, any Company Subsidiary, nor any of their ERISA Affiliates is subject

to any liability or penalty under Sections 4971 through 4980H or Section 6055 Section 6056, Section 6721 or Section 6722 of the Code.

Section 3.11 Litigation. There is, and since January 1, 2022, there has been, no material suit, action or other proceeding pending or threatened in writing, or to the Knowledge of the Company, orally against the Company or any Company Subsidiary or any of their respective properties or assets nor is there any material Judgment outstanding against or, to the Knowledge of the Company, investigation or inquiry (whether alleged, threatened or pending) by any Governmental Entity involving the Company or any Company Subsidiary or any of their respective properties or assets.

Section 3.12 Compliance with Applicable Laws. Since January 1, 2022, the Company and the Company Subsidiaries have complied, and the business of the Company and the Company Subsidiaries has been conducted, in each case in all material respects in accordance with all Laws applicable thereto. Since January 1, 2022, each of the Company and the Company Subsidiaries has at all times maintained and been in compliance in all material respects with all Permits required by all Laws applicable thereto. Such Permits are valid and in full force and effect. The Company and the Company Subsidiaries are not in default, and no condition or circumstance exists that with notice or lapse of time or both would constitute or cause a default, termination, expiration, modification, cancellation or revocation under such Permits. There are no lawsuits or other proceedings pending or, to the Knowledge of the Company, threatened before any Governmental Entity that seek the termination, expiration, modification, cancellation or revocation of such Permits.

Section 3.13 Environmental Matters. (a) The Company and the Company Subsidiaries are and, since January 1, 2022, have been in compliance with applicable Environmental Law; (b) none of the Company or any Company Subsidiary has received any written, or to the Knowledge of the Company, oral, notice that remains outstanding from a Governmental Entity or other Person that alleges that the Company or any Company Subsidiary is in violation of or has or may have liability under applicable Environmental Law; (c) there are no unresolved legal or administrative proceedings or written demands or orders pending alleging that the Company or any Company Subsidiary is liable for response actions to address a Release or has any other liability under any Environmental Law; (d) neither the Company nor any Company Subsidiary has assumed, undertaken, agreed to provide indemnification for or otherwise become subject to any liability of any other Person relating to or arising from any Environmental Law; and (e) there has been no Release at or affecting any property currently, or to the Knowledge of the Company, formerly owned, leased or operated by the Company or any Company Subsidiary that requires reporting, investigation, assessment, cleanup, remediation or any other type of response action by the Company or any Company Subsidiary under any Environmental Law or any contract, except with respect to any of the foregoing under clause (a), (b), (c), (d) or (e) as, individually or in the aggregate, have not had and would not reasonably be expected to have a Company Material Adverse Effect. Neither the execution of this Agreement nor the consummation of the transactions contemplated thereunder will trigger any material obligations for investigation, assessment, cleanup or remediation under any Environmental Law.

Section 3.14 Contracts.

(a) Section 3.14(a) of the Company Disclosure Letter sets forth, as of the date of this Agreement, a true, correct and complete list, and the Company has made available to Parent true, correct and complete copies, of:

(i) each Contract to which the Company or any of the Company Subsidiaries is a party that (A) restricts in any respect the ability of the Company or any Company Subsidiaries or any of their respective Affiliates to compete in any line of business or geographic area, (B) grants "most favored nation" or similar status in favor of the counterparty, (C) contains a exclusivity provision in favor of the counterparty, or (D) contains a put, call, right of first refusal, lock-up or other provision pursuant to which the Company or any Company Subsidiary would be required to acquire or dispose of, or would be restricted from acquiring or disposing of, as applicable, any equity interests of any Person or assets;

(ii) each Contract pursuant to which any Indebtedness of the Company or any Company Subsidiary is outstanding or may be incurred by its terms;

(iii) each partnership, joint venture, profit-sharing, strategic alliance, collaboration, research and development or similar Contract to which the Company or any of the Company Subsidiaries is a party;

(iv) each Contract between the Company or any Company Subsidiary, on the one hand, and, on the other hand, any (A) present executive, officer or director of either the Company or any of the Company Subsidiaries, (B) record or beneficial owner of more than 1% of the shares of Common Stock outstanding as of the date hereof, or (C) any affiliate of any such officer, director or owner (other than the Company or any of the Company Subsidiaries);

(v) any Contract relating to the full or partial guarantee of the obligations of other Persons (other than any of the Company or any Company Subsidiary) by the Company or any Company Subsidiary;

(vi) each Contract relating to the disposition or acquisition by the Company of any of the Company Subsidiaries;

(vii) any Contract providing for a settlement of any suit, action or other proceeding against the Company or any Company Subsidiary;

(viii) any Government Contract (and to the extent any such Government Contract involves a small business "set aside", the same shall be so noted on Section 3.14(a) of the Company Disclosure Letter);

(ix) any Contract requiring or providing for any capital expenditure on or after the date hereof in excess of $5,000;

(x) any Contract limiting or restricting the ability of the Company or any Company Subsidiary to make distributions or declare or pay dividends in respect of their capital stock, partnership interests, membership interests or other equity interests, as the case may be;

(xi) any Contract with a Material Customer or Material Vendor;

(xii) any Collective Bargaining Agreement or other Contract with a Labor Organization, works council or similar organization; and

(xiii) each Contract to which the Company or any Company Subsidiary is a party that could reasonably be expected to involve aggregate payments by or to the Company or any Company Subsidiary during calendar year 2025 or any subsequent calendar year of at least $10,000; *provided* that purchase orders entered into in the ordinary course of business shall constitute a Material Contract but shall not be required to be set forth on Section 3.14(a)(xiii) of the Company Disclosure Letter.

Each Contract described in this Section 3.14(a) (whether or not actually listed on Section 3.14(a) of the Company Disclosure Letter) and each Real Estate Lease, in each case, is referred to herein as a "Material Contract."

(b) (i) Each Material Contract is a valid, binding and legally enforceable obligation of the Company or one of the Company Subsidiaries, as the case may be, and of the other parties thereto, except, in each case, as enforcement may be limited by bankruptcy, insolvency, reorganization or similar Laws affecting creditors' rights generally and by general principles of equity; (ii) each such Material Contract is in full force and effect; (iii) none of the Company or any of the Company Subsidiaries is (with or without notice or lapse of time, or both) in breach or default under any such Material Contract and, to the Knowledge of the Company, no other party to any such Material Contract is (with or without notice or lapse of time, or both) in breach or default thereunder, except, in the case of clauses (i) or (ii), with respect to any Material Contract that expires by its terms (as in effect as of the date hereof) or which is terminated in accordance with the terms thereof by the Company in the ordinary course of business; (iv) neither the Company nor any Company Subsidiary has received any notice of termination with respect to, and, to the Knowledge of the Company, no party has threatened to terminate, any Material Contract; and (v) there are no disputes pending or threatened in writing (or, to the Knowledge of the Company, threatened orally) with respect to any Material Contract.

Section 3.15 Government Contracts.

(a) Each Government Contract was, to the Knowledge of the Company, legally awarded.

(b) Since January 1, 2019 through the date of this Agreement, (i) no Governmental Entity nor any prime contractor or higher-tier subcontractor under any Government Contract has notified the Company or one of the Company Subsidiaries of any actual or alleged violation or breach of any material contract term, (ii) the Company and the Company Subsidiaries have not received a written or, to the Knowledge of the Company, oral

cure notice, show cause notice, stop work order or deficiency notice relating to Government Contracts, and (iii) no Government Contract awarded to the Company or the Company Subsidiaries has been terminated for default or cause, and neither the Company nor the Company Subsidiaries have been threatened with termination for default or cause that remains unresolved with respect to any Government Contract.

(c) Since January 1, 2019, the Company, the Company Subsidiaries and their respective Principals (as defined in FAR 2.101 and 52.209-5) have not been debarred, suspended or proposed for suspension or debarment or otherwise excluded from participation in the award of any Government Contract.

(d) Since January 1, 2019, with respect to any Government Contract, there has been no: (i) civil fraud, criminal or bribery investigation by any Governmental Entity against the Company or the Company Subsidiaries, (ii) internal investigation in connection with any alleged fraud, bribery, contractual noncompliance or any other issue in connection with such Government Contract, (iii) written request by a Governmental Entity for a contract price adjustment based on a claimed disallowance by the Defense Contract Audit Agency (or other applicable Governmental Entity) or written claim of defective pricing against the Company or the Company Subsidiaries, or (iv) dispute between the Company or the Company Subsidiaries and a Governmental Entity that has resulted in a government contracting officer's final decision against the Company or the Company Subsidiaries, in each case, where the amount in controversy is material or, which, regardless of any monetary cost, could reasonably be expected to materially impede the Company or the Company Subsidiaries from doing business with any Governmental Entity.

(e) The Company and the Company Subsidiaries are and, since January 1, 2019, have been in compliance in all material respects with all statutory, regulatory, and contractual requirements applicable to each Government Contract, and no performance evaluation of the Company or the Company Subsidiaries since January 1, 2019, with respect to any Government Contract has cited a material default or other material failure to perform thereunder.

(f) Since January 1, 2019, (i) all written representations, certifications and disclosures made by the Company or the Company Subsidiaries were current, accurate and complete in all material respects when made and such representations and certifications were updated so that they remained current, accurate and complete in all material respects, if updating was required; and (ii) neither any Governmental Entity nor any prime contractor, subcontractor or other Person has notified the Company or the Company Subsidiaries that it has, or is alleged to have, materially breached or violated any Law, representation, certification, disclosure, clause, provision or requirement pertaining to any Government Contract.

(g) None of the Government Contracts is or was set aside or reserved based in whole or in part on the Company's or the Company Subsidiaries' size status or other set aside or preference category or was awarded to the Company or the Company Subsidiaries as a non-traditional defense contractor or small business for purposes of its other transaction agreements. Any representation or certification made by the Company or the Company Subsidiaries that it is

a small business for the purpose of any Government Contract was accurate when made incorporating all factors including affiliation that are required under applicable Laws.

Section 3.16 International Trade.

(a) Neither the Company, the Company Subsidiaries, nor any of their directors, officers, employees, representatives or other Persons that act for or on behalf of the Company or the Company Subsidiaries, is currently, or since January 1, 2020 has been, (i) a Sanctioned Person; (ii) located, organized or resident in a Sanctioned Country; (iii) engaged in any dealings or transactions with, involving or for the benefit of any Sanctioned Person or in or with any Sanctioned Country; or (iv) otherwise in violation of applicable Sanctions.

(b) The Company, the Company Subsidiaries and their directors, officers, employees, representatives, or other Persons that act for or on behalf of the Company or the Company Subsidiaries are, and, since January 1, 2020, have been, in compliance with all Trade Compliance Laws.

(c) Since January 1, 2020, neither the Company nor the Company Subsidiaries have made any voluntary or involuntary disclosure to any Governmental Entity under the Trade Compliance Laws, and there have been no actual or threatened inquiries, investigations or enforcement actions regarding compliance by the Company or the Company Subsidiaries with Trade Compliance Laws, and no Governmental Entity has assessed any fine or penalty against, or issued any warning letter to, the Company or the Company Subsidiaries with regard to compliance with Trade Compliance Laws.

Section 3.17 Anti-Corruption.

(a) Neither the Company, the Company Subsidiaries, nor any of their respective directors, officers, employees, representatives, or other Persons that act for or on behalf of the Company or any of the Company Subsidiaries, has, since January 1, 2020, directly or indirectly, violated the Anti-Corruption Laws. Without limiting the foregoing, neither the Company, the Company Subsidiaries, nor any of their respective directors, officers, employees, representatives, or other Persons that act for or on behalf of the Company or the Company Subsidiaries have: (i) used any corporate funds for unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity, (ii) directly or indirectly, made, offered or authorized any unlawful payment to any Government Official or other Person, or (iii) directly or indirectly, made, offered or authorized any improper bribe, rebate, payoff, influence payment, kickback or other similar unlawful payment or provision of any other things of value.

(b) Since January 1, 2020, (i) neither the Company nor the Company Subsidiaries has made any voluntary or involuntary disclosure to any Governmental Entity under the Anti-Corruption Laws, and there have been no actual or threatened written or, to the Knowledge of the Company, oral inquiries, investigations or enforcement actions regarding compliance by the Company or the Company Subsidiaries with any Anti-Corruption Laws, and (ii) no Governmental Entity has assessed any fine or penalty against, or issued any warning letter with regard to compliance with Anti-Corruption Laws.

Section 3.18 Properties.

(a) Neither the Company nor any Company Subsidiary owns, or has ever owned, any real property or any interest in real property.

(b) Section 3.18(b) of the Company Disclosure Letter contains a true, correct and complete list of all real property and interests in real property that are leased, subleased, sub-subleased, licensed, used or occupied (but not owned), together with all buildings, structures, fixtures and improvements located thereon by the Company and the Company Subsidiaries, as applicable (such real property, the "Leased Real Property"), and sets forth a list of any and all leases, subleases, sub-subleases, licenses and occupancy agreements to which the Company or any Company Subsidiary is a party with respect thereto (collectively, the "Real Estate Leases"). True, correct and complete copies of all Real Estate Leases (including all modifications, amendments, supplements, waivers and side letters thereto) have been made available to Parent. Either the Company or a Company Subsidiary, as applicable, has good and valid leasehold title to the Leased Real Property free and clear of all Liens, except for Permitted Liens.

(c) Each Real Estate Lease (i) is in full force and effect and constitutes the valid and legally binding obligation of the Company or the applicable Company Subsidiary which is a party thereto, as applicable, enforceable in accordance with its terms, subject to: (A) Laws of general application relating to bankruptcy, insolvency, reorganization, moratorium and other Laws affecting creditors' rights generally; and (B) rules of law governing specific performance, injunctive relief and other equitable remedies; (ii) has not been amended or modified in any respect except as reflected in the modifications, amendments, supplements, waivers and side letters thereto made available to Parent; and (iii) except with respect to any Permitted Liens granted under the terms of any of the Real Estate Leases, has not been assigned in any manner by the Company or any of the applicable Company Subsidiaries. Neither the Company nor any of the Company Subsidiaries has received a written notice of any alleged default under any Real Estate Lease which remains uncured.

(d) The Leased Real Property is in good condition and repair (subject to normal wear and tear) and is sufficient in all material respects for the operation of the business of the Company and the applicable Company Subsidiaries as it is currently conducted. Neither the Company nor any applicable Company Subsidiary has leased, subleased, licensed or otherwise granted to any Person the right to use or occupy any of the Leased Real Property.

Section 3.19 Intellectual Property; Data Privacy.

(a) Section 3.19(a) of the Company Disclosure Letter sets forth a true, correct and complete list of all valid and enforceable registrations and applications for registration for Patents, Trademarks, Copyrights and Domain Names owned by the Company and the Company Subsidiaries ("Registered Intellectual Property Rights") with owner, countries, registration and application numbers and dates indicated, as applicable, and in the case of unregistered Trademarks, country of use and date of first use.

(b) The Company or a Company Subsidiary owns, is licensed or otherwise has the right to use all Intellectual Property Rights necessary for the conduct of the business of the

Company and the Company Subsidiaries. The Company or a Company Subsidiary is the owner of all Registered Intellectual Property Rights, in each case, free and clear of all Liens other than Permitted Liens.

(c) Since January 1, 2019, the operation of the business of the Company and the Company Subsidiaries as conducted has not infringed, misappropriated or otherwise violated any Intellectual Property Rights of any third party, and, since January 1, 2019, there has not been any suit, action or other proceeding pending or threatened in writing or, to the Knowledge of the Company, orally that alleges that the conduct of its business as conducted by the Company and the Company Subsidiaries infringes, misappropriates or otherwise violates any Intellectual Property Rights of any third parties.

(d) All Information Systems used by the Company or any of the Company Subsidiaries are sufficient in all material respects for the conduct of its business as currently conducted and as presently proposed to be conducted. The Company and each of the Company Subsidiaries use reasonable means, consistent with the state of the art generally available to the public, to protect the security and integrity of all Information Systems used by the Company. Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, the Company or a Company Subsidiary has obtained and possesses valid licenses to use all of the software programs present on the computers and other software-enabled electronic devices that it owns or leases or that it has otherwise provided to its employees for their use in connection with the Company's or any Company Subsidiary's business. Each of the Company and the Company Subsidiaries has taken commercially reasonable steps to provide for archival, back-up, recovery and restoration of its material business data.

(e) To the Knowledge of the Company, since January 1, 2019, the Intellectual Property Rights of the Company and the Company Subsidiaries are not being infringed, misappropriated or otherwise violated by any Person, and no such claims are pending or threatened against any Person by the Company or any Company Subsidiary.

(f) The Company and the Company Subsidiaries have at all times maintained in place commercially reasonable security measures, contractual protections, technologies, safeguards and policies and procedures with respect to data collection, security, privacy, storage, transfer, disclosure, use and retention that are sufficient to ensure that the operation of the business of the Company and the Company Subsidiaries as presently conducted is in compliance with applicable Data Privacy Obligations. The Company and the Company Subsidiaries require the same of all vendors that Process Personal Information and Company Data on their behalf. The Company and the Company Subsidiaries (including their subcontractors) maintain disaster recovery and business continuity plans, procedures and facilities that are commercially reasonable and that satisfy the Company's and Company Subsidiaries' contractual and legal obligations.

(g) Both the Company and the Company Subsidiaries are in compliance in all material respects with, and have complied in all material respects at all times with all Data Privacy Obligations. There is no suit, action or other proceeding pending or threatened in writing or, to the Knowledge of the Company, orally, that alleges any such violation.

(h) To the Knowledge of the Company, no Person has gained unauthorized access to, acquired without authorization, or engaged in unauthorized Processing of (i) any material Personal Information or Company Data held by the Company or any Company Subsidiary, or (ii) any material databases, computers, servers, storage media (*e.g.*, backup tapes), network devices or other devices or systems that Process Personal Information or Company Data owned or maintained by the Company or any Company Subsidiary, their customers, subcontractors or vendors, or any other Persons on their behalf (a "Security Breach") and the Company and the Company Subsidiaries have no reason to reasonably suspect a Security Breach has occurred. The Company and the Company Subsidiaries have at all times implemented and maintained commercially reasonable controls, technologies, security programs, policies and procedures to protect all material Personal Information and Trade Secrets in the possession and control of the Company or the Company Subsidiaries against Security Breaches, theft, loss and any other unauthorized disclosure or processing and to remediate the same.

(i) Neither the execution, delivery, nor performance of this Agreement, nor the consummation of any transaction contemplated by this Agreement will result in any violation of any Data Privacy Obligations.

Section 3.20 Labor Matters.

(a) Section 3.20(a) of the Company Disclosure Letter sets forth a true, correct and complete list of all Collective Bargaining Agreements to which any of the Company or the Company Subsidiaries is a party. Since January 1, 2022, with respect to employees of the Company or any Company Subsidiary: (i) there are and have been no labor strikes or lockouts pending, or threatened in writing or, to the Knowledge of the Company, orally, (ii) there is and has been no union organizing activity, and (iii) there is and has been no written demand for recognition by any Labor Organization and there are and have been no representation proceedings or petitions by any Labor Organization seeking a representation proceeding presently pending before, or threatened in writing or, to the Knowledge of the Company, orally to be brought or filed with, the National Labor Relations Board or any similar labor-related Governmental Entity outside the United States.

(b) The Company and the Company Subsidiaries are, and since January 1, 2022, have been, in compliance in all material respects with all applicable labor and employment Laws, including but not limited to Laws relating to the termination of employment or failure to employ, employment practices, terms and conditions of employment, immigration, wages and hours, working time, employment standards, civil rights, discrimination, harassment, and retaliation, worker safety, employee leave, contingent worker classification, workers compensation and plant/mass layoffs.

(c) There are no, and, since January 1, 2022, have been no, labor or employment-related actions, claims or lawsuits pending or threatened in writing or, to the Knowledge of the Company, orally against any Company or Company Subsidiary, including any claim related to sexual harassment.

Section 3.21 Anti-Takeover Provisions.

(a) Assuming the accuracy of the representation contained in Section 4.08, no further action is required by the Company Board or any committee thereof or the shareholders of the Company to ensure that no restrictive provision of any "fair price," "moratorium," "control share acquisition," "interested shareholder" or other similar anti-takeover statute or regulation is, or at the Effective Time will be, applicable to this Agreement, the Merger or the other transactions contemplated by this Agreement.

(b) There is no state anti-takeover statute or regulation, any takeover-related provision in the Company Charter or the Company Bylaws or similar agreement applicable to Parent, this Agreement, the Merger or the other transactions contemplated by this Agreement that would prohibit or restrict the ability of the Company to enter into this Agreement or its ability to consummate the Merger.

(c) There is no stockholder rights plan, "poison pill" anti-takeover plan or other similar arrangement in effect, to which the Company is party or otherwise bound.

Section 3.22 Product Warranty and Liability. No product or service of the Company or any Company Subsidiary is subject to any guaranty, warranty, or other indemnity except as otherwise implied by Law. Section 3.22 of the Company Disclosure Letter sets forth a true, correct, and complete list of (a) all suits, actions, proceedings or settlements made against or entered into by the Company or any Company Subsidiary since January 1, 2022 relating to any liability or obligation of the Company or any Company Subsidiary as a result of any defect or other deficiency with respect to any product sold or distributed or service provided by the Company or any Company Subsidiary and (b) the number and extent of product and service warranty claims, demands, or notifications made against the Company or any Company Subsidiary since January 1, 2022.

Section 3.23 Customers and Vendors.

(a) Section 3.22(a) of the Company Disclosure Letter sets forth the 20 largest customers (measured by dollar amount of revenue) of the Company and the Company Subsidiaries and the dollar amount of the Company's and the Company Subsidiaries' revenues from each such customer for each of the years ended December 31, 2023 and 2024, and for the year-to-date ended May 31, 2025 (collectively, "Material Customers"). (i) all Material Customers continue to be customers of the Company and the Company Subsidiaries and none of such Material Customers has reduced materially its business with the Company and the Company Subsidiaries from the levels achieved during the year ended December 31, 2024, and to the Knowledge of the Company, there is no expectation that any such reduction will occur; (ii) no Material Customer has terminated its relationship with the Company or any Company Subsidiary or has threatened, in writing, or to the Knowledge of the Company, orally to do so; (iii) neither the Company nor any Company Subsidiary is involved in any claim, dispute, or controversy with any Material Customer; and (iv) neither the Company nor any Company Subsidiary is involved in any claim, dispute, or controversy with any of its other customers that, individually or in the aggregate, could reasonably be expected to be material to the Company.

(b) Section 3.22(b) of the Company Disclosure Letter sets forth the 10 largest vendors (measured by dollar amount of purchases) of the Company and the Company Subsidiaries and the dollar amount of the Company's and the Company Subsidiaries' purchases from each such Person for each of the years ended December 31, 2023 and 2024, and for the year-to-date ended May 31, 2025 (collectively, "Material Vendors"). Except as set forth on Section 3.22(b) of the Company Disclosure Letter: (i) all Material Vendors continue to be vendors of the Company and the Company Subsidiaries and none of such Material Vendors has reduced materially its business with the Company and the Company Subsidiaries from the levels achieved during the year ended December 31, 2024, and to the Knowledge of the Company, there is no expectation that any such reduction will occur; (ii) no Material Vendor has terminated its relationship with the Company or any Company Subsidiary or has threatened, in writing, or to the Knowledge of the Company, orally to do so; (iii) neither the Company nor any Company Subsidiary is involved in any claim, dispute, or controversy with any Material Vendor; and (iv) neither the Company nor any Company Subsidiary involved in any claim, dispute, or controversy with any of its other vendors that, individually or in the aggregate, could reasonably be expected to be material to the Company. No vendor to the Company or any Company Subsidiary represents a sole source of supply for goods used in the conduct of its business.

Section 3.24 Brokers' Fees and Expenses. No broker, investment banker, financial advisor or other Person, the fees and expenses of which would be paid by the Company, any Company Subsidiary, Parent or any of its Affiliates, is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the Merger or any of the other transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Company or any Company Subsidiary.

Section 3.25 Insurance. All insurance policies of the Company and the Company Subsidiaries, a true, correct and complete list of which are set forth on Section 3.25 of the Company Disclosure Letter, are in full force and effect and provide insurance in such amounts and against such risks as the Company reasonably has determined to be prudent, taking into account the industries in which the Company and the Company Subsidiaries operate, and as is sufficient to comply with applicable Law and all Material Contracts, and all material premiums required to be paid have been paid. Neither the Company nor any Company Subsidiary has received written notice of any pending or threatened cancellation with respect to any such insurance policy, and each of the Company and the Company Subsidiaries is in compliance in all material respects with all conditions contained therein. There is no material claim by the Company or any of the Company Subsidiaries pending under any of the insurance policies of the Company and the Company Subsidiaries as to which coverage has been questioned, denied or disputed by the underwriters of such policies or bonds or in respect of which such underwriters have reserved their rights.

Section 3.26 Related Party Transactions. Neither the Company nor any of its Affiliates, nor any current or former director, manager, officer, or employee of the Company or any Company Subsidiary, (a) has, or during the last five years has had, any direct or indirect interest (i) in, or is or during the last five years was, a director, manager, officer or employee of, any Person that is a client, customer, supplier, lessor, lessee, debtor, creditor, or competitor of the Company or any Company Subsidiary, or (ii) in any material property, asset, or right that is

owned or used by the Company or any Company Subsidiary in the conduct of its business, or (b) except as set forth in Section 3.26(b) of the Company Disclosure Letter, is, or during the last five years has been, a party to any agreement or transaction with the Company or any Company Subsidiary. There is no outstanding Indebtedness owed to the Company or any Company Subsidiary from any current or former director, manager, officer, employee, or consultant of the Company or any of its respective Affiliates.

Section 3.27 Regulatory Matters.

(a) The Company, the Company Subsidiaries, and to the Knowledge of the Company, each of their respective directors, officers, management, employees, agents, contract manufacturers, suppliers, and distributors (only to the extent each such contract manufacturer, supplier or distributor is acting for the Company or any Company Subsidiary) are, and since January 1, 2022, have been, in compliance in all material respects with all applicable Medical Device Laws.

(b) Neither the Company nor any Company Subsidiary has received, since January 1, 2022, any written notification of any pending or threatened claim, subpoena, civil investigative demand, suit, proceeding, hearing, enforcement, audit, investigation, arbitration or other action from the FDA or other Governmental Entity, or any other Person, alleging potential or actual non-compliance by, or liability of, the Company or any Company Subsidiary under any Medical Device Laws.

(c) Neither the Company nor any Company Subsidiary has received, since January 1, 2022, any written notice or other communication from the FDA or any other Governmental Entity contesting the regulatory classification, licensure, pre-market clearance or approval of, the uses of or the labeling and promotion of any of the products sold or distributed by the Company and the Company Subsidiaries. Neither the Company, the Company Subsidiaries, nor, to the Knowledge of the Company, any of its agents, contract manufacturers, suppliers, and distributors (only to the extent each such contract manufacturer, supplier or distributor is acting for the Company or any Company Subsidiary) has received, since January 1, 2022, any FDA Form 483 or other Governmental Entity notice of inspectional observations or adverse findings, "warning letters," "untitled letters" or similar correspondence from the FDA or other Governmental Entity alleging, observing or asserting noncompliance with any applicable Medical Device Laws or Permits or alleging a lack of safety or effectiveness from the FDA or any other Governmental Entity, and, to the Knowledge of the Company, there is no such action or proceeding pending or threatened.

(d) Since January 1, 2022, there have been no seizures, withdrawals, recalls (either voluntary or involuntary), detentions or suspensions of manufacturing, testing or distribution relating to any products sold or distributed by the Company or the Company Subsidiaries, or other notices of action relating to an alleged lack of safety, efficacy or regulatory compliance of any products sold or distributed by the Company or the Company Subsidiaries, or any serious adverse events that have been reported to the FDA or any other Governmental Entity relating to any products sold or distributed by the Company or the Company Subsidiaries.

(e) There currently are effective all material Permits required under any applicable Medical Device Laws for the conduct in all material respects of the Company and the Company Subsidiaries' businesses as currently conducted.

(f) All material filings, reports, documents, claims, submissions and notices submitted or required to be filed, maintained or furnished to the FDA or other Governmental Entity under any applicable Medical Device Laws have been so timely submitted, filed, maintained or furnished and were complete and correct in all material respects on the date filed (or were corrected in or supplemented by a subsequent filing). All applications, notifications, submissions, information, claims, reports, filings and other data and conclusions derived therefrom utilized as the basis for, or submitted in connection with, any and all requests for a Permit from the FDA or other Governmental Entity relating to the Company or the Company Subsidiaries, when submitted to the FDA or other Governmental Entity, whether oral, written or electronically delivered, were true, accurate and complete in all material respects as of the date of submission. Any necessary or required updates, changes, corrections or modifications to such applications, notifications, submissions, information, claims, reports, filings and other data have been submitted to the FDA or other Governmental Entity and as so updated, changed, corrected or modified remain true, accurate and complete in all material respects and do not materially misstate any of the statements or information included therein or omit to state a material fact necessary to make the statements therein not misleading.

ARTICLE IV

Representations and Warranties of Parent and Merger Sub

Parent and Merger Sub jointly represent and warrant to the Company, as of the date hereof and as of the Closing, that the statements contained in this Article IV are true and correct except as set forth in the disclosure letter delivered by Parent to the Company concurrently with the execution and delivery by Parent and Merger Sub of this Agreement (the "Parent Disclosure Letter"). The Parent Disclosure Letter shall be arranged in numbered and lettered sections corresponding to the numbered and lettered sections contained in this Article IV, and the disclosure in any section or subsection shall be deemed to qualify any other section in this Article IV to the extent that it is reasonably apparent on its face that such disclosure also qualifies or applies to such other section or subsection.

Section 4.01 Organization, Standing and Power. Each of Parent and Merger Sub is duly organized, validly existing and in good standing under the Laws of the jurisdiction in which it is organized and has all corporate power and authority required to execute and deliver this Agreement and to consummate the Merger and the other transactions contemplated hereby and to perform each of its obligations hereunder. Each of Parent and Merger Sub is duly qualified or licensed to do business in each jurisdiction where the nature of its business or the ownership or leasing of its properties make such qualification necessary, other than in such jurisdictions where the failure to be so qualified or licensed, individually or in the aggregate, has not had and would not reasonably be expected to have a Parent Material Adverse Effect.

Section 4.02 Authority; Execution and Delivery; Enforceability. Each of Parent and Merger Sub has all requisite corporate power and authority to execute and deliver this

Agreement, to perform its obligations hereunder, and to consummate the Merger and the other transactions contemplated by this Agreement. The Parent Board has unanimously adopted resolutions by written consent in lieu of a meeting (a) approving the execution, delivery and performance of this Agreement and (b) determining that entering into this Agreement is in the best interests of Parent and its stockholders. As of the date of this Agreement, such resolutions have not been amended or withdrawn. The Merger Sub Board has unanimously adopted resolutions by written consent in lieu of a meeting (i) approving the execution, delivery and performance of this Agreement; (ii) determining that the terms of this Agreement are in the best interests of Merger Sub and Parent, as its sole stockholder; (iii) declaring this Agreement advisable; and (iv) recommending that Parent, as sole stockholder of Merger Sub, adopt this Agreement and directing that this Agreement be submitted to Parent, as sole stockholder of Merger Sub, for adoption. As of the date of this Agreement, such resolutions have not been amended or withdrawn. Parent, as sole stockholder of Merger Sub, has adopted and approved this Agreement. No other corporate proceedings (including, for the avoidance of doubt, any stockholder approval) on the part of Parent or Merger Sub are necessary to authorize, adopt or approve, as applicable, this Agreement or to consummate the Merger and the other transactions contemplated by this Agreement (except for the filing of the Certificate of Merger in accordance with the relevant provisions of the DGCL). Each of Parent and Merger Sub has duly executed and delivered this Agreement and, assuming the due authorization, execution and delivery by the Company, this Agreement constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms except, in each case, as enforcement may be limited by bankruptcy, insolvency, reorganization or similar Laws affecting creditors' rights generally and by general principles of equity.

Section 4.03 No Conflicts; Consents.

(a) The execution and delivery by each of Parent and Merger Sub of this Agreement does not, and the performance by each of Parent and Merger Sub of its obligations hereunder and the consummation of the Merger and the other transactions contemplated by this Agreement will not, conflict with, or result in any violation of or default (with or without notice or lapse of time, or both) under, or (solely with respect to clause (ii)) give rise to a right of termination, cancellation, acceleration or other change of right or any obligation, any obligation to make an offer to purchase or redeem any Indebtedness or capital stock or any loss of a benefit under, require any consent or any action by any Person or result in the creation of any Lien upon any of the properties or assets of Parent or Merger Sub under, any provision of (i) the governing or organizational documents of Parent or Merger Sub; (ii) any written contract, lease, license, indenture, note, bond, agreement, understanding, undertaking, concession, franchise or other instrument (in each case, to the extent legally binding on the parties thereto) (a "Contract") to which either Parent or Merger Sub is a party or by which any of their respective properties or assets is bound; or (iii) subject to the filings and other matters referred to in Section 4.03(b), as of the date hereof, any judgment, order or decree ("Judgment") or statute, Law or Permit, in each case, applicable to Parent or Merger Sub or their respective properties or assets, other than, in the case of clauses (ii) and (iii) above, any matters that, individually or in the aggregate, have not had and would not reasonably be expected to have a Parent Material Adverse Effect.

(b) No governmental franchises, licenses, permits, authorizations, variances, exemptions, orders and approvals (each a "Permit" and collectively, the "Permits"), consent, approval, clearance, waiver or order (collectively, with the Permits, the "Consents" and each, a "Consent") of or from, or registration, declaration, notice or filing made to or with any Governmental Entity is required to be obtained or made by or with respect to Parent or Merger Sub in connection with the execution and delivery of this Agreement or its performance of its obligations hereunder or the consummation of the Merger and the other transactions contemplated by this Agreement, other than (i) the filing of the Certificate of Merger with the Delaware Secretary and appropriate documents with the relevant authorities of the other jurisdictions in which Parent and the Company are qualified to do business, and (ii) such other matters that, individually or in the aggregate, have not had and would not reasonably be expected to have a Parent Material Adverse Effect.

Section 4.04 Information Supplied. None of the information supplied or to be supplied by Parent, Merger Sub or any of their respective Affiliates for inclusion or incorporation by reference in the Information Statement will, at the date it is first mailed to the Company's stockholders or at the time of the Company Stockholders Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not materially misleading. No representation is made by Parent, Merger Sub or any of their respective Affiliates with respect to statements made or incorporated by reference therein based on information supplied by the Company for inclusion or incorporation by reference therein.

Section 4.05 Litigation. There is no suit, action or other proceeding pending or, to the Knowledge of Parent, threatened against Parent, Merger Sub or any of their respective Affiliates that, individually or in the aggregate, has had or would reasonably be expected to have a Parent Material Adverse Effect, nor is there any Judgment outstanding against or, to the Knowledge of Parent, investigation by any Governmental Entity involving Parent, Merger Sub or any of their respective Affiliates that, individually or in the aggregate, has had or would reasonably be expected to have a Parent Material Adverse Effect.

Section 4.06 Brokers' Fees and Expenses. No broker, investment banker, financial advisor or other Person, the fees and expenses of which will be paid by Parent, is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the Merger or any of the other transactions contemplated by this Agreement based upon arrangements made by or on behalf of Parent or Merger Sub.

Section 4.07 Merger Sub. The authorized capital stock of Merger Sub consists solely of 100 shares of common stock, par value $0.01 per share, with one share issued and outstanding, which is validly issued and outstanding. Parent is the sole stockholder of Merger Sub. Merger Sub has been formed solely for the purpose of the Merger, has not conducted any business and has no, and prior to the Effective Time will have no, assets, liabilities or obligations of any nature other than those incident to its formation, continued existence and pursuant to this Agreement and the Merger and the other transactions contemplated by this Agreement.

Section 4.08 Ownership of Common Stock. None of Parent, Merger Sub or their respective Affiliates owns any shares of capital stock of the Company or has any rights to acquire any shares of capital stock of the Company (except pursuant to this Agreement).

Section 4.09 Available Funds. Parent and Merger Sub will have at the Effective Time, cash sufficient to enable Parent and Merger Sub to consummate the Merger on the terms contemplated by this Agreement, and to make all payments contemplated by this Agreement (collectively, the "Required Amounts").

Section 4.10 Independent Investigation. Parent has conducted its own independent investigation, review and analysis of the business, results of operations, prospects, condition (financial or otherwise), and assets of the Company, and acknowledges that it has been provided adequate access to the personnel, properties, assets, premises, books and records, and other documents and data of the Company for such purpose. Parent acknowledges and agrees that: (a) in making its decision to enter into this Agreement and to consummate the Merger and the other transactions contemplated hereby, Parent has relied solely upon its own investigation and the express representations and warranties of the Company set forth in Article III (including the related portions of the Company Disclosure Letter); and (b) neither the Company nor any other Person has made any representation or warranty as to the Company, this Agreement or the Merger, except as expressly set forth in Article III (including the related portions of the Company Disclosure Letter).

ARTICLE V

Covenants Relating to Conduct of Business

Section 5.01 Conduct of Business by the Company. Except (i) as set forth in Section 5.01 of the Company Disclosure Letter, (ii) as expressly contemplated or required by this Agreement, (iii) as required by applicable Law, or (iv) with the prior written consent of Parent (which shall not be unreasonably withheld, conditioned or delayed), from the date of this Agreement to the Effective Time, the Company shall, and shall cause each Company Subsidiary to, (x) conduct the business of the Company and each Company Subsidiary in the ordinary course of business and (y) use reasonable best efforts to preserve its relationships with customers, contract manufacturers, suppliers, partners, licensors, licensees, distributors and other Persons having business dealings with it with the intention that its goodwill and ongoing business will not be materially impaired on the Closing Date. Except (A) as set forth in Section 5.01 of the Company Disclosure Letter, (B) as expressly contemplated or required by this Agreement, (C) as required by applicable Law or (D) with the prior written consent of Parent (which shall not be unreasonably withheld, conditioned or delayed) from the date of this Agreement to the Effective Time, the Company shall not, and shall not permit any Company Subsidiary to, do any of the following:

(a) (i) declare, set aside or pay any dividends on, or make any other distributions (whether in cash, stock or property or any combination thereof) in respect of, any of its capital stock, other equity interests or voting securities, other than dividends and distributions by a direct or indirect Company Subsidiary to its parent, (ii) split, combine, subdivide or reclassify any of its capital stock, other equity interests or voting securities or securities

convertible into or exchangeable or exercisable for capital stock or other equity interests or voting securities, or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for its capital stock, other equity interests or voting securities, or (iii) repurchase, redeem or otherwise acquire, or offer to repurchase, redeem or otherwise acquire, any capital stock or voting securities of, or equity interests in, the Company or any Company Subsidiary or any securities of the Company or any Company Subsidiary convertible into or exchangeable or exercisable for capital stock or voting securities of, or equity interests in, the Company or any Company Subsidiary, or any warrants, calls, options or other rights to acquire any such capital stock, securities or interests;

(b) except for transactions among the Company and one or more Company Subsidiaries or among one or more Company Subsidiaries, issue, sell, grant, pledge, transfer or otherwise encumber or subject to any Lien (other than Liens imposed by applicable securities Laws) (i) any shares of capital stock of the Company or any Company Subsidiary, (ii) any other equity interests or voting securities of the Company or any Company Subsidiary, (iii) any securities convertible into or exchangeable or exercisable for capital stock or voting securities of, or other equity interests in, the Company or any Company Subsidiary, (iv) any warrants, calls, options or other rights to acquire any capital stock or voting securities of, or other equity interests in, the Company or any Company Subsidiary, (v) any rights issued by the Company or any Company Subsidiary that are linked in any way to the price of any class of Capital Stock or any shares of capital stock of any Company Subsidiary, the value of the Company, any Company Subsidiary or any part of the Company or any Company Subsidiary or (vi) any Company Voting Debt;

(c) (i) adopt, amend or propose changes to the Company Charter or the Company Bylaws, except as may be required by Law, (ii) amend in any respect the comparable charter or organizational documents of any Company Subsidiary, or (iii) adopt, amend or propose changes to any stockholders' rights plan or enter into any agreement with respect to the voting of its capital stock;

(d) make or adopt any change in its accounting methods, principles or practices, change its fiscal year or revalue any of its material assets, in each case, except insofar as may be required by a change in GAAP or Law (or interpretations thereof);

(e) directly or indirectly acquire or agree to acquire in any transaction any equity interest in or business (including by way of acquisition of assets) of any Person or division thereof or, except in the ordinary course of business, any properties or assets;

(f) sell, lease (as lessor), license, mortgage, sell and leaseback or otherwise subject to any Lien (other than Permitted Liens), or otherwise dispose of any properties or assets or any interests therein, other than in the ordinary course of business;

(g) assign, transfer, cancel, amend, modify, fail to use commercially reasonable efforts to renew or fail to use commercially reasonable efforts to extend any material Permit of the Company or any Company Subsidiary;

(h) waive, concede, settle or compromise any suit, action, proceeding, investigation, arbitration, litigation or other claim or dispute, or, release, dismiss or otherwise dispose of any claim, liability, obligation or arbitration, except to the extent such release, dismissal or disposal (i) is in the ordinary course of business, (ii) does not involve a claim, liability, obligation or arbitration that exceeds $10,000 in the aggregate, and (ii) does not impose material restrictions on the business or operations of the Company or any of the Company Subsidiaries;

(i) abandon, allow to lapse, cancel, convey title (in whole or in part) or exclusively license any Intellectual Property Rights owned by the Company or any Company Subsidiary;

(j) cancel, reduce, terminate or fail to use commercially reasonable efforts to (i) keep in force material insurance policies and (ii) in the event of a termination, cancellation or lapse of any insurance policies, obtain replacement policies (which may be via self-insurance) providing insurance coverage with respect to the material assets, operations and activities of the Company and the Company Subsidiaries as is currently in effect;

(k) (i) make, change or revoke any election with respect to Taxes (other than (A) any entity classification election and other initial elections with respect to any newly formed entity or (B) any initial election made in the ordinary course of business), (ii) amend any Tax Return, (iii) settle or compromise any Tax liability, (iv) enter into any "closing agreement" under Section 7121 of the Code (or any similar provision of state, local or foreign Law), (v) surrender any right to claim a refund of Taxes, (vi) fail to timely pay to the appropriate Taxing Authority any Taxes, or (vii) file any Tax Return that was not prepared in accordance with the past practices of the Company or any Company Subsidiary;

(l) (i) increase the compensation or benefits payable to any director, officer or employee of the Company or any Company Subsidiary; (ii) accelerate the time of payment, funding or vesting of any compensation or benefits payable to any director, officer or employee of the Company or any Company Subsidiary; or (iii) amend any Company Benefit Plan or adopt or enter into any plan, agreement or arrangement that would be a Company Benefit Plan if in effect on the date hereof;

(m) hire or terminate any employee;

(n) (i) enter into, terminate, amend or modify (other than in the ordinary course of business and to the extent such modification would not (x) adversely change the terms of any Material Contract with respect to the Company or any Company Subsidiary, or (y) impose additional or increased costs or obligations on the Company or any Company Subsidiary) any Material Contract or Contract that, if in effect on the date hereof, would have been a Material Contract or (ii) waive in any material respect any term of, or waive any material default under, or release, settle or compromise any material claim by or against the Company or any of the Company Subsidiaries or material liability or obligation owing to the Company or any of the Company Subsidiaries under, any Material Contract or Contract that, if in effect on the date hereof, would have been a Material Contract;

(o) make or authorize capital expenditures except in the ordinary course of business;

(p) adopt a plan of complete or partial liquidation, dissolution or other similar reorganization of the Company or any Company Subsidiary;

(q) (i) incur any Indebtedness for borrowed money or guarantee any Indebtedness for borrowed money, (ii) make any loans or advances to any Person that is not a Company Subsidiary, or (iii) make any capital contributions to, or investments in, any Person that is not a Company Subsidiary;

(r) change in any material respect or terminate any existing line of business or enter into any new line of business; or

(s) agree to take any of the foregoing actions.

Section 5.02 No Control. Nothing contained in this Agreement shall give Parent, Merger Sub or any of their respective Affiliates, directly or indirectly, the right to control or direct the Company's or the Company Subsidiaries' operations prior to the Effective Time, and nothing contained in this Agreement shall give the Company, directly or indirectly, the right to control or direct Parent's or its Subsidiaries' operations prior to the Effective Time. Prior to the Effective Time, each of the Company, Parent and Merger Sub shall exercise, subject to the terms and conditions of this Agreement, complete control and supervision over its and its Subsidiaries' respective operations.

Section 5.03 No Solicitation by the Company; Company Board Recommendation.

(a) Except as expressly permitted by Section 5.03(b) or Section 5.03(e), from the date hereof, the Company shall, and shall cause each of the Company Subsidiaries, and its and their officers, directors, managers, employees, accountants, consultants, legal counsel, financial advisors and agents and other representatives (collectively, "Representatives"), to: (i) (A) immediately cease any existing solicitations, discussions or negotiations with any Persons that may be ongoing with respect to any Alternative Proposal or any proposal that would reasonably be expected to lead to an Alternative Proposal and to promptly request all such persons to return or destroy confidential, non-public information or documents or materials incorporating non-public information about the Company or any of the Company Subsidiaries that was furnished by or on behalf of the Company to such Person (or its Representatives), and (B) other than with respect to Parent and its Representatives, promptly terminate access to any virtual data room established for or used in connection with any actual or potential Alternative Proposal; and (ii) until the earlier of the Effective Time or the date, if any, on which this Agreement is validly terminated pursuant to Section 8.01, subject to the other provisions of this Section 5.03, not, and not to publicly announce any intention to, directly or indirectly, (A) solicit, initiate, knowingly encourage or facilitate any inquiry, discussion, offer or request that constitutes, or would reasonably be expected to lead to, an Alternative Proposal (an "Inquiry") (it being understood and agreed that ministerial acts that are not otherwise prohibited by this Section 5.03 (such as answering unsolicited phone calls) shall not (in and of itself) be deemed to "facilitate" for purposes of, or otherwise constitute a violation of, this Section 5.03), (B) furnish

non-public information regarding the Company and the Company Subsidiaries, afford access to the business, employees, officers, contracts, properties, assets or books and records of the Company or the Company Subsidiaries to or host any meeting (including by telephone, videoconference or virtually) with any Person in connection with an Inquiry or an Alternative Proposal, (C) enter into, continue or maintain discussions or negotiations with any Person with respect to an Inquiry or an Alternative Proposal, (D) otherwise cooperate with or assist or participate in or facilitate any discussions or negotiations (other than informing Persons of the provisions set forth in this Section 5.03 or contacting any person making an Alternative Proposal to ascertain facts or clarify terms and conditions for the sole purpose of the Company Board reasonably informing itself about such Alternative Proposal) regarding, or furnish or cause to be furnished to any Person any non-public information with respect to, or take any other action to facilitate any inquiries or the making of any proposal that constitutes, or would reasonably be expected to lead to, an Alternative Proposal, (E) approve, agree to, accept, endorse or recommend any Alternative Proposal, (F) submit to a vote of its stockholders, approve, endorse or recommend any Alternative Proposal, (G) effect any Adverse Recommendation Change, (H) fail to enforce or grant any waiver or release under any standstill or similar agreement with respect to any class of equity securities of the Company or any of the Company Subsidiaries, or (I) enter into any letter of intent or agreement in principle or any agreement providing for any Alternative Proposal (except for Acceptable Confidentiality Agreements). It is agreed that any violation of this Section 5.03 by any of the Company's Representatives shall be a breach of this Section 5.03 by the Company.

(b) Notwithstanding anything to the contrary in Section 5.03(a) but subject to compliance with Section 5.03(c), if, at any time prior to the Company Stockholders Meeting, the Company or any Company Subsidiary or any of its or their respective Representatives receives a bona fide Alternative Proposal by any Person or group that was not solicited in violation of Section 5.03(a), the Company and its Representatives may, prior to (but not after) the Company Stockholders Meeting, take the actions set forth in clauses (i) or (ii) of this Section 5.03(b) if the Company Board has determined, in its good faith judgment (after consultation with the Company's outside legal counsel), that such Alternative Proposal constitutes or would reasonably be expected to lead to a Superior Proposal and that the failure to take such action would be inconsistent with the directors' exercise of their fiduciary duties under applicable Law: (i) furnish non-public information to and afford access to the business, employees, officers, contracts, properties, assets, books and records of the Company and the Company Subsidiaries to such Person or Group making such Alternative Proposal, pursuant to the prior execution of (and the Company and/or Company Subsidiaries may enter into) an Acceptable Confidentiality Agreement (a copy of which shall be provided substantially concurrently with its execution to Parent for informational purposes); and (ii) enter into and maintain discussions or negotiations with such Person or group making such Alternative Proposal with respect to such Alternative Proposal.

(c) Reasonably promptly (but in no event more than 24 hours) following receipt by the Company of any Alternative Proposal or any Inquiry, the Company shall advise Parent in writing of the receipt of such Alternative Proposal or Inquiry, and the terms and conditions of such Alternative Proposal or Inquiry (including, in each case, the identity of the Person or Group making any such Alternative Proposal or Inquiry), and the Company shall as

reasonably promptly as practicable provide to Parent (i) a copy of such Alternative Proposal or Inquiry, if in writing; or (ii) a summary of the material terms of such Alternative Proposal or Inquiry, if oral. The Company agrees that it shall substantially concurrently provide to Parent any non-public information concerning the Company or any Company Subsidiary that may be provided (pursuant to Section 5.03(b)) to any other Person or Group in connection with any such Alternative Proposal that has not previously been provided to Parent. In addition, the Company shall keep Parent reasonably informed on a prompt basis of any material developments regarding the Alternative Proposal or any material change to the terms or status of the Alternative Proposal or Inquiry.

(d) Notwithstanding anything herein to the contrary, but subject to compliance with Section 5.03(c), at any time prior to the Company Stockholders Meeting, the Company Board may (i) only in response to a Superior Proposal or to an Intervening Event withdraw, qualify or modify, or propose publicly to withdraw, qualify or modify, in a manner adverse to Parent, the Company Recommendation or take any action, or make any public statement, filing or release inconsistent with the Company Recommendation (including, for the avoidance of doubt, recommending against the Merger) (any of the foregoing being an "Adverse Recommendation Change") and (ii) only if the Company has received a Superior Proposal (after taking into account the terms of any revised offer by Parent pursuant to this Section 5.03(d)), terminate this Agreement pursuant to Section 8.01(d) to enter into a definitive written agreement providing for such Superior Proposal simultaneously with the valid termination of this Agreement (so long as such Superior Proposal did not result from a breach of this Section 5.03), in the case of clauses (i) and (ii), if the Company Board has determined in good faith, after consultation with outside legal counsel, that the failure to take such action would reasonably be expected to be inconsistent with the directors' exercise of their fiduciary duties under applicable Law; ***provided*** that the Company Board may not make an Adverse Recommendation Change or, in the case of a Superior Proposal, terminate this Agreement pursuant to Section 8.01(d), unless:

(i) the Company has provided prior written notice to Parent at least four Business Days in advance (the "Notice Period") of taking such action, which notice shall specify, in reasonable detail, the reasons for the Adverse Recommendation Change, and (A) in the case of a Superior Proposal shall advise Parent that the Company Board has received a Superior Proposal, identify the Person or Group making such Superior Proposal and shall include an unredacted copy of such Superior Proposal (or, where no such copy is available, a description of the material terms and conditions of such Superior Proposal) and such other material documents provided in connection therewith, including copies of all portions of written materials sent or provided to the Company or any of the Company Subsidiaries that describe such material terms and conditions thereof and (B) in the case of an Intervening Event, a reasonably detailed description of the facts and circumstances relating to such Intervening Event;

(ii) during the Notice Period, the Company has negotiated, and shall have caused its Representatives to negotiate, with Parent in good faith (to the extent Parent desires to so negotiate) to make such adjustments in the terms and conditions of this Agreement so that, in the case of a Superior Proposal, such Superior Proposal ceases to constitute (in the good faith judgment of the Company Board) a Superior Proposal, or

in cases not involving a Superior Proposal, the failure to make such Adverse Recommendation Change (in the good faith judgment of the Company Board after consultation with the Company's outside legal counsel) would no longer be inconsistent with the directors' exercise of their fiduciary duties under applicable Law; and

(iii) following the Notice Period, the Company Board has determined in good faith, after considering the results of such negotiations and giving effect to any proposals, amendments or modifications made or agreed to by Parent pursuant to Section 5.03(d)(ii), if any, and after consultation with the Company's outside legal counsel, that, in the case of a Superior Proposal, such Superior Proposal remains a Superior Proposal or, in cases not involving a Superior Proposal, that the failure to make such Adverse Recommendation Change continues to be inconsistent with the directors' exercise of their fiduciary duties under applicable Law.

If during the Notice Period any revisions of the financial terms (including the form, amount and timing of payment of consideration) or any other material terms of such Superior Proposal are made to the Superior Proposal or any material change to the facts and circumstances relating to the Adverse Recommendation Change, the Company shall deliver a new written notice to Parent and shall comply with the requirements of this Section 5.03(d) with respect to such new written notice and of Section 5.03(d); *provided, however*, that for purposes of this sentence, references to the four Business Day period above shall be deemed to be references to a three Business Day period.

(e) Except as expressly permitted by Section 5.03(d) in accordance with its express terms, the Company Board shall not, and shall not publicly propose to: (i) (A) withhold, withdraw, qualify or modify or amend, in each case, in a manner adverse to Parent or Merger Sub, the Company Recommendation or fail to include the Company Recommendation in the Information Statement except to the extent the Company shall have made an Adverse Recommendation Change to the extent permitted by Section 5.03(c) that is still in effect; (B) authorize, approve, adopt or recommend or otherwise declare advisable, any Alternative Proposal or propose publicly or otherwise to authorize, approve, adopt or recommend or otherwise declare advisable, any Alternative Proposal or resolve to take any such action; (C) take any action, or make any recommendation or public statement in connection with any Alternative Proposal that is a tender offer or exchange offer other than an unequivocal recommendation against such offer; or (D) (1) fail to publicly reaffirm the Company Recommendation within or (2) fail to recommend against any Alternative Proposal, in the case of the foregoing clauses (1) or (2), five Business Days after receiving a request to do so from Parent; or (ii) cause or permit the Company or any of the Company Subsidiaries to enter into any definitive written agreement providing for such Superior Proposal or otherwise resolve or agree to do so; or (E) take any other action or make any other public statement that is inconsistent with the Company Recommendation. For the avoidance of doubt, a factually accurate public statement that describes the Company's receipt of an Alternative Proposal and the operation of this Agreement with respect thereto shall not be deemed an Adverse Recommendation Change; *provided* that the Company shall include an express reaffirmation of the Company Recommendation in any such statement.

(f) For purposes of this Agreement:

(i) "Alternative Proposal" means any proposal or offer (whether or not in writing), with respect to any (A) merger, consolidation, share exchange, other business combination or similar transaction involving the Company that would result in any Person or group beneficially owning 20% or more of the outstanding equity interests of the Company or any successor or parent company thereto, (B) sale, contribution or other disposition, directly or indirectly (including by way of merger, consolidation, share exchange, other business combination, partnership, joint venture, sale of capital stock of or other equity interests in a Company Subsidiary or otherwise) of any business or assets of the Company or the Company Subsidiaries representing 20% or more of the consolidated revenues, net income or assets of the Company and the Company Subsidiaries, taken as a whole, (C) issuance, sale or other disposition, directly or indirectly, to any Person (or the stockholders of any Person) or group of securities (or options, rights or warrants to purchase, or securities convertible into or exchangeable for, such securities) representing 20% or more of the voting power of the Company, (D) transaction in which any Person (or the stockholders of any Person) shall acquire, directly or indirectly, beneficial ownership, or the right to acquire beneficial ownership, or formation of any group which beneficially owns or has the right to acquire beneficial ownership of, 20% or more of the Common Stock or securities (or options, rights or warrants to purchase, or securities convertible into or exchangeable for, such securities) representing 20% or more of the voting power of the Company or (E) any combination of the foregoing (in each case, other than the Merger or the other transactions contemplated by this Agreement).

(ii) "Intervening Event" means any material event, change, development or occurrence (other than any event, change, development or occurrence resulting from a material breach of this Agreement by the Company) with respect to the Company and the Company Subsidiaries or the business of the Company and the Company Subsidiaries, in each case taken as a whole, that (A) is neither known, nor reasonably foreseeable with respect to substance or timing (or if known or reasonably foreseeable, the probability or magnitude of consequences of which were not known or reasonably foreseeable), by the Company Board as of or prior to the execution and delivery of this Agreement and (B) first occurs, arises or becomes known to the Company Board after the execution and delivery of this Agreement but prior to the Company Stockholder Approval; *provided* that (1) any circumstance, occurrence, effect, change, event or development that involves or relates to an Alternative Proposal or a Superior Proposal or any inquiry or communications or matters relating thereto, (2) any circumstance, occurrence, effect, change, event or development that results from the execution or delivery of this Agreement or the public announcement of this Agreement, (3) the fact that the Company meets or exceeds any internal or published projections, internal or analyst expectations, forecasts or revenue or earnings predictions for any period ending on or after the date of this Agreement, or (4) any changes or lack thereof in the market price or trading volume of the Common Stock or the credit rating of the Company, individually or in the aggregate, will not be deemed to constitute an Intervening Event.

(iii) "Superior Proposal" means any bona fide written Alternative Proposal (other than an Alternative Proposal that has resulted from a violation of this Section 5.03), with references to 20% being deemed to be replaced with references to 50%, made by any Person or group (A) on terms which the Company Board determines in good faith and after consultation with the Company's outside legal counsel to be more favorable from a financial point of view to the holders of Common Stock (solely in their capacity as such) than the Merger, taking into account all relevant factors including the identity of the counterparty and the terms and conditions of such proposal and this Agreement (including any changes proposed by Parent to the terms of this Agreement), and (B) the conditions to the consummation of which are all reasonably capable of being satisfied, taking into account all financial, regulatory, legal and other aspects of such proposal.

(iv) "Acceptable Confidentiality Agreement" means a confidentiality agreement entered into in compliance with the terms of this Agreement and containing terms not materially less favorable in the aggregate to the Company than the terms set forth in the Confidentiality Agreement (it being understood and hereby agreed that such confidentiality agreement need not contain a "standstill" or similar provision that prohibits the counterparty thereto or any of its Affiliates or Representatives from making any Alternative Proposal, acquiring the Company or taking any other similar action); *provided, however*, that such confidentiality agreement shall not prohibit compliance by the Company with any of the provisions of this Section 5.03.

Section 5.04 Payoff Indebtedness. The Company shall, and shall cause each of the Company Subsidiaries and their respective Representatives to, at least two Business Days prior to the Closing Date, deliver to Parent executed copies of customary payoff letters from all holders of Payoff Indebtedness, which shall provide (a) that all outstanding obligations arising under or related to the applicable Payoff Indebtedness shall be repaid, discharged and extinguished in full, (b) for a customary written release of all Liens securing such Payoff Indebtedness effective as of the Closing Date (assuming payment in full of the "payoff amount" specified therein), and (c) that such holder of Payoff Indebtedness shall take all actions reasonably requested by Parent to evidence and record such release of all Liens as promptly as practicable.

ARTICLE VI

Additional Agreements

Section 6.01 Preparation of Information Statement; Company Stockholders Meeting.

(a) As promptly as practicable following the date hereof (and in any event within 10 Business Days), the Company shall (i) complete the preparation of an information statement accurately describing this Agreement, the Merger and the provisions of Section 262 of the DGCL (the "Information Statement"), (ii) provide Parent a reasonable opportunity to review and comment on the Information Statement and (iii) thereafter deliver the Information Statement and this Agreement to the Company's stockholders informing them of the approval of the

Merger by the Company Board and their rights under Section 262 of the DGCL. The Information Statement will comply with Law and the information furnished in any document mailed, delivered or otherwise furnished to the stockholders of the Company in connection with the solicitation of their consent to, and adoption of, this Agreement and the approval of the principal terms of the Merger, including the statements in the Information Statement, will not contain, at or prior to the Effective Time, any untrue statement of a material fact and will not omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. Parent shall have the reasonable opportunity and right to review and approve such Information Statement prior to its distribution, which approval shall not be unreasonably delayed or withheld, and shall not cause the Company to fail to comply with this Section 6.01(a). The Company shall provide Parent with an affidavit of mailing relating to the delivery of the Information Statement in compliance with this Section 6.01.

(b) If prior to the Effective Time any event occurs with respect to the Company or any Company Subsidiary, or any change occurs with respect to other information supplied by the Company for inclusion in the Information Statement, which is required to be described in an amendment of, or a supplement to, the Information Statement, the Company shall reasonably promptly notify Parent of such event, and the Company shall as reasonably promptly as practicable mail any necessary amendment or supplement to the Information Statement and disseminate such amendment or supplement to the Company's stockholders.

(c) The Company shall cause the Company Stockholders Meeting to be duly called and held as soon as reasonably practicable for the purpose of voting on the approval and adoption of this Agreement and the Merger. The Company shall not change the date of, postpone or adjourn the Company Stockholders Meeting, or submit any other proposal to the Company's stockholders in connection with the Company Stockholders Meeting, without the prior written consent of Parent (which shall not be unreasonably withheld, conditioned or delayed). In connection with the foregoing, the Company shall use its reasonable best efforts to promptly cause the Information Statement to be mailed to the Company's stockholders as of the record date established for the Company Stockholders Meeting. The Company shall, through the Company Board, recommend to its stockholders that they give the Company Stockholder Approval (the "Company Recommendation") and shall include such recommendation in the Information Statement, in each case, except to the extent that the Company Board shall have made an Adverse Recommendation Change as permitted by Section 5.03(d) that is still in effect. The Company agrees that, unless this Agreement is terminated in accordance with its terms prior thereto, its obligations to hold the Company Stockholders Meeting pursuant to this Section 6.01 shall not be affected by the commencement, public proposal, public disclosure or communication to the Company of any Alternative Proposal or by the making of any Adverse Recommendation Change by the Company Board; *provided, however*, that if (x) the public announcement of an Adverse Recommendation Change or (y) the delivery of notice by the Company to Parent pursuant to Section 5.03(d)(i) occurs less than 10 Business Days prior to the Company Stockholders Meeting, the Company shall be entitled to postpone the Company Stockholders Meeting to a date not more than 10 Business Days after the later of such event described in clause (x) or (y) above.

Section 6.02 Access to Information; Confidentiality. Subject to applicable Law, the Company shall, and shall cause each of the Company Subsidiaries to, afford to Parent and to the Representatives of Parent reasonable access, upon reasonable advance notice, during normal business hours, during the period prior to the Effective Time, to all their respective properties, books, contracts, commitments, personnel and records and, during such period, the Company shall, and shall cause each of the Company Subsidiaries to, furnish reasonably promptly to Parent (a) to the extent not publicly available, a copy of each report, schedule, registration statement and other document filed by it during such period pursuant to the requirements of federal or state securities laws or commission actions and (b) all other information concerning its business, properties and personnel as Parent may reasonably request (in each case, in a manner so as to not unduly interfere in any material respect with the normal business operations of the Company or any Company Subsidiary); *provided*, *however*, that the Company shall not be required to permit such access or make such disclosure, to the extent it determines, after consultation with outside legal counsel, that such disclosure or access would reasonably be likely to (i) result in the loss of any attorney-client privilege or other applicable legal privilege (*provided* that the Company shall use its commercially reasonable efforts to allow for such access or disclosure (or as much of it as possible) in a manner that does not result in a loss of attorney-client privilege or other applicable legal privilege); or (ii) violate any Law (*provided* that the Company shall use its commercially reasonable efforts to provide such access or make such disclosure in a manner that does not violate Law). All information exchanged pursuant to this Section 6.02 shall be subject to the confidentiality agreement, dated as of February 13, 2025, between Riverside Partners L. L. C. dba The Riverside Company and the Company (the "Confidentiality Agreement").

Section 6.03 Indemnification, Exculpation and Insurance.

(a) Parent agrees that all rights to indemnification, advancement of expenses and exculpation from liabilities for acts or omissions occurring at or prior to the Effective Time now existing in favor of the current or former directors, officers or employees of the Company and the Company Subsidiaries as provided in their respective certificates of incorporation or bylaws (or comparable organizational documents) and any indemnification or other similar agreements of the Company or any of the Company Subsidiaries shall continue in full force and effect in accordance with their terms for a period of at least six years following the Closing Date.

(b) For a period of six years from and after the Effective Time, the Surviving Company shall either cause to be maintained in effect the current policies of directors' and officers' liability insurance and fiduciary liability insurance maintained by the Company or the Company Subsidiaries or provide substitute policies for the Company and its current and former directors and officers who are currently covered by the directors' and officers' and fiduciary liability insurance coverage currently maintained by the Company, in either case, of not less than the existing coverage and having other terms not less favorable to the insured persons than the directors', officers' and employees' liability insurance and fiduciary liability insurance coverage currently maintained by the Company with respect to claims arising from facts or events that occurred on or before the Effective Time (with insurance carriers having at least an "A" rating with respect to directors', officers' and employees' liability insurance and fiduciary liability insurance). In lieu of such insurance, prior to the Closing Date the Company may, at its option

(following reasonable consultation with Parent), or Parent may, at its option, cause the Surviving Company to, purchase a "tail" directors' and officers' liability insurance and fiduciary liability insurance for the Company and its current and former directors, officers and employees who are currently covered by the directors' and officers' and fiduciary liability insurance coverage currently maintained by the Company, such tail insurance to provide coverage in an amount not less than the existing coverage and to have other terms not less favorable to the insured persons than the directors' and officers' liability insurance and fiduciary liability insurance coverage currently maintained by the Company with respect to claims arising from facts or events that occurred on or before the Effective Time. The Surviving Company shall maintain such policies in full force and effect.

(c) The provisions of this Section 6.03 (i) shall survive consummation of the Merger and (ii) are intended to be for the benefit of, and will be enforceable by, each indemnified or insured party, his or her heirs and his or her representatives.

(d) In the event that the Surviving Company or any of its successors or assigns (i) consolidates with or merges into any other Person and is not the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers or conveys all or substantially all of its properties and assets to any Person, then, and in each such case, the Surviving Company shall cause proper provision to be made so that the successors and assigns of the Surviving Company assume the obligations set forth in this Section 6.03.

Section 6.04 Transaction Litigation. Subject to entry into a customary joint defense agreement, the Company shall (a) promptly notify Parent of litigation relating to the Merger and other transactions contemplated by this Agreement, (b) keep Parent reasonably informed with respect to the status thereof, and (c) give Parent the opportunity to consult with the Company and participate in the defense or settlement of any stockholder litigation against the Company, any Company Subsidiary and/or their respective directors or officers relating to the Merger and the other transactions contemplated by this Agreement. None of the Company, any Company Subsidiary or any Representative of the Company shall compromise, settle or come to an arrangement regarding any such stockholder litigation, in each case unless Parent shall have consented in writing.

Section 6.05 Public Announcements. Except with respect to any Adverse Recommendation Change or announcement made pursuant to Section 5.03(f), or any dispute between the parties regarding this Agreement or the transactions contemplated hereby, Parent and the Company shall provide an opportunity for the other party to review and comment upon any press release or other public statements with respect to the transactions contemplated by this Agreement, including the Merger, and shall not issue any such press release or make any such public statement prior to providing such opportunity to review and comment, except as such party may reasonably conclude may be required by applicable Law, court process or by obligations pursuant to any listing agreement with any national securities exchange or national securities quotation system. The Company and Parent agree that the initial press release to be issued with respect to the transactions contemplated by this Agreement shall be in the form heretofore agreed to by the parties. Nothing in this Section 6.05 shall limit (a) the ability of any party hereto to make disclosures or announcements that are consistent in all material respects with the prior public disclosures regarding the transactions contemplated by this Agreement or

(b) Parent or any of its Affiliates from disclosing information (on a confidential basis) regarding Parent's investment in the Company and the Surviving Company to Parent's or any of its Affiliates' investors or lenders or prospective investors or lenders.

Section 6.06 Merger Sub. Promptly following execution of this Agreement, Parent shall execute and deliver to the Company, in accordance with applicable Law and Merger Sub's certificate of incorporation and bylaws, in Parent's capacity as sole stockholder of Merger Sub, a written consent approving the Merger and the other transactions contemplated by this Agreement, and adopting this Agreement.

Section 6.07 Non-USRPHC Certificate. The Company shall deliver at or prior to the Closing in form and substance reasonably satisfactory to Parent a certificate issued to Parent certifying that the Company has not been a United States real property holding corporation (as the term is defined in the Code and the Treasury Regulations promulgated in connection therewith) at any time during the five-year period ending on the Closing Date, along with a notice prepared in accordance with Treasury Regulation Section 1.897-2(d) to be mailed by Parent (together with copies of the certificate described above) to the IRS in accordance with Treasury Regulation Section 1.897-2(h), dated as of the Closing Date.

Section 6.08 Straddle Period. For purposes of this Agreement, the portion of Tax with respect to the income, property or operations of the Company and the Company Subsidiaries for any Straddle Period shall be apportioned to the Pre-Closing Tax Period (a) in the case of any Taxes other than sales or use taxes, value-added taxes, employment taxes, withholding taxes, and any Tax based on or measured by income, receipts or profits earned during a Straddle Period, be deemed to be the amount of such Tax for the entire Straddle Period multiplied by a fraction, the numerator of which is the number of days in the Pre-Closing Tax Period and denominator of which is the number of days in the Straddle Period, and (ii) in the case of any sales or use taxes, value-added taxes, employment taxes, withholding taxes, and any Tax based on or measured by income, receipts or profits earned during a Straddle Period, be deemed equal to the amount that would be payable if the Straddle Period ended on and included the Closing Date. In the case of a Tax that is (i) paid for the privilege of doing business during a period (a "Privilege Period") and (ii) computed based on business activity occurring during an accounting period ending prior to such Privilege Period, any reference to a "Tax period," a "tax period," or a "taxable period" shall mean such accounting period and not such Privilege Period.

Section 6.09 Further Assurances; Reasonable Best Efforts.

(a) At and after the Effective Time, the officers and directors of the Surviving Company shall be authorized to execute and deliver, in the name and on behalf of the Company or Merger Sub, any deeds, bills of sale, assignments or assurances and to take and do, in the name and on behalf of the Company or Merger Sub, any other actions and things to vest, perfect or confirm of record or otherwise in the Surviving Company any and all right, title and interest in, to and under any of the rights, properties or assets of the Company acquired or to be acquired by the Surviving Company as a result of, or in connection with, the Merger.

(b) Upon the terms and subject to the conditions of this Agreement, each party shall, and shall cause their respective Affiliates to, use their reasonable best efforts to take, or

cause to be taken, all actions and to do, or cause to be done, and cooperate with each other in order to do, all things necessary, proper or advisable under applicable Law to consummate the Merger and the other transactions contemplated by this Agreement as promptly as practicable, but in any event before the End Date.

Section 6.10 OTC De-listing. Prior to the Effective Time, the Company shall cooperate with Parent and use its reasonable best efforts to take, or cause to be taken, all actions, and do or cause to be done all things, reasonably necessary, proper or advisable on its part under applicable Laws and the rules and policies of the OTC to enable the de-listing by the Surviving Company of the Common Stock from the OTC and cause the Common Stock to cease trading on the OTC as promptly as practicable after the Effective Time.

Section 6.11 Takeover Statutes. If any "control share acquisition," "fair price," "moratorium" or other anti-takeover or similar statute or regulation shall become applicable to the transactions contemplated by this Agreement, the Company and the Company Board (to the extent consistent with the directors' exercise of their fiduciary duties under applicable Law) shall grant such approvals and take such actions as are necessary so that the transactions contemplated by this Agreement may be consummated as promptly as practicable on the terms contemplated by this Agreement and will otherwise act to eliminate or minimize the effects of any such provision, statute or regulation on the transactions contemplated hereby.

Section 6.12 Retirement Plan Termination. The Company shall, effective no later than one Business Day prior to the Closing Date, terminate the Retirement Plan pursuant to a consent executed by the Company Board, which consent shall be reasonably acceptable to Parent.

ARTICLE VII

Conditions Precedent

Section 7.01 Conditions to Each Party's Obligation to Effect the Merger. The respective obligation of each party to effect the Merger is subject to the satisfaction or, to the extent permitted by applicable Law, waiver (in writing) on or prior to the Closing Date of each of the following conditions:

(a) Stockholder Approval. The Company Stockholder Approval shall have been obtained in accordance with applicable Law and the Company Charter and Company Bylaws.

(b) No Legal Restraints. No applicable Law and no Judgment, preliminary, temporary or permanent, or other legal restraint or prohibition, and no binding order or determination by any Governmental Entity (collectively, the "Legal Restraints"), shall be in effect that prevents, enjoins, makes illegal or prohibits the consummation of the Merger and the other transactions contemplated hereby.

Section 7.02 Conditions to Obligations of the Company. The obligation of the Company to effect the Merger is further subject to the satisfaction or, to the extent permitted by

applicable Law, waiver (in writing) on or prior to the Closing Date of each of the following conditions:

(a) Representations and Warranties. (i) The representations and warranties of Parent and Merger Sub contained in this Agreement (except for the representations and warranties contained in the first sentence of Section 4.01, Section 4.02 and Section 4.06) shall be true and correct (without giving effect to any limitation as to "materiality" or "Parent Material Adverse Effect" set forth therein) at and as of the date of this Agreement and at and as of the Closing Date as if made at and as of such time (except to the extent expressly made as of an earlier date, in which case as of such earlier date), except where the failure of such representations and warranties to be true and correct (without giving effect to any limitation as to "materiality" or "Parent Material Adverse Effect" set forth therein), individually or in the aggregate, has not had and would not reasonably be expected to have a Parent Material Adverse Effect and (ii) the representations and warranties of Parent and Merger Sub contained in the first sentence of Section 4.01, Section 4.02 and Section 4.06 shall be true and correct in all material respects at and as of the date of this Agreement and at and as of the Closing Date as if made at and as of such time (except to the extent expressly made as of an earlier date, in which case as of such earlier date).

(b) Performance of Obligations of Parent and Merger Sub. Parent and Merger Sub shall have performed or complied in all material respects with all obligations required to be performed or complied with by them under this Agreement at or prior to the Closing Date.

(c) Parent Certificate. Parent shall have delivered to the Company a certificate, dated as of the Closing Date and signed by an officer of the Company, certifying to the effect that the conditions set forth in Sections 7.02(a) and 7.02(b) have been satisfied.

Section 7.03 Conditions to Obligations of Parent and Merger Sub. The obligation of Parent and Merger Sub to effect the Merger is further subject to the satisfaction or, to the extent permitted by applicable Law, waiver (in writing) on or prior to the Closing Date of each of the following conditions:

(a) Representations and Warranties. (i) The representations and warranties of the Company contained in this Agreement (except for the representations and warranties contained in Section 3.01, Section 3.02, Section 3.03, Section 3.04, the first sentence of Section 3.08, Section 3.21, Section 3.24 and Section 3.26) shall be true and correct (without giving effect to any limitation as to "materiality" or "Company Material Adverse Effect" set forth therein) at and as of the date of this Agreement and at and as of the Closing Date as if made at and as of such time (except to the extent expressly made as of an earlier date, in which case as of such earlier date), except where the failure of such representations and warranties to be true and correct (without giving effect to any limitation as to "materiality" or "Company Material Adverse Effect" set forth therein), individually or in the aggregate, has not had and would not reasonably be expected to have a Company Material Adverse Effect, (ii) the representations and warranties of the Company contained in Section 3.01, Section 3.02, Section 3.03(b), Section 3.03(c), Section 3.04, Section 3.21, Section 3.24 and Section 3.26 shall be true and correct in all material respects at and as of the date of this Agreement and at and as of the Closing Date as if made at and as of such time (except to the extent expressly made as of an earlier date, in which

case as of such earlier date), and (iii) the representations and warranties of the Company contained in Section 3.03(a) and the first sentence of Section 3.08 shall be true and correct in all respects at and as of the date of this Agreement and at and as of the Closing Date as if made at and as of such time (except to the extent expressly made as of an earlier date, in which case as of such earlier date).

(b) Performance of Obligations of the Company. The Company shall have performed or complied in all material respects with all obligations required to be performed or complied with by it under this Agreement (other than the obligations set forth in Section 5.04, with which the Company shall have been performed or complied in all respects) at or prior to the Closing Date.

(c) No Company Material Adverse Effect. Since the date of this Agreement, there shall not have occurred any circumstance, occurrence, effect, change, event or development that, individually or in the aggregate, has had or would reasonably be expected to have a Company Material Adverse Effect.

(d) Company Certificate. The Company shall have delivered to Parent a certificate, dated as of the Closing Date and signed by an officer of the Company, certifying to the effect that the conditions set forth in Section 7.03(a), Section 7.03(b) and Section 7.03(c) have been satisfied.

(e) Dissenting Shares. Dissenting Shares shall represent no more than five percent of the issued and outstanding shares of the Common Stock.

ARTICLE VIII

Termination, Amendment and Waiver

Section 8.01 Termination. This Agreement may be terminated at any time prior to the Effective Time (except with respect to Section 8.01(d), whether before or after receipt of the Company Stockholder Approval):

(a) by mutual written consent of the Company and Parent;

(b) by either the Company or Parent:

(i) if the Merger is not consummated on or before the End Date. The "End Date" shall mean September 15, 2025; *provided* that the right to terminate this Agreement pursuant to this Section 8.01(b)(i) shall not be available to any party whose breach of any of its covenants, obligations or other agreements under this Agreement, directly or indirectly, is the primary cause of the failure of the Closing to be consummated by the End Date;

(ii) if the condition set forth in Section 7.01(b) is not satisfied and the Legal Restraint giving rise to such non-satisfaction shall have become final and non-appealable; *provided* that the right to terminate this Agreement pursuant to this Section

8.01(b)(ii) shall not be available to any party whose breach of any of its obligations under this Agreement is the primary cause of the failure of the condition set forth in Section 7.01(b) to be satisfied; or

(iii) if the Company Stockholder Approval shall not have been obtained at a duly convened Company Stockholders Meeting or any adjournment or postponement thereof at which the vote was taken;

(c) by the Company, if Parent or Merger Sub has breached any representation, warranty, covenant or agreement contained in this Agreement, or if any representation or warranty of Parent or Merger Sub has become untrue, in each case, such that the conditions set forth in Section 7.02(a) or Section 7.02(b), as the case may be, could not be satisfied as of the Closing Date; *provided*, *however*, that the Company may not terminate this Agreement pursuant to this Section 8.01(c) unless any such breach or failure to be true has not been cured within 30 days after written notice by the Company to Parent informing Parent of such breach or failure to be true, except that no cure period shall be required for a breach which by its nature cannot be cured prior to the End Date; and *provided*, *further*, that the Company may not terminate this Agreement pursuant to this Section 8.01(c) if the Company is then in breach of this Agreement in any material respect;

(d) by the Company prior to receipt of the Company Stockholder Approval, in order to enter into a definitive written agreement providing for a Superior Proposal in accordance with Section 5.03(d); *provided* that the Company pays the Company Termination Fee prior to or simultaneously with such termination (it being understood that the Company may enter into such definitive written agreement simultaneously with such termination of this Agreement); *provided*, *further*, that the Company may not terminate this Agreement pursuant to this Section 8.01(d) if the Company is in breach of any of its obligations under Section 5.03;

(e) by Parent, if the Company has breached any representation, warranty, covenant or agreement contained in this Agreement, or if any representation or warranty of the Company has become untrue, in each case, such that the conditions set forth in Section 7.03(a) or Section 7.03(b), as the case may be, could not be satisfied as of the Closing Date; *provided*, *however*, that Parent may not terminate this Agreement pursuant to this Section 8.01(e) unless any such breach or failure to be true has not been cured within 30 days after written notice by Parent to the Company informing the Company of such breach or failure to be true, except that no cure period shall be required for a breach which by its nature cannot be cured prior to the End Date; and *provided*, *further*, that Parent may not terminate this Agreement pursuant to this Section 8.01(e) if Parent is then in breach of this Agreement in any material respect; or

(f) by Parent prior to the Company Stockholder Approval being obtained, (i) in the event that an Adverse Recommendation Change shall have occurred, (ii) if the Company fails to include the Company Recommendation in the Information Statement, (iii) if the Company Board fails to publicly reaffirm the Company Recommendation or fails to publicly recommend against any Alternative Proposal, in each case, within five Business Days after receiving a request to do so from Parent, or (iv) in the event of a willful breach by the Company of any of its obligations, covenants or agreements set forth in Section 5.03, the first sentence of Section 6.01(a) or Section 6.01(c)(iii).

Termination of this Agreement prior to the Effective Time shall require action by the Company Board or the Board of Directors of Parent, as the case may be, but shall not require the approval of the Company's stockholders. The party desiring to terminate this Agreement pursuant to this Section 8.01 (other than pursuant to Section 8.01(a)) shall give written notice of such termination to the other party. If more than one provision of this Section 8.01 is available to the terminating party in connection with a termination, a terminating party may rely on any and all available provisions in this Section 8.01 for any such termination.

Section 8.02 Effect of Termination. In the event of valid termination of this Agreement by either Parent or the Company as provided in Section 8.01, this Agreement shall forthwith become void and have no effect, without any liability or obligation on the part of the Company, Parent or Merger Sub, other than the final sentence of Section 6.02, this Section 8.02, Section 8.03 and Article IX, which provisions shall survive such termination; *provided, however*, that, except in a circumstance where the Company Termination Fee is paid pursuant to Section 8.03(b), no such termination shall relieve or release any party from any liability for any willful breach of any covenant, obligation or agreement set forth in this Agreement prior to or in connection with the termination of this Agreement. For purposes of this Agreement, "willful breach" means a breach that is a consequence of an act or omission undertaken by the breaching party with the knowledge that the taking of, or failure to take, such action would, or would reasonably be expected to, cause or constitute a material breach of this Agreement; it being acknowledged and agreed, without limitation, that any failure by any party to consummate the Merger and the other transactions contemplated hereby after the applicable conditions thereto have been satisfied or waived (other than those conditions that by their nature are to be satisfied at the Closing, which conditions would be capable of being satisfied at such time) shall constitute a willful breach of this Agreement.

Section 8.03 Fees and Expenses.

(a) Generally. Except as specifically provided for herein, all fees and expenses incurred in connection with the Merger and the other transactions contemplated by this Agreement shall be paid by the party incurring such fees or expenses, whether or not such transactions are consummated. Parent shall pay the fees and expenses of the Paying Agent.

(b) Company Termination Fee. The Company shall pay to Parent a fee of $1,375,000 (the "Company Termination Fee") if:

(i) the Company validly terminates this Agreement pursuant to Section 8.01(d) or Parent validly terminates this Agreement pursuant to Section 8.01(f); or

(ii) (A) after the date hereof, an Alternative Proposal shall have been made by a third party to the Company or the Company Board (whether or not withdrawn) or shall have been made directly to the Company's stockholders generally by a third party (whether or not withdrawn); (B) thereafter, this Agreement is validly terminated pursuant to Section 8.01(b)(i) or 8.01(b)(iii) or by Parent pursuant to Section 8.01(e); and (C) within 12 months of such valid termination, (1) the Company enters into a definitive Contract to consummate an Alternative Proposal or (2) an Alternative Proposal is

consummated; *provided, however*, that for purposes of this Section 8.03(b)(ii), the references to 20% in the definition of "Alternative Proposal" shall be deemed to be references to 50%.

Any Company Termination Fee due under this Section 8.03(b) shall be paid by wire transfer of same-day funds (x) in the case of clause (i) above, on the Business Day immediately following the date of termination of this Agreement (or simultaneously with such termination, in the case of termination pursuant to Section 8.01(d)) and (y) in the case of clause (ii) above, on the date of the earliest of the events described in clauses (1), (2) or (3) above. The Company acknowledges and agrees that the agreements contained in this Section 8.03(b) are an integral part of the transactions contemplated by this Agreement, and that, without these agreements, Parent would not enter into this Agreement. Accordingly, if the Company fails to reasonably promptly pay the amount due pursuant to this Section 8.03(b), and, in order to obtain such payment, Parent commences a suit, action or other proceeding in a court of competent jurisdiction that results in a Judgment in its favor for such payment, the Company shall pay to Parent its costs and expenses (including attorneys' fees and expenses) in connection with such suit, action or other proceeding, together with interest on the amount of such payment from the date such payment was required to be made until the date of payment at a rate per annum equal to the prime interest rate published in The Wall Street Journal on the date such interest begins accruing. Notwithstanding any other provision of this Agreement, the parties agree that the payment of the Company Termination Fee, as liquidated damages and not as a penalty, shall be the sole and exclusive remedy available to Parent, Merger Sub and their respective Affiliates with respect to this Agreement and the transactions contemplated by this Agreement in the event any such payment becomes due and payable, and, upon payment of the Company Termination Fee, the Company (and the Company's Affiliates and its and their respective directors, officers, employees, stockholders and Representatives) shall have no further liability to Parent, Merger Sub and their respective Affiliates under this Agreement; *provided, however*, that the payment of the Company Termination Fee shall not relieve or release any party from any liability for any willful breach of any covenant, obligation or agreement set forth in this Agreement prior to or in connection with the termination of this Agreement. The Company expressly acknowledges and agrees that (i) Parent shall not need to prove damages to receive the Company Termination Fee when it is payable under this Agreement and (ii) the Company Termination Fee is a reasonable amount that will compensate Parent in the circumstances in which such fee is payable for the efforts and resources expended and opportunities foregone while negotiating this Agreement and in reliance on this Agreement and on the expectation of the consummation of the Merger, which amount would otherwise be impossible to calculate with precision. In no event shall the Company be obligated to pay the Company Termination Fee on more than one occasion.

(c) Subject to Section 2.02(c), the Surviving Company will pay or cause to be paid all transfer, stamp, registration and documentary Taxes and other similar Taxes or fees imposed on Parent, the Company or any Company Subsidiary arising out of or in connection with entering into this Agreement and the consummation of the Merger.

Section 8.04 Amendment. This Agreement may be amended by the parties at any time before or after receipt of the Company Stockholder Approval; *provided, however*, that (i) after receipt of the Company Stockholder Approval, there shall be made no amendment that

by Law requires further approval by the Company's stockholders without the further approval of such stockholders, and (ii) except as provided above, no amendment of this Agreement shall be submitted to be approved by the Company's stockholders unless required by Law. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties. Termination of this Agreement prior to the Effective Time shall not require the approval of the stockholders of either Parent or the Company.

Section 8.05 Extension; Waiver. At any time prior to the Effective Time, the parties may (a) extend the time for the performance of any of the obligations or other acts of the other parties; (b) waive any inaccuracies in the representations and warranties contained in this Agreement or in any document delivered pursuant to this Agreement; (c) waive compliance with any covenants and agreements contained in this Agreement; or (d) waive the satisfaction of any of the conditions contained in this Agreement to the extent permitted by applicable Law. No extension or waiver by the Company shall require the approval of the Company's stockholders unless such approval is required by Law. Any agreement on the part of a party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party. The failure of any party to this Agreement to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of such rights.

ARTICLE IX

General Provisions

Section 9.01 Non-survival of Representations and Warranties. None of the representations and warranties in this Agreement or in any instrument delivered pursuant to this Agreement shall survive the Effective Time or the termination of this Agreement pursuant to Section 8.01. This Section 9.01 shall not limit Section 8.02 or any covenant or agreement of the parties that by its terms contemplates performance after the Effective Time.

Section 9.02 Notices. All notices, requests, claims, demands and other communications under this Agreement shall be in writing and shall be deemed duly given (a) on the date of delivery if delivered personally; (b) on the date sent if sent by email (*provided, however*, that notice given by email shall not be effective unless either (i) a duplicate copy of such email notice is promptly given by one of the other methods described in this Section 9.02 or (ii) the receiving party delivers a written confirmation of receipt of such notice either by email or any other method described in this Section 9.02; *provided* that each notice party shall use reasonable best efforts to confirm receipt of any such email correspondence promptly upon receipt of such request); (c) on the first Business Day following the date of dispatch if delivered utilizing a next-day service by a recognized next-day courier; or (d) on the earlier of confirmed receipt or the fifth Business Day following the date of mailing if delivered by registered or certified mail, return receipt requested, postage prepaid. All notices hereunder shall be delivered to the addresses set forth below, or pursuant to such other instructions as may be designated in writing by the party to receive such notice:

(a) if to the Company, to:

PharmChem, Inc.
2411 East Loop 820 N
Fort Worth, TX 76118
Attention: Shana Veale
Email: sveale@pharmchem.com

with a copy (which shall not constitute notice) to:

Frost Brown Todd LLP
250 West Main Street
Suite 2800
Lexington, Kentucky 40507
Attention: Jeff Jefferson; Eric Beecher
Email: jjefferson@fbtlaw.com; ebeecher@fbtlaw.com

(b) if to Parent or Merger Sub, to:

Alcohol Monitoring Systems, Inc.
c/o The Riverside Company
233 Wilshire Blvd., Suite 400
Santa Monica, California 90401
Attention: Sean Ozbolt and Andrew Fohrer
Email: sozbolt@riversidecompany; afohrer@riversidecompany.com

and

Alcohol Monitoring Systems, Inc.
6251 Greenwood Plaza Blvd.
Suite 300
Greenwood Village, CO 80111
Attention: Joe Sovcik
Email: jsovcik@scramsystems.com; legal@scramsystems.com

with a copy (which shall not constitute notice) to:

Jones Day
325 John H. McConnell Blvd., Suite 600
Columbus, OH 43215
Attention: Ashley L. Gullett; Grant E. Bilinovich
Email: agullett@jonesday.com; gbilinovich@jonesday.com

Section 9.03 Definitions. For purposes of this Agreement:

"Affiliate" of any Person means another Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such first Person.

"Anti-Corruption Laws" means all U.S. and non-U.S. Laws relating to the prevention of corruption and bribery, including, without limitation, the U.S. Foreign Corrupt Practices Act of 1977, as amended, and the UK Bribery Act 2010, as amended.

"Business Day" means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking and savings and loan institutions are authorized or required by Law to be closed in New York City.

"COBRA" means Section 4980B of the Code, Part 6 of Subtitle B of Title I of ERISA, or any similar state or local Law.

"Code" means the Internal Revenue Code of 1986, as amended.

"Collective Bargaining Agreement" means any labor agreement, collective bargaining agreement or other labor-related agreement with any Labor Organization.

"Company Bylaws" means the amended and restated bylaws of the Company in effect as of the date of this Agreement.

"Company Charter" means the amended and restated certificate of incorporation of the Company in effect as of the date of this Agreement.

"Company Data" means all customer, employee, vendor or business partner data used, Processed or hosted by or on behalf of the Company or any Company Subsidiary, whether provided by the Company, a Company Subsidiary or any other Person.

"Company Material Adverse Effect" means any circumstance, occurrence, effect, change, event or development that, individually or in the aggregate, (x) has materially adversely affected or would reasonably be expected to materially adversely affect the business, assets, properties, condition (financial or otherwise), operations or results of operations of the Company and the Company Subsidiaries, taken as a whole; *provided, however*, that any circumstance, occurrence, effect, change, event or development arising from or related to (except, in the case of clauses (a), (b), (c), (d), (e), (f) or (i) below, to the extent disproportionately affecting the Company and the Company Subsidiaries relative to other companies in the industries in which the Company and the Company Subsidiaries operate): (a) conditions affecting the United States economy or any other national or regional economy in which the Company and the Company Subsidiaries operate or the global economy generally, (b) political conditions (or changes in such conditions) in the United States or any other country or region in the world, declared or undeclared acts of war, cyber-attacks (not specifically targeting the Company or the Company Subsidiaries or the industries in which the Company and Company Subsidiaries operate), sabotage or terrorism, epidemics, pandemics or other public health emergency, or national or international emergency in the United States or any other country or region of the world occurring after the date hereof, (c) changes in the financial, credit, banking or securities markets in the United States or any other country or region in the world (including any disruption thereof and any decline in the price of any security or any market index) and including changes or developments in or relating to currency exchange or interest rates, (d) changes required by GAAP or other accounting standards (or interpretations thereof), (e) changes in any Laws or other binding directives issued

by any Governmental Entity (or interpretations thereof), (f) changes that are generally applicable to the industries in which the Company and the Company Subsidiaries operate (and not specifically relating to the Company and the Company Subsidiaries), (g) any failure by the Company to meet any internal or published projections, forecasts or revenue or earnings predictions for any period ending on or after the date of this Agreement or any decline in the market price or trading volume of the Common Stock (*provided* that the underlying causes of any such failure or decline may be considered in determining whether a Company Material Adverse Effect has occurred to the extent not otherwise excluded by another exception herein), (h) the execution or delivery of this Agreement, or the public announcement of the Merger (including as to the identity of the parties hereto) (including losses or threatened losses of employees, customers, suppliers, distributors or others having relationships with the Company); *provided* that the underlying causes of any such failure or decline may be considered in determining whether a Company Material Adverse Effect has occurred to the extent not otherwise excluded by another exception herein, (i) the occurrence of natural disasters, weather conditions or similar events adverse to the business being carried on by the Company and the Company Subsidiaries, or (j) any action required by the express terms of this Agreement, or with the prior written consent or at the written direction of Parent, shall not be taken into account in determining whether a Company Material Adverse Effect has occurred or would reasonably be expected to occur; or (y) is or would be reasonably likely to prevent or materially impair, interfere with, hinder or delay the consummation of the Merger or the other transactions contemplated by this Agreement by the Company.

"Company Subsidiary" means any Subsidiary of the Company.

"Control" means the possession, directly or indirectly, of the power to direct the management and policies of a Person, whether through ownership of voting securities, by Contract or otherwise. "Controlling", "controlled", "controlled by" and "under common control with" shall have correlative meanings.

"Data Privacy Obligations" means (a) Privacy Laws, (b) privacy requirements pursuant to Contract applicable to the Company or any Company Subsidiary, (c) all public commitments or promises made by the Company or any Company Subsidiary relating to the Processing or security of Personal Information, (d) any requirements of any codes of conduct or industry standards by which the Company or any Company Subsidiary is bound, (e) the Payment Card Industry Data Security Standard, if applicable, and (f) and any commitments, statements or other obligations made under the Company's and or any Company Subsidiary's internal or public-facing published privacy, data handling or Processing and/or security policies, procedures or rules.

"Delaware Secretary" means the Secretary of State of the State of Delaware.

"Environmental Law" means any Law relating to: public or workplace health and safety; protection of the environment or natural resources; Releases or threats of Releases; presence, storage, use, treatment, transportation, management, handling, generation, production, manufacture, importation, exportation, sale, distribution, labeling, recycling, processing, testing, control or cleanup of Hazardous Materials (or products containing Hazardous Materials); or injury or harm relating to exposure to Hazardous Materials.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that is, or was at the relevant time (a) under common control within the meaning of Section 4001(b)(1) of ERISA with a Person or (b) which together with a Person is treated as a single employer under Section 414(t) of the Code.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"FDA" means the U.S. Food and Drug Administration, and any successor agency thereto.

"Government Contract" means any Contract, subcontract, teaming agreement or arrangement, joint venture, basic ordering agreement, blanket purchase agreement, letter contract, purchase order, delivery order, task order, grant, cooperative agreement, change order or other commitment or funding vehicle between the Company or a Company Subsidiary and (a) a Governmental Entity, (b) any prime contractor of a Governmental Entity, or (c) any subcontractor at any tier with respect to any Contract of a type described in clause (a) or (b) above.

"Government Official" means (a) any officer or employee of a Governmental Entity or any department, agency or instrumentality thereof, including state-owned entities, or of a public organization, (b) any political party, political party official or candidate for political office; or political campaign, or (c) any person acting in an official capacity for or on behalf of any such government, department, agency, or instrumentality or on behalf of any such public organization.

"Governmental Entity" means any national, state, local, supranational or foreign government or any court of competent jurisdiction, regulatory or administrative authority, arbitral body (public or private), agency or commission or other national, state, local, supranational or foreign governmental authority or instrumentality (excluding any state-owned enterprise or similar entity).

"Hazardous Material" means any substance, material or waste which is regulated or could give rise to liability under any Environmental Law, including any (a) asbestos or asbestos-containing materials, (b) petroleum or petroleum-containing or petroleum-derived materials, (c) radiation or radioactive materials, (d) harmful biological agents, including mold, I polychlorinated biphenyls, (f) per- and polyfluoroalkyl substances, and (g) any material, substance or waste which is defined as a "hazardous waste," "hazardous material," "regulated substance," "hazardous substance," "extremely hazardous waste," "restricted hazardous waste," "contaminant," "pollutant," "toxic waste," "toxic substance" or similar term under any Environmental Law.

"Indebtedness" means, with respect to any Person, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all guarantees and arrangements having the economic effect of a guarantee of such Person of any other Indebtedness of any other Person, or

(d) reimbursement obligations under letters of credit, bank guarantees and other similar contractual obligations entered into by or on behalf of such Person.

"Information Systems" means all computer hardware, databases and data storage systems, computer, data, database and communications networks (other than the Internet), architecture interfaces and firewalls (whether for data, voice, video or other media access, transmission or reception) and other apparatus used to create, store, transmit, exchange or receive information in any form.

"Intellectual Property Rights" means all intellectual property rights of every kind and description throughout the world, including rights in (a) patents, patent applications, invention disclosures and all related continuations, continuations-in-part, divisionals, reissues, re-examinations, substitutions and extensions thereof ("Patents"); (b) trademarks, service marks, trade names, logos, slogans, trade dress, design rights and other similar designations of source or origin, together with the goodwill symbolized by any of the foregoing ("Trademarks"); (c) copyrights and copyrightable subject matter ("Copyrights"); (d) computer programs (whether in source code, object code or other form), algorithms, databases, compilations and data; trade secrets and all other confidential and proprietary information, ideas, know-how, inventions, processes, formulae, models and methodologies ("Trade Secrets"); (f) Internet electronic addresses, uniform resource locators and alphanumeric designations associated therewith registered with or assigned by any domain name registrar, domain name registry or other domain name registration authority as part of an electronic address on the Internet ("Domain Names"), and (g) all applications and registrations for the foregoing.

"Knowledge" of any Person that is not an individual means, with respect to any matter in question, in the case of the Knowledge of the Company, the actual knowledge individuals set forth in Section 9.03 of the Company Disclosure Letter, in each case, after reasonable inquiry, and, in the case of Parent and Merger Sub, the actual knowledge individuals set forth in Section 9.03 of the Parent Disclosure Letter, in each case, after reasonable inquiry.

"Labor Organization" means any labor union, labor organization or works council.

"Law" means any federal, state, local, municipal, foreign or other constitution, law, common law, ordinance, rule, regulation, executive order, statute or treaty of a Governmental Entity.

"Liens" means all pledges, liens, easements, rights-of-way, encroachments, restrictions, charges, mortgages, encumbrances, security interests, options, rights of first refusal, claims or similar obligations (including any restriction on the voting of any security, any restriction on the transfer of any security or other asset or any restriction on the possession, exercise or transfer of any other attribute of ownership of any asset).

"Medical Device Laws" means any applicable U.S. and non-U.S. Laws relating to the regulation of the manufacturing, development, testing, labeling, advertising, marketing, sale, distribution or shipment of medical devices, including (a) the Federal Food, Drug, and Cosmetic Act, 21 U.S.C. § 301 et seq., (b) the Federal Trade Commission Act, 15 U.S.C. § 41 et seq., (c) similar medical device Laws in jurisdictions into which any medical device of the business of the

Company or the Company Subsidiaries is or has been shipped, and (d) any regulations and guidance promulgated pursuant to such Laws.

"Merger Sub Board" means the Board of Directors of Merger Sub.

"OFAC" means the U.S. Department of the Treasury, Office of Foreign Assets Control.

"Parent Board" means the Board of Directors of Parent.

"Parent Material Adverse Effect" means, with respect to Parent, Merger Sub or any of their respective Affiliates, any circumstance, occurrence, effect, change, event or development that, individually or taken together with other circumstances, occurrences, effects, changes, events or developments, is or would be reasonably likely to prevent or materially impair, interfere with, hinder or delay the consummation of the Merger or the other transactions contemplated by this Agreement by the End Date.

"Payoff Indebtedness" means the Indebtedness of the Company set forth on Section 5.04 of the Company Disclosure Letter.

"Permitted Liens" means: (i) minor imperfections in title, restrictions, easements of record, rights of way and encumbrances on any of the Leased Real Property disclosed in policies of title insurance, title reports, abstracts or site surveys made available to Parent and which do not, individually or in the aggregate, materially detract from the value of or materially impair the continued use and operation of the property affected by such encumbrances or imperfections; (ii) statutory liens for current Taxes, assessments or other governmental charges not yet delinquent or the amount or validity of which is being contested in good faith by appropriate proceedings and for which adequate reserves have been established in accordance with GAAP; (iii) mechanics', carriers', workers', warehousemen's, repairers' and similar Liens arising or incurred in the ordinary course of business which are not yet delinquent or the amount or validity of which is being contested in good faith by appropriate proceedings; (iv) purchase money Liens and Liens securing rental payments under a capital or operating lease; and (v) Liens arising in the ordinary course of business under worker's compensation, unemployment insurance, social security, retirement and similar legislation.

"Person" means any natural person, firm, corporation, partnership, company, limited liability company, trust, joint venture, association, Governmental Entity or other entity or organization.

"Personal Information" means any information that alone or in combination with other information identifies, or can reasonably be used to identify, contact, locate, or otherwise facilitate decisions regarding a particular individual, including information that is considered "personally identifiable information," "personal information," "personal data," "cardholder data," "individually identifiable health information," "protected health information" or any similar or equivalent term defined under applicable Privacy Laws.

"Pre-Closing Tax Period" means any taxable period ending on or before the Closing Date, and with respect to any Straddle Period, the portion of such Straddle Period ending on and including the Closing Date.

"Privacy Laws" means all applicable Laws, Judgments and Permits relating to the privacy, security or Processing of Personal Information, the privacy of electronic communications, cybersecurity, or the transmission of marketing messages through any means, in any relevant jurisdiction.

"Process" means any operation or set of operations which is performed upon information, whether or not by automatic means, such as collection, recording, organization, storage, adaptation or alteration, retrieval, consultation, use, disclosure by transmission, dissemination or otherwise making available, alignment or combination, blocking, erasure or destruction.

"Release" means any releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, migrating, disposing or dumping of a Hazardous Material into or through the indoor or outdoor environment (including the abandonment or discarding of barrels, containers and other closed receptacles containing any Hazardous Materials).

"Retirement Plan" means the PharmChem, Inc. 401(k) Plan.

"Sanctioned Country" means any country or territory that is the subject of comprehensive country-wide or region-wide Sanctions (currently, Cuba, Iran, North Korea, Syria and the Crimea, so-called Donetsk People's Republic and so-called Luhansk People's Republic regions of Ukraine).

"Sanctioned Person" means any Person that is the subject of Sanctions, including (a) any Person listed on any sanctions-related list of designated Persons, including OFAC's Specially Designated Nationals and Blocked Persons List and other applicable lists maintained by the United States, the United Nations, Canada, the United Kingdom, the European Union, any European Union member state or any other applicable Governmental Entity, (b) any Person located, organized or resident in a Sanctioned Country, or (c) any Person that is, in the aggregate, directly or indirectly owned, 50% or more, or controlled by, or acting or purporting to act on behalf of, a Person or Persons described in clauses (a) or (b).

"Sanctions" means all U.S. and non-U.S. Laws relating to economic or trade sanctions, including the Laws administered or enforced by the United States (including by OFAC or the U.S. Department of State), the United Nations Security Council, Canada, the United Kingdom, the European Union, any European Union member state or any other applicable jurisdiction in which the Company or the Company Subsidiaries operates or has operated.

"SEC" means the U.S. Securities and Exchange Commission.

"Straddle Period" means any taxable period that includes but does not end on the Closing Date.

"Subsidiary" of any Person means another Person, an amount of the voting securities, other voting ownership or voting partnership interests of which is sufficient to elect at least a majority of its Board of Directors or other governing person or body (or, if there are no such voting interests, more than 50% of the equity interests of which is owned directly or indirectly by such first Person).

"Taxing Authority" means any Governmental Entity responsible for the administration, determination, enforcement, assessment, collection or imposition of any Tax.

"Tax Returns" means all Tax returns, declarations, elections, claims for refund, statements, reports, schedules, forms and information returns, together with any supplements and attachments thereto and amendments thereof, in each case, filed or required to be filed with any Taxing Authority.

"Taxes" means (a) any foreign, United States federal, state or local net income, alternative or add-on minimum tax, gross income, gross receipts, sales, use, ad valorem, escheat, abandoned or unclaimed property, asset, capital stock, capital, net worth, privilege, intangible, value added, transfer, franchise, profits, license, withholding, payroll, employment, unemployment, excise, severance, stamp, registration, recording, transaction, business, occupation, premium, real property, personal property, environmental or windfall profit tax, custom, duty or other tax, levy, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest, penalty, addition to tax or additional amount, in each case, whether disputed or not, (b) any liability for the payment of any amounts of any of the foregoing types as a result of being a member of an affiliated, consolidated, combined or unitary group, or being a party to any agreement or arrangement whereby liability for payment of such amounts was determined or taken into account with reference to the liability of any other Person, (c) any liability for the payment of any amounts as a result of being a party to any tax sharing or allocation agreements or arrangements (whether or not written) or with respect to the payment of any amounts of any of the foregoing types as a result of any express or implied obligation to indemnify any other Person, and (d) any liability for the payment of any of the foregoing types as a successor, transferee or otherwise.

"Trade Compliance Laws" means any applicable U.S. and non-U.S. Laws relating to the regulation of imports, exports, re-exports, transfers, releases, shipments, transmissions or any other provision of goods, technology, software or services, including (a) the International Traffic in Arms Regulations (ITAR), 22 C.F.R. Parts 120 et seq., (b) the Export Administration Regulations (EAR), 15 C.F.R. Parts 730 et seq., (c) Sanctions, (d) all applicable Laws relating to customs and imports, including the customs regulations set forth in Title 19 of the Code of Federal Regulations, the Tariff Act of 1930, as amended, and the applicable Laws, regulations and programs administered or enforced by the U.S. Department of Commerce, U.S. International Trade Commission, U.S. Customs and Border Protection, U.S. Immigration and Customs Enforcement and their respective predecessor agencies, I the antiboycott Laws administered by the U.S. Department of Commerce and U.S. Department of Treasury's Internal Revenue Service, and (f) similar trade compliance Laws in jurisdictions in which the Company or the Company Subsidiaries operate or have operated.

"Treasury Regulation" means the Treasury Regulations promulgated by the United States Department of the Treasury under the Code.

Section 9.04 Interpretation.

(a) When a reference is made in this Agreement to an Article, a Section or an Exhibit, such reference shall be to an Article, a Section or an Exhibit of or to this Agreement unless otherwise indicated. The table of contents, index of defined terms and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Any capitalized term used in any Exhibit but not otherwise defined therein shall have the meaning assigned to such term in this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." The words "hereof," "hereto," "hereby," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The term "or" is not exclusive. The word "extent" in the phrase "to the extent" shall mean the degree to which a subject or other thing extends, and such phrase shall not mean simply "if." The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms. All pronouns and any variations thereof refer to the masculine, feminine or neutral as the context may require. Any agreement, instrument or Law defined or referred to herein means such agreement, instrument or Law as from time to time amended, modified or supplemented, unless otherwise specifically indicated. References to a Person are also to its permitted successors and assigns. Unless otherwise specifically indicated, all references to "$" will be deemed references to the lawful money of the United States of America. In the event an ambiguity or a question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring by virtue of the authorship of any provisions of this Agreement. Any reference to "days" means calendar days unless Business Days are expressly specified. If any action under this Agreement is required to be done or taken on a day that is not a Business Day, then such action shall be required to be done or taken not on such day but on the first succeeding Business Day thereafter. All references herein to the Subsidiaries of a Person shall be deemed to include all direct and indirect Subsidiaries of such Person unless otherwise indicated or the context otherwise requires. The phrase "made available" or similar phrases as used in this Agreement means that the subject documents were posted to the virtual data room maintained by the Company or its Representatives for purposes of the transactions contemplated hereby by 5:00 p.m. Eastern Time on the date that is at least two Business Days prior to the date hereof; *provided* that such information, data, material, document or other item of disclosure shall only be deemed to be "made available" to the extent such information, material, data, document or other item of disclosure was available for review by the other party or its respective Representatives in unredacted form.

Section 9.05 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule or Law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic and legal substance of the transactions contemplated hereby are not affected in any manner materially adverse to any party or such party waives its rights under this

Section 9.05 with respect thereto. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

Section 9.06 Counterparts. This Agreement may be executed in one or more counterparts, including by email with .pdf attachments, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

Section 9.07 Entire Agreement; No Third-Party Beneficiaries. This Agreement, taken together with the Parent Disclosure Letter, the Company Disclosure Letter and the Confidentiality Agreement, (a) constitutes the entire agreement, and supersedes all prior representations, warranties, agreements and understandings, both written and oral, between the parties with respect to the Merger and the other transactions contemplated by this Agreement and (b) except for Sections 6.03 and 9.13 (of which the Persons who are entitled to indemnification or insurance, as the case may be, thereunder are intended beneficiaries following the Effective Time and who may enforce the provisions thereof), this Agreement is not intended to confer upon any Person other than the parties any rights or remedies. Notwithstanding anything to the contrary in this Agreement, the Company Disclosure Letter, the Parent Disclosure Letter, schedules and similar documents and instruments delivered pursuant to this Agreement shall not be deemed part of this Agreement for purposes of Section 268(b) of the DGCL, but shall have the effects provided in this Agreement otherwise (including with respect to this Section 9.07).

Section 9.08 GOVERNING LAW. THIS AGREEMENT, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE AND ANY ACTION OR PROCEEDING (WHETHER IN CONTRACT, TORT, EQUITY OR OTHERWISE) ARISING OUT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF DELAWARE, REGARDLESS OF THE LAWS THAT MIGHT OTHERWISE GOVERN UNDER ANY APPLICABLE PRINCIPLES OF CONFLICTS OF LAWS OF THE STATE OF DELAWARE.

Section 9.09 Assignment. Neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be assigned, in whole or in part, by operation of Law or otherwise by any of the parties without the prior written consent of the other parties; *provided* that (a) the rights, interests and obligations of Merger Sub may be assigned to another direct or indirect wholly owned Subsidiary of Parent, (b) Merger Sub or Parent may collaterally assign this Agreement and their respective rights and interests thereunder to (i) any lender of Merger Sub, Parent or any Affiliate of Merger Sub or Parent or (ii) any agent or collateral trustee for any such lender, and (c) following the Closing, the Company may collaterally assign this Agreement and its rights and interests thereunder to (i) any lender of the Company, Parent or any Affiliate of the Company or Parent or (ii) any agent or collateral trustee for any such lender. Any purported assignment without such consent shall be void. Subject to the preceding sentences, this Agreement will be binding upon, inure to the benefit of, and be enforceable by the parties and their respective successors and assigns.

Section 9.10 Specific Enforcement; Jurisdiction; Venue. The parties acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached, and that monetary damages, even if available, would not be an adequate remedy therefor. It is accordingly agreed that the parties shall be entitled to seek an injunction or injunctions to prevent breaches or threatened breaches of this Agreement and to seek to enforce specifically the performance of the terms and provisions of this Agreement, including the right of a party to cause the other parties to consummate the Merger and the other transactions contemplated hereby. It is agreed that the parties are entitled to seek to enforce specifically the performance of terms and provisions of this Agreement in any court referred to in clause (a) below, without proof of actual damages (and each party hereby waives any requirement for the securing or posting of any bond in connection with such remedy), this being in addition to any other remedy to which they are entitled at law or in equity. The parties further agree not to assert that a remedy of specific enforcement is unenforceable, invalid, contrary to Law or inequitable for any reason, nor to assert that a remedy of monetary damages would provide an adequate remedy for any such breach. In the event any party hereto brings any action, claim, complaint, suit, action or other proceeding to enforce specifically the performance of the terms and provisions of this Agreement prior to the Closing, the End Date shall automatically be extended by (i) the amount of time during which such action, claim, complaint, suit, action or other proceeding is pending, plus 20 Business Days, or (ii) such other time period established by the court presiding over such action, claim, complaint, suit, action or other proceeding. In addition, each of the parties hereto irrevocably agrees that any legal action or proceeding arising out of or relating to this Agreement brought by any party or its Affiliates against any other party or its Affiliates shall be brought and determined in the Court of Chancery of the State of Delaware; *provided* that if jurisdiction is not then available in the Court of Chancery of the State of Delaware, then any such legal action or proceeding may be brought in any federal court located in the State of Delaware or any other Delaware state court. Each of the parties hereby irrevocably submits to the jurisdiction of the aforesaid courts for itself and with respect to its property, generally and unconditionally, with regard to any such action or proceeding arising out of or relating to this Agreement and the transactions contemplated hereby. Each of the parties agrees not to commence any action, suit or proceeding relating thereto except in the courts described above in Delaware, other than actions in any court of competent jurisdiction to enforce any judgment, decree or award rendered by any such court in Delaware as described herein. Each of the parties further agrees that notice as provided herein shall constitute sufficient service of process and the parties further waive any argument that such service is insufficient. Each of the parties hereby irrevocably and unconditionally waives, and agrees not to assert, by way of motion or as a defense, counterclaim or otherwise, in any action or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby, (a) any claim that it is not personally subject to the jurisdiction of the courts in Delaware as described herein for any reason, (b) that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) and (c) that (i) the suit, action or proceeding in any such court is brought in an inconvenient forum, (ii) the venue of such suit, action or proceeding is improper or (iii) this Agreement, or the subject matter hereof, may not be enforced in or by such courts.

Section 9.11 WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY SUIT, ACTION OR OTHER PROCEEDING ARISING OUT OF THIS AGREEMENT, THE MERGER OR ANY OF THE OTHER TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH PARTY WOULD NOT, IN THE EVENT OF ANY ACTION, SUIT OR PROCEEDING, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVER AND CERTIFICATIONS IN THIS SECTION 9.11.

Section 9.12 Company Disclosure Letter. Certain information set forth in the Company Disclosure Letter is included solely for informational purposes, and may not be required to be disclosed pursuant to this Agreement. No disclosure in the Company Disclosure Letter relating to any possible breach or violation of any agreement or Law shall be construed as an admission or indication to any third party that any such breach or violation exists or has actually occurred. The inclusion of any information in the Company Disclosure Letter shall not be deemed to be an admission or acknowledgment by the Company that in and of itself, such information is material to or outside the ordinary course of the business or is required to be disclosed on the Company Disclosure Letter. No disclosure in the Company Disclosure Letter shall be deemed to create any rights in any third party.

Section 9.13 Conflict Waiver; Attorney-Client Privilege.

(a) Each of the parties acknowledges and agrees, on its own behalf and on behalf of its controlled Affiliates, that:

(i) Frost Brown Todd LLP ("FBT") has acted as counsel to the Company in connection with the negotiation, preparation, execution and delivery of this Agreement and the consummation of the Merger and the other transactions contemplated hereby. Parent agrees, and shall cause the Surviving Company to agree, that, following the Closing and the Merger, such representation and any prior representation of the Company by FBT shall not preclude FBT from serving as counsel to any former director, member, shareholder, officer or employee of the Company in connection with any litigation, claim or obligation arising out of or relating to this Agreement, the Merger or the transactions contemplated hereby.

(ii) Parent shall not, and shall cause the Surviving Company not to, seek or have FBT disqualified from any such representation described in clause (i) based on the prior representation of the Company by FBT. Each of the parties hereby consents thereto and waives any conflict of interest arising from such prior representation, and each of such parties shall cause any of its controlled Affiliates to consent to waive any conflict of interest arising from such representation. Each of the parties acknowledges that such consent and waiver is voluntary, that it has been carefully considered, and that

the parties have consulted with counsel or have been advised they should do so in connection herewith.

(b) This Section 9.13 is intended for the benefit of, and shall be enforceable by, FBT. This Section shall be irrevocable, and no term of this Section may be amended, waived, or modified, without the prior written consent of FBT.

Section 9.14 Tax Treatment. The parties acknowledge and agree that the Merger is intended to be treated, and shall be reported by the parties, as a taxable sale of the Common Stock by the holders of the Common Stock to Parent in exchange for the Merger Consideration for U.S. federal income Tax purposes (and, where applicable, for state and local Income Tax purposes). Each of the parties shall prepare and file all Tax Returns in a manner consistent with such treatment and shall not take any position inconsistent with such treatment in any Tax Return, audit, or other proceeding before any Taxing Authority, except as otherwise required by a "determination" within the meaning of Section 1313(a) of the Code.

[*Remainder of page intentionally left blank*]

IN WITNESS WHEREOF, the Company, Parent and Merger Sub have duly executed this Agreement, all as of the date first written above.

PHARMCHEM, INC.

By: /s/ Thompson Clark
Name: Thompson Clark
Title: Interim CEO

ALCOHOL MONITORING SYSTEMS, INC.

By: /s/ Shawn Alt
Name: Shawn Alt
Title: Vice President and Secretary

SCRAM MERGER SUB, INC.

By: /s/ Shawn Alt
Name: Shawn Alt
Title: Vice President and Secretary

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Annex B

Voting and Support Agreement

VOTING AND SUPPORT AGREEMENT

This VOTING AND SUPPORT AGREEMENT (this "Agreement"), dated as of July 18, 2025 (the "Effective Date"), is made by and among Alcohol Monitoring Systems, Inc., a Delaware corporation ("Parent"), SCRAM Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Parent ("Merger Sub"), and each of the stockholders of PharmChem, Inc., a Delaware corporation (the "Company"), set forth on Exhibit A attached hereto (collectively, the "Stockholders," and individually a "Stockholder"). Parent, Merger Sub and the Stockholders are referred to herein individually as a "Party" and collectively as the "Parties." Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to such terms in the Merger Agreement (as defined below).

RECITALS

WHEREAS, concurrently with the execution and delivery of this Agreement, Parent, Merger Sub, and the Company, are entering into an Agreement and Plan of Merger, dated as of the date hereof (the "Merger Agreement"), providing for, among other things and subject to the terms and conditions of the Merger Agreement, Merger Sub will be merged with and into the Company, with the Company surviving the Merger as a wholly owned subsidiary of Parent (the "Merger");

WHEREAS, as of the Effective Date, each Stockholder is the record and beneficial owner of the number of shares of Common Stock set forth opposite such Stockholder's name on Exhibit A attached hereto (each, including any such Additional Securities (as defined below) an "Owned Share"); and

WHEREAS, as a condition and an inducement to the willingness of Parent and Merger Sub to enter into the Merger Agreement, concurrently with the execution and delivery of the Merger Agreement, the Stockholders are entering into this Agreement with Parent and Merger Sub, pursuant to which, among other things, each such Stockholder has agreed to vote in favor of the adoption of the Merger Agreement.

NOW, THEREFORE, in consideration of the foregoing and the representations, warranties, covenants and agreements contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

ARTICLE I
STOCKHOLDERS CONSENT;
AGREEMENT TO VOTE AND IRREVOCABLE PROXY

Section 1.1 Agreement to Vote

Each Stockholder hereby irrevocably and unconditionally agrees that, from the Effective Date until the earlier of (a) the time that the Company Stockholder Approval has been obtained and (b) termination of this Agreement in accordance with Section 4.1 (the "Agreement Term"), such Stockholder shall (i) take all such actions as may be reasonably required to cause each of such Stockholder's Owned Shares to be present, in person or by proxy, at the Company

Stockholders Meeting and (ii) at any Company Stockholders Meeting vote (or cause to be voted), to the extent entitled to vote thereon, all of such Stockholder's Owned Shares:

(A) in favor of (I) adoption of the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Merger and (II) the approval of any proposal to adjourn such Company Stockholders Meeting to a later date if there are not sufficient votes for adoption of the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Merger; and

(B) against (I) any Alternative Proposal, (II) any action that would reasonably be expected to result in a breach of or failure to perform any representation, warranty, covenant or agreement of the Company under the Merger Agreement or of such Stockholder under this Agreement, (III) any action that would reasonably be expected to prevent or materially delay or impede the consummation of the transactions contemplated by the Merger Agreement, including the Merger, (IV) any merger agreement or merger (other than the Merger Agreement and the Merger), consolidation, combination, material business transaction, sale of assets, reorganization, recapitalization, dissolution, liquidation or winding up of the Company or any Company Subsidiary, and (V) any amendment of the Company's organizational documents that would reasonably be expected to impair the ability of the Company, Parent or Merger Sub to complete the Merger, or that would or would reasonably be expected to prevent, impede, frustrate, interfere with, delay, postpone or adversely affect the consummation of the Merger.

Section 1.2 Other Voting Rights

For the avoidance of doubt, except as expressly set forth in this Agreement, nothing in this Agreement shall limit the right of any Stockholder to vote in favor of, against, or abstain with respect to any matter presented to the Company's stockholders not addressed by this Agreement.

Section 1.3 Grant of Irrevocable Proxy

Each Stockholder hereby irrevocably appoints Parent and any designee of Parent, and each of them individually, as such Stockholder's proxy and attorney-in-fact, with full power of substitution and resubstitution, to vote at the Company Stockholders Meeting during the Agreement Term, with respect to such Stockholder's Owned Shares as of the applicable record date, in each case solely to the extent and in the manner specified in Section 1.1 (the "Proxy"); provided, however, that such Proxy shall be effective if, and only if, the Stockholder has not delivered to the corporate secretary of the Company, at least two Business Days prior to the Company Stockholders Meeting, a duly executed proxy card directing that such Stockholder's Owned Shares be voted in accordance with Section 1.1. The Proxy is given to secure the performance of the duties of each Stockholder under this Agreement, and its existence will not be deemed to relieve any Stockholder of such Stockholder's obligations under this Agreement. The Proxy shall expire and be deemed revoked automatically at the expiration of the Agreement Term or in the event of termination of this Agreement pursuant to Section 4.1.

Section 1.4 Nature of Irrevocable Proxy

The Proxy granted by each Stockholder is irrevocable during the Agreement Term or until this Agreement is terminated pursuant to Section 4.1, shall be deemed to be coupled with an interest sufficient in Law to support an irrevocable proxy and shall revoke any and all prior proxies

granted by any Stockholder with regard to such Stockholder's Owned Shares and each Stockholder acknowledges that the Proxy constitutes an inducement for Parent and Merger Sub to enter into the Merger Agreement. The power of attorney granted by each Stockholder is a durable power of attorney and shall survive the bankruptcy, dissolution, death or incapacity of such Stockholder.

ARTICLE II
REPRESENTATIONS AND WARRANTIES OF THE STOCKHOLDERS

Each Stockholder, on behalf of itself, severally, but not jointly, hereby represents and warrants to Parent and Merger Sub as of the Effective Date:

Section 2.1 Power; Due Authorization; Binding Agreement

Such Stockholder has all requisite corporate power, authority and legal capacity (as applicable) to enter into this Agreement and, subject to receipt of the Company Stockholder Approval, to consummate the transactions contemplated by the Merger Agreement, including the Merger. The execution and delivery of this Agreement and the consummation by such Stockholder of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate, partnership or other applicable action on the part of such Stockholder, and no other proceedings on the part of such Stockholder are necessary to authorize this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by such Stockholder and, assuming the due and valid authorization, execution and delivery hereof by the other Parties, constitutes a valid and binding agreement of such Stockholder, enforceable against such Stockholder in accordance with its terms.

Section 2.2 Ownership of Shares

Such Stockholder's Owned Shares are owned beneficially and of record by such Stockholder free and clear of any Liens. Such Stockholder does not beneficially own any capital stock or other securities of the Company other than the Owned Shares and does not beneficially own any rights to purchase or acquire any shares of capital stock of the Company except as set forth opposite such Stockholder's name on Exhibit A. Other than restrictions in favor of Parent pursuant to this Agreement, as of the Effective Date such Stockholder has (except as otherwise permitted by this Agreement) sole voting power and sole dispositive power with respect to the matters set forth in Section 1.1 in respect of all of the Owned Shares of such Stockholder and no proxies have been given in respect of any or all of such Owned Shares other than proxies which have been validly revoked prior to the Effective Date.

Section 2.3 Adequate Information

Such Stockholder is a sophisticated holder with respect to the Owned Shares and has adequate information concerning the transactions contemplated by the Merger Agreement, including the Merger, and concerning the business and financial condition of Parent and the Company to make an informed decision regarding the matters referred to herein and has independently, without reliance upon the Company, and based on such information as such Stockholder has deemed appropriate, made such Stockholder's own analysis and decision to enter into this Agreement.

Section 2.4 No Conflict

The execution and delivery of this Agreement by such Stockholder does not, and the performance of the terms of this Agreement by such Stockholder will not, (a) require the consent or approval of, or any filing with, any other Person, (b) conflict with or violate any organizational document of such Stockholder, (c) conflict with or violate or result in any breach of, or default (with or without notice or lapse of time, or both) under, or give to others any rights of termination, amendment, acceleration or cancellation of, or result in the creation of any Liens on, any of the Owned Shares pursuant to any Contract to which such Stockholder is a party or by which such Stockholder or any of the Owned Shares are bound, or (d) violate any applicable Laws applicable to such Stockholder or any of its assets (including the Owned Shares), except for any of the foregoing which would not, individually or in the aggregate, prevent, materially delay or impair in any material respect the Stockholder's ability to perform its obligations under this Agreement.

Section 2.5 Acknowledgment

Such Stockholder understands and acknowledges that Parent and Merger Sub are entering into the Merger Agreement in reliance upon such Stockholder's execution, delivery and performance of this Agreement.

Section 2.6 Transaction Fee

Such Stockholder has not employed any investment banker, broker or finder in connection with the Merger who is entitled to any fee or any commission from Parent or the Company or any of their respective Subsidiaries in connection with or upon consummation of the Merger or any other transaction contemplated by the Merger Agreement.

Section 2.7 Actions and Proceedings

There are no (a) suits, actions or other proceedings pending or, to the knowledge of such Stockholder, threatened against such Stockholder or any of its assets or (b) outstanding Judgments or Contracts settling any actual or threatened suits, actions or other proceedings to which such Stockholder or any of its assets are subject or bound, in each case, which would prevent, materially delay or impair in any material respect such Stockholder's ability to perform its obligations under this Agreement.

ARTICLE III
COVENANTS OF THE STOCKHOLDERS

Section 3.1 Restriction on Transfer, Proxies and Non-Interference

Each Stockholder hereby agrees, during the Agreement Term, not to, directly or indirectly, voluntarily or involuntarily, (a) sell, transfer, pledge, encumber, assign or otherwise dispose of (including by merger (including by conversion into securities or other consideration), by tendering into any tender or exchange offer, by testamentary disposition, by operation of Law or otherwise), or enter into any Contract, option or other arrangement or understanding with respect to the sale, transfer, pledge, encumbrance, assignment or other disposition of (including by merger (including by conversion into securities or other consideration), by tendering into any tender or exchange offer, by testamentary disposition, by operation of Law or otherwise), or limitation on the voting

rights of, any of the Owned Shares or any economic interest therein (any such action, a "Transfer"), (b) grant any proxies or powers of attorney with respect to the Owned Shares of such Stockholder, deposit any such Owned Shares into a voting trust or enter into a voting agreement with respect to any such Owned Shares, in each case with respect to any vote on the approval and adoption of the Merger Agreement or any other matters set forth in Section 1.1 of this Agreement, (c) form, join, encourage, influence, advise or in any way participate in any "group" (as such term is defined in the Exchange Act) with any Persons with respect to any securities of the Company, or (d) commit or agree to take any of the foregoing actions during the Agreement Term; provided, that, the foregoing notwithstanding, the following Transfers are permitted: (i) Transfers of Owned Shares to any affiliate of such Stockholder who has agreed in writing (the form and substance of which is reasonably acceptable to Parent) to be bound by the terms of this Agreement; or (ii) Transfers of Owned Shares with Parent's prior written consent.

Section 3.2 Additional Securities

From the Effective Date until the earlier of (a) the termination of this Agreement pursuant to Section 4.1 and (b) the Company Stockholders Meeting, in the event any Stockholder becomes the record or beneficial owner of (i) any shares of Common Stock or any other voting securities of the Company, (ii) any securities which may be converted into or exchanged for such share or other securities, or (iii) any securities issued in replacement of, or as a dividend or distribution on, or otherwise in respect of, such shares or other securities (collectively, "Additional Securities"), such Additional Securities will be subject to the terms of this Agreement and the covenants applicable to the Owned Shares hereunder shall apply to such Additional Securities as though owned by the Stockholder on the Effective Date.

Section 3.3 Merger Agreement Obligations

Each Stockholder agrees that it shall not, and shall cause its affiliates (other than passive investors in the Stockholder who are not otherwise affiliates of the Stockholder or involved in advising or managing such Stockholder or any of its affiliates) and each of its and their respective Representatives not to, directly or indirectly through another Person, (a) solicit, initiate, knowingly encourage or knowingly facilitate any Alternative Proposal or offer or inquiry that would reasonably be expected to lead to any Alternative Proposal, or the making or consummation thereof, (b) other than to inform any Person of the existence of the provisions contained in this Section 3.3, enter into, continue or otherwise participate in any discussions or negotiations regarding, or furnish to any Person any information or afford any Person access to the business, properties, assets, books or records of the Company or any Company Subsidiary in connection with, or otherwise knowingly cooperate or assist any effort by any Person in making, any Alternative Proposal, (c) enter into any agreement, letter of intent, memorandum of understanding, agreement in principle or similar agreement or document with respect to any Alternative Proposal, or (d) commit to do any of the foregoing.

Section 3.4 No Limitations on Actions

Parent expressly acknowledges that each Stockholder is entering into this Agreement solely in such Stockholder's capacity as the beneficial owner of Owned Shares and this Agreement shall not limit or otherwise affect the actions or fiduciary duties of such Stockholder, or any of such Stockholder's affiliates, in such Stockholder's, or any of such Stockholder's affiliates', capacity, if applicable, as a director of the Company. Parent shall not assert any claim that any action taken

by such Stockholder, or any of such Stockholder's affiliates, in such Stockholder's, or any of such Stockholder's affiliates', capacity, if applicable, as a director of the Company violates any provision of this Agreement.

Section 3.5 Further Assurances

From time to time, at the reasonable request of Parent and without further consideration, each Stockholder shall, at Parent's cost and expense, use reasonable best efforts to execute and deliver such additional documents and take all such further action as may be reasonably necessary to comply with such Stockholder's obligations under this Agreement.

Section 3.6 Notice of Acquisitions

Each Stockholder (severally and not jointly) agrees to notify Parent as promptly as reasonably practicable (and in any event within two Business Days after receipt) orally and in writing of the number of any additional shares of Common Stock or other securities of the Company of which such Stockholder acquires beneficial ownership on or after the date hereof.

Section 3.7 General Covenants

Each Stockholder agrees that such Stockholder shall not:

(a) enter into any Contract with any Person or take any other action that violates or conflicts with or would reasonably be expected to violate or conflict with, or result in or give rise to a violation of or conflict with, such Stockholder's representations, warranties, covenants and obligations under this Agreement; or

(b) take any action that would restrict or otherwise affect such Stockholder's legal power, authority and right to comply with and perform such Stockholder's covenants and obligations under this Agreement.

ARTICLE IV
MISCELLANEOUS

Section 4.1 Termination of this Agreement

This Agreement, and all obligations, terms and conditions contained herein, shall automatically terminate without any further action required by any Party upon the earliest to occur of: (a) the termination of the Merger Agreement in accordance with its terms, (b) the Effective Time, and (c) the Board making an Adverse Recommendation Change pursuant to the Merger Agreement.

Section 4.2 Effect of Termination

In the event of termination of this Agreement pursuant to Section 4.1, this Agreement shall become void and of no effect with no liability on the part of any Party; provided, however, no such termination shall relieve any Party from any liability for any breach of this Agreement occurring prior to such termination and the provisions of this ARTICLE IV, shall survive any such termination. Notwithstanding the foregoing, termination of this Agreement shall not prevent any Party from seeking any remedies (at Law or in equity) against any other Party for that Party's

breach of any of the terms of this Agreement prior to the date of termination. Nothing in the Merger Agreement shall relieve any Stockholder from any liability arising out of or in connection with this Agreement.

Section 4.3 Entire Agreement

This Agreement (together with the Merger Agreement) and other documents delivered in connection with this Agreement contain the entire understanding of the Parties in respect of their subject matter and supersede all prior agreements and understandings (oral or written) between the Parties with respect to such subject matter, other than the Confidentiality Agreement.

Section 4.4 Binding Effect; Assignment

The rights and obligations of this Agreement shall bind and inure to the benefit of the Parties and their respective successors and assigns. Except as expressly provided herein, the rights and obligations of this Agreement may not be assigned by any Party without the prior written consent of the other Parties.

Section 4.5 Amendment

This Agreement may only be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by each of the Parties, or in the case of a waiver, by the Party against whom the waiver is to be effective. No failure or delay by Parent or the Merger Sub in exercising any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise of any other right hereunder. No waiver of any provision of this Agreement shall be effective except by written instrument executed by the Party against whom the waiver is to be effective. No extension of time for performance of any obligations or other acts hereunder or under any other agreement shall be deemed to be an extension of the time for performance of any other obligations or any other acts.

Section 4.6 Notices

All notices, requests, claims, demands and other communications under this Agreement shall be in writing and shall be deemed duly given (a) on the date of delivery if delivered personally; (b) on the date sent if sent by email (provided, however, that notice given by email shall not be effective unless either (i) a duplicate copy of such email notice is promptly given by one of the other methods described in this Section 4.6 or (ii) the receiving party delivers a written confirmation of receipt of such notice either by email or any other method described in this Section 4.6; provided that each notice party shall use reasonable best efforts to confirm receipt of any such email correspondence promptly upon receipt of such request); (c) on the first Business Day following the date of dispatch if delivered utilizing a next-day service by a recognized next-day courier; or (d) on the earlier of confirmed receipt or the fifth Business Day following the date of mailing if delivered by registered or certified mail, return receipt requested, postage prepaid. All notices hereunder shall be delivered to the addresses set forth below, or pursuant to such other instructions as may be designated in writing by the party to receive such notice:

if to Parent or Merger Sub, to:

Alcohol Monitoring Systems, Inc.
c/o The Riverside Company
233 Wilshire Blvd., Suite 400
Santa Monica, California 90401
Attention: Sean Ozbolt and Andrew Fohrer
Email: sozbolt@riversidecompany; afohrer@riversidecompany.com

and

Alcohol Monitoring Systems, Inc.
6251 Greenwood Plaza Blvd.
Suite 300
Greenwood Village, CO 80111
Attention: Joe Sovcik
Email: jsovcik@scramsystems.com; legal@scramsystems.com

with a copy (which shall not constitute notice) to:

Jones Day
325 John H. McConnell Blvd., Suite 600
Columbus, OH 43215
Attention: Ashley L. Gullett; Grant E. Bilinovich
Email: agullett@jonesday.com; gbilinovich@jonesday.com

if to the Stockholders, to:

PharmChem, Inc.
2411 East Loop 820 N
Fort Worth, TX 76118
Attention: Shana Veale
Email: sveale@pharmchem.com

with a copy (which shall not constitute notice) to:

Frost Brown Todd LLP
250 West Main Street
Suite 2800
Lexington, Kentucky 40507
Attention: Jeff Jefferson; Eric Beecher
Email: jjefferson@fbtlaw.com; ebeecher@fbtlaw.com

Section 4.7 Governing Law

THIS AGREEMENT, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE AND ANY ACTION OR PROCEEDING (WHETHER IN

CONTRACT, TORT, EQUITY OR OTHERWISE) ARISING OUT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF DELAWARE, REGARDLESS OF THE LAWS THAT MIGHT OTHERWISE GOVERN UNDER ANY APPLICABLE PRINCIPLES OF CONFLICTS OF LAWS OF THE STATE OF DELAWARE.

Section 4.8 Specific Enforcement; Jurisdiction; Venue

The parties acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached, and that monetary damages, even if available, would not be an adequate remedy therefor. It is accordingly agreed that the parties shall be entitled to seek an injunction or injunctions to prevent breaches or threatened breaches of this Agreement and to seek to enforce specifically the performance of the terms and provisions of this Agreement, including the right of a party to cause the other parties to consummate the Merger and the other transactions contemplated hereby. It is agreed that the parties are entitled to seek to enforce specifically the performance of terms and provisions of this Agreement in any court referred to in clause (a) below, without proof of actual damages (and each party hereby waives any requirement for the securing or posting of any bond in connection with such remedy), this being in addition to any other remedy to which they are entitled at law or in equity. The parties further agree not to assert that a remedy of specific enforcement is unenforceable, invalid, contrary to Law or inequitable for any reason, nor to assert that a remedy of monetary damages would provide an adequate remedy for any such breach. In addition, each of the parties hereto irrevocably agrees that any legal action or proceeding arising out of or relating to this Agreement brought by any party or its Affiliates against any other party or its Affiliates shall be brought and determined in the Court of Chancery of the State of Delaware; *provided* that if jurisdiction is not then available in the Court of Chancery of the State of Delaware, then any such legal action or proceeding may be brought in any federal court located in the State of Delaware or any other Delaware state court. Each of the parties hereby irrevocably submits to the jurisdiction of the aforesaid courts for itself and with respect to its property, generally and unconditionally, with regard to any such action or proceeding arising out of or relating to this Agreement and the transactions contemplated hereby. Each of the parties agrees not to commence any action, suit or proceeding relating thereto except in the courts described above in Delaware, other than actions in any court of competent jurisdiction to enforce any judgment, decree or award rendered by any such court in Delaware as described herein. Each of the parties further agrees that notice as provided herein shall constitute sufficient service of process and the parties further waive any argument that such service is insufficient. Each of the parties hereby irrevocably and unconditionally waives, and agrees not to assert, by way of motion or as a defense, counterclaim or otherwise, in any action or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby, (a) any claim that it is not personally subject to the jurisdiction of the courts in Delaware as described herein for any reason, (b) that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) and (c) that (i) the suit, action or proceeding in any such court is brought in an inconvenient forum, (ii) the venue of such suit, action or proceeding is improper or (iii) this Agreement, or the subject matter hereof, may not be enforced in or by such courts.

Section 4.9 Waiver of Jury Trial

EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY SUIT, ACTION OR OTHER PROCEEDING ARISING OUT OF THIS AGREEMENT, THE MERGER OR ANY OF THE OTHER TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH PARTY WOULD NOT, IN THE EVENT OF ANY ACTION, SUIT OR PROCEEDING, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVER AND CERTIFICATIONS IN THIS SECTION 4.9.

Section 4.10 Severability

If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule or Law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic and legal substance of the transactions contemplated hereby are not affected in any manner materially adverse to any Party or such Party waives its rights under this Section 4.10 with respect thereto. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

Section 4.11 Counterparts

This Agreement may be executed in one or more counterparts, including by email with .pdf attachments, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the Parties and delivered to the other Parties.

Section 4.12 Interpretation

When a reference is made in this Agreement to an Article, a Section or an Exhibit, such reference shall be to an Article, a Section or an Exhibit of or to this Agreement unless otherwise indicated. The table of contents, index of defined terms and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." The words "hereof," "hereto," "hereby," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The term "or" is not exclusive. The word "extent" in the phrase "to the extent" shall mean the degree to which a subject or other thing extends, and such phrase shall not mean simply "if." The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms. All pronouns and any variations thereof refer to the masculine, feminine or neutral as the context may require. Any agreement, instrument or Law defined or referred to herein

means such agreement, instrument or Law as from time to time amended, modified or supplemented, unless otherwise specifically indicated. References to a Person are also to its permitted successors and assigns. Unless otherwise specifically indicated, all references to "$" will be deemed references to the lawful money of the United States of America. In the event an ambiguity or a question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring by virtue of the authorship of any provisions of this Agreement. Any reference to "days" means calendar days unless Business Days are expressly specified. If any action under this Agreement is required to be done or taken on a day that is not a Business Day, then such action shall be required to be done or taken not on such day but on the first succeeding Business Day thereafter. All references herein to the Subsidiaries of a Person shall be deemed to include all direct and indirect Subsidiaries of such Person unless otherwise indicated or the context otherwise requires.

Section 4.13 Publication

Each Stockholder hereby permits Parent and Merger Sub to publish and disclose in any documents or schedules or any disclosures or filings required by applicable Law such Stockholder's identity and ownership of the Owned Shares and the nature of such Stockholder's commitments pursuant to this Agreement.

[*Signature page follows***]**

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the Effective Date.

ALCOHOL MONITORING SYSTEMS, INC.

By: _____
Name:
Title:

SCRAM MERGER SUB, INC.

By: _____
Name:
Title:

Annex C

Appraisal Rights Statute

Section 262 of the General Corporation Law of the State of Delaware

§ 262 Appraisal rights

(a) Any stockholder of a corporation of this State who holds shares of stock on the date of the making of a demand pursuant to subsection (d) of this section with respect to such shares, who continuously holds such shares through the effective date of the merger, consolidation, conversion, transfer, domestication or continuance, who has otherwise complied with subsection (d) of this section and who has neither voted in favor of the merger, consolidation, conversion, transfer, domestication or continuance nor consented thereto in writing pursuant to § 228 of this title shall be entitled to an appraisal by the Court of Chancery of the fair value of the stockholder's shares of stock under the circumstances described in subsections (b) and (c) of this section. As used in this section, the word "stockholder" means a holder of record of stock in a corporation; the words "stock" and "share" mean and include what is ordinarily meant by those words; the words "depository receipt" mean a receipt or other instrument issued by a depository representing an interest in 1 or more shares, or fractions thereof, solely of stock of a corporation, which stock is deposited with the depository; the words "beneficial owner" mean a person who is the beneficial owner of shares of stock held either in voting trust or by a nominee on behalf of such person; and the word "person" means any individual, corporation, partnership, unincorporated association or other entity.

(b) Appraisal rights shall be available for the shares of any class or series of stock of a constituent, converting, transferring, domesticating or continuing corporation in a merger, consolidation, conversion, transfer, domestication or continuance to be effected pursuant to § 251 (other than a merger effected pursuant to § 251(g) of this title), § 252, § 254, § 255, § 256, § 257, § 258, § 263, § 264, § 266 or § 390 of this title (other than, in each case and solely with respect to a converted or domesticated corporation, a merger, consolidation, conversion, transfer, domestication or continuance authorized pursuant to and in accordance with the provisions of § 265 or § 388 of this title):

(1) Provided, however, that No appraisal rights under this section shall be available for the shares of any class or series of stock, which stock, or depository receipts in respect thereof, at the record date fixed to determine the stockholders entitled to receive notice of the meeting of stockholders, or at the record date fixed to determine the stockholders entitled to consent pursuant to § 228 of this title, to act upon the agreement of merger or consolidation or the resolution providing for the conversion, transfer, domestication or continuance (or, in the case of a merger pursuant to § 251(h) of this title, as of immediately prior to the execution of the agreement of merger), were either: (i) listed on a national securities exchange or (ii) held of record by more than 2,000 holders; and further provided that No appraisal rights shall be available for any shares of stock of the constituent corporation

surviving a merger if the merger did not require for its approval the vote of the stockholders of the surviving corporation as provided in § 251(f) of this title.

(2) Notwithstanding paragraph (b)(1) of this section, appraisal rights under this section shall be available for the shares of any class or series of stock of a constituent, converting, transferring, domesticating or continuing corporation if the holders thereof are required by the terms of an agreement of merger or consolidation, or by the terms of a resolution providing for conversion, transfer, domestication or continuance, pursuant to § 251, § 252, § 254, § 255, § 256, § 257, § 258, § 263, § 264, § 266 or § 390 of this title to accept for such stock anything except:

a. Shares of stock of the corporation surviving or resulting from such merger or consolidation, or of the converted entity or the entity resulting from a transfer, domestication or continuance if such entity is a corporation as a result of the conversion, transfer, domestication or continuance, or depository receipts in respect thereof;

b. Shares of stock of any other corporation, or depository receipts in respect thereof, which shares of stock (or depository receipts in respect thereof) or depository receipts at the effective date of the merger, consolidation, conversion, transfer, domestication or continuance will be either listed on a national securities exchange or held of record by more than 2,000 holders;

c. Cash in lieu of fractional shares or fractional depository receipts described in the foregoing paragraphs (b)(2)a. and b. of this section; or

d. Any combination of the shares of stock, depository receipts and cash in lieu of fractional shares or fractional depository receipts described in the foregoing paragraphs (b)(2)a., b. and c. of this section.

(3) In the event all of the stock of a subsidiary Delaware corporation party to a merger effected under § 253 or § 267 of this title is not owned by the parent immediately prior to the merger, appraisal rights shall be available for the shares of the subsidiary Delaware corporation.

(4) [Repealed.]

(c) Any corporation may provide in its certificate of incorporation that appraisal rights under this section shall be available for the shares of any class or series of its stock as a result of an amendment to its certificate of incorporation, any merger or consolidation in which the corporation is a constituent corporation, the sale of all or substantially all of the assets of the corporation or a conversion effected pursuant to § 266 of this title or a transfer, domestication or continuance effected pursuant to § 390 of this title. If the certificate of incorporation contains such a provision, the provisions of this section, including those set forth in subsections (d), (e), and (g) of this section, shall apply as nearly as is practicable.

(d) Appraisal rights shall be perfected as follows:

(1) If a proposed merger, consolidation, conversion, transfer, domestication or continuance for which appraisal rights are provided under this section is to be submitted for approval at a meeting of stockholders, the corporation, not less than 20 days prior to the meeting, shall notify each of its stockholders who was such on the record date for notice of such meeting (or such members who received notice in accordance with § 255(c) of this title) with respect to shares for which appraisal rights are available pursuant to subsection (b) or (c) of this section that appraisal rights are available for any or all of the shares of the constituent corporations or the converting, transferring, domesticating or continuing corporation, and shall include in such notice either a copy of this section (and, if 1 of the constituent corporations or the converting corporation is a nonstock corporation, a copy of § 114 of this title) or information directing the stockholders to a publicly available electronic resource at which this section (and, § 114 of this title, if applicable) may be accessed without subscription or cost. Each stockholder electing to demand the appraisal of such stockholder's shares shall deliver to the corporation, before the taking of the vote on the merger, consolidation, conversion, transfer, domestication or continuance, a written demand for appraisal of such stockholder's shares; provided that a demand may be delivered to the corporation by electronic transmission if directed to an information processing system (if any) expressly designated for that purpose in such notice. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such stockholder's shares. A proxy or vote against the merger, consolidation, conversion, transfer, domestication or continuance shall not constitute such a demand. A stockholder electing to take such action must do so by a separate written demand as herein provided. Within 10 days after the effective date of such merger, consolidation, conversion, transfer, domestication or continuance, the surviving, resulting or converted entity shall notify each stockholder of each constituent or converting, transferring, domesticating or continuing corporation who has complied with this subsection and has not voted in favor of or consented to the merger, consolidation, conversion, transfer, domestication or continuance, and any beneficial owner who has demanded appraisal under paragraph (d)(3) of this section, of the date that the merger, consolidation or conversion has become effective; or

(2) If the merger, consolidation, conversion, transfer, domestication or continuance was approved pursuant to § 228, § 251(h), § 253, or § 267 of this title, then either a constituent, converting, transferring, domesticating or continuing corporation before the effective date of the merger, consolidation, conversion, transfer, domestication or continuance, or the surviving, resulting or converted entity within 10 days after such effective date, shall notify each stockholder of any class or series of stock of such constituent, converting, transferring, domesticating or continuing corporation who is entitled to appraisal rights of the approval of the merger, consolidation, conversion, transfer, domestication or continuance and that

appraisal rights are available for any or all shares of such class or series of stock of such constituent, converting, transferring, domesticating or continuing corporation, and shall include in such notice either a copy of this section (and, if 1 of the constituent corporations or the converting, transferring, domesticating or continuing corporation is a nonstock corporation, a copy of § 114 of this title) or information directing the stockholders to a publicly available electronic resource at which this section (and § 114 of this title, if applicable) may be accessed without subscription or cost. Such notice may, and, if given on or after the effective date of the merger, consolidation, conversion, transfer, domestication or continuance, shall, also notify such stockholders of the effective date of the merger, consolidation, conversion, transfer, domestication or continuance. Any stockholder entitled to appraisal rights may, within 20 days after the date of giving such notice or, in the case of a merger approved pursuant to § 251(h) of this title, within the later of the consummation of the offer contemplated by § 251(h) of this title and 20 days after the date of giving such notice, demand in writing from the surviving, resulting or converted entity the appraisal of such holder's shares; provided that a demand may be delivered to such entity by electronic transmission if directed to an information processing system (if any) expressly designated for that purpose in such notice. Such demand will be sufficient if it reasonably informs such entity of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such holder's shares. If such notice did not notify stockholders of the effective date of the merger, consolidation, conversion, transfer, domestication or continuance, either (i) each such constituent corporation or the converting, transferring, domesticating or continuing corporation shall send a second notice before the effective date of the merger, consolidation, conversion, transfer, domestication or continuance notifying each of the holders of any class or series of stock of such constituent, converting, transferring, domesticating or continuing corporation that are entitled to appraisal rights of the effective date of the merger, consolidation, conversion, transfer, domestication or continuance or (ii) the surviving, resulting or converted entity shall send such a second notice to all such holders on or within 10 days after such effective date; provided, however, that if such second notice is sent more than 20 days following the sending of the first notice or, in the case of a merger approved pursuant to § 251(h) of this title, later than the later of the consummation of the offer contemplated by § 251(h) of this title and 20 days following the sending of the first notice, such second notice need only be sent to each stockholder who is entitled to appraisal rights and who has demanded appraisal of such holder's shares in accordance with this subsection and any beneficial owner who has demanded appraisal under paragraph (d)(3) of this section. An affidavit of the secretary or assistant secretary or of the transfer agent of the corporation or entity that is required to give either notice that such notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein. For purposes of determining the stockholders entitled to receive either notice, each constituent corporation or the converting, transferring, domesticating or continuing corporation may fix, in advance, a record date that shall be not more than 10 days prior to the

date the notice is given, provided, that if the notice is given on or after the effective date of the merger, consolidation, conversion, transfer, domestication or continuance, the record date shall be such effective date. If No record date is fixed and the notice is given prior to the effective date, the record date shall be the close of business on the day next preceding the day on which the notice is given.

(3) Notwithstanding subsection (a) of this section (but subject to this paragraph (d)(3)), a beneficial owner may, in such person's name, demand in writing an appraisal of such beneficial owner's shares in accordance with either paragraph (d)(1) or (2) of this section, as applicable; provided that (i) such beneficial owner continuously owns such shares through the effective date of the merger, consolidation, conversion, transfer, domestication or continuance and otherwise satisfies the requirements applicable to a stockholder under the first sentence of subsection (a) of this section and (ii) the demand made by such beneficial owner reasonably identifies the holder of record of the shares for which the demand is made, is accompanied by documentary evidence of such beneficial owner's beneficial ownership of stock and a statement that such documentary evidence is a true and correct copy of what it purports to be, and provides an address at which such beneficial owner consents to receive notices given by the surviving, resulting or converted entity hereunder and to be set forth on the verified list required by subsection (f) of this section.

(e) Within 120 days after the effective date of the merger, consolidation, conversion, transfer, domestication or continuance, the surviving, resulting or converted entity, or any person who has complied with subsections (a) and (d) of this section and who is otherwise entitled to appraisal rights, may commence an appraisal proceeding by filing a petition in the Court of Chancery demanding a determination of the value of the stock of all such stockholders. Notwithstanding the foregoing, at any time within 60 days after the effective date of the merger, consolidation, conversion, transfer, domestication or continuance, any person entitled to appraisal rights who has not commenced an appraisal proceeding or joined that proceeding as a named party shall have the right to withdraw such person's demand for appraisal and to accept the terms offered upon the merger, consolidation, conversion, transfer, domestication or continuance. Within 120 days after the effective date of the merger, consolidation, conversion, transfer, domestication or continuance, any person who has complied with the requirements of subsections (a) and (d) of this section, upon request given in writing (or by electronic transmission directed to an information processing system (if any) expressly designated for that purpose in the notice of appraisal), shall be entitled to receive from the surviving, resulting or converted entity a statement setting forth the aggregate number of shares not voted in favor of the merger, consolidation, conversion, transfer, domestication or continuance (or, in the case of a merger approved pursuant to § 251(h) of this title, the aggregate number of shares (other than any excluded stock (as defined in § 251(h)(6)d. of this title)) that were the subject of, and were not tendered into,

and accepted for purchase or exchange in, the offer referred to in § 251(h)(2) of this title)), and, in either case, with respect to which demands for appraisal have been received and the aggregate number of stockholders or beneficial owners holding or owning such shares (provided that, where a beneficial owner makes a demand pursuant to paragraph (d)(3) of this section, the record holder of such shares shall not be considered a separate stockholder holding such shares for purposes of such aggregate number). Such statement shall be given to the person within 10 days after such person's request for such a statement is received by the surviving, resulting or converted entity or within 10 days after expiration of the period for delivery of demands for appraisal under subsection (d) of this section, whichever is later.

(f) Upon the filing of any such petition by any person other than the surviving, resulting or converted entity, service of a copy thereof shall be made upon such entity, which shall within 20 days after such service file in the office of the Register in Chancery in which the petition was filed a duly verified list containing the names and addresses of all persons who have demanded appraisal for their shares and with whom agreements as to the value of their shares have not been reached by such entity. If the petition shall be filed by the surviving, resulting or converted entity, the petition shall be accompanied by such a duly verified list. The Register in Chancery, if so ordered by the Court, shall give notice of the time and place fixed for the hearing of such petition by registered or certified mail to the surviving, resulting or converted entity and to the persons shown on the list at the addresses therein stated. The forms of the notices by mail and by publication shall be approved by the Court, and the costs thereof shall be borne by the surviving, resulting or converted entity.

(g) At the hearing on such petition, the Court shall determine the persons who have complied with this section and who have become entitled to appraisal rights. The Court may require the persons who have demanded an appraisal for their shares and who hold stock represented by certificates to submit their certificates of stock to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any person fails to comply with such direction, the Court may dismiss the proceedings as to such person. If immediately before the merger, consolidation, conversion, transfer, domestication or continuance the shares of the class or series of stock of the constituent, converting, transferring, domesticating or continuing corporation as to which appraisal rights are available were listed on a national securities exchange, the Court shall dismiss the proceedings as to all holders of such shares who are otherwise entitled to appraisal rights unless (1) the total number of shares entitled to appraisal exceeds 1% of the outstanding shares of the class or series eligible for appraisal, (2) the value of the consideration provided in the merger, consolidation, conversion, transfer, domestication or continuance for such total number of shares exceeds $1 million, or (3) the merger was approved pursuant to § 253 or § 267 of this title.

(h) After the Court determines the persons entitled to an appraisal, the appraisal proceeding shall be conducted in accordance with the rules of the Court of Chancery, including any rules specifically governing appraisal proceedings. Through such proceeding the Court shall determine the fair value of the shares exclusive of any element of value arising from the accomplishment or expectation of the merger, consolidation, conversion, transfer, domestication or continuance, together with interest, if any, to be paid upon the amount determined to be the fair value. In determining such fair value, the Court shall take into account all relevant factors. Unless the Court in its discretion determines otherwise for good cause shown, and except as provided in this subsection, interest from the effective date of the merger, consolidation, conversion, transfer, domestication or continuance through the date of payment of the judgment shall be compounded quarterly and shall accrue at 5% over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the effective date of the merger, consolidation or conversion and the date of payment of the judgment. At any time before the entry of judgment in the proceedings, the surviving, resulting or converted entity may pay to each person entitled to appraisal an amount in cash, in which case interest shall accrue thereafter as provided herein only upon the sum of (1) the difference, if any, between the amount so paid and the fair value of the shares as determined by the Court, and (2) interest theretofore accrued, unless paid at that time. Upon application by the surviving, resulting or converted entity or by any person entitled to participate in the appraisal proceeding, the Court may, in its discretion, proceed to trial upon the appraisal prior to the final determination of the persons entitled to an appraisal. Any person whose name appears on the list filed by the surviving, resulting or converted entity pursuant to subsection (f) of this section may participate fully in all proceedings until it is finally determined that such person is not entitled to appraisal rights under this section.

(i) The Court shall direct the payment of the fair value of the shares, together with interest, if any, by the surviving, resulting or converted entity to the persons entitled thereto. Payment shall be so made to each such person upon such terms and conditions as the Court may order. The Court’s decree may be enforced as other decrees in the Court of Chancery may be enforced, whether such surviving, resulting or converted entity be an entity of this State or of any state.

(j) The costs of the proceeding may be determined by the Court and taxed upon the parties as the Court deems equitable in the circumstances. Upon application of a person whose name appears on the list filed by the surviving, resulting or converted entity pursuant to subsection (f) of this section who participated in the proceeding and incurred expenses in connection therewith, the Court may order all or a portion of such expenses, including, without limitation, reasonable attorney’s fees and the fees and expenses of experts, to be charged pro rata against the value of all the shares entitled to an appraisal not dismissed pursuant to subsection (k) of this section or subject to such an award pursuant to a reservation of jurisdiction under subsection (k) of this section.

(k) Subject to the remainder of this subsection, from and after the effective date of the merger, consolidation, conversion, transfer, domestication or continuance, No person who has demanded appraisal rights with respect to some or all of such person's shares as provided in subsection (d) of this section shall be entitled to vote such shares for any purpose or to receive payment of dividends or other distributions on such shares (except dividends or other distributions payable to stockholders of record at a date which is prior to the effective date of the merger, consolidation, conversion, transfer, domestication or continuance). If a person who has made a demand for an appraisal in accordance with this section shall deliver to the surviving, resulting or converted entity a written withdrawal of such person's demand for an appraisal in respect of some or all of such person's shares in accordance with subsection (e) of this section, either within 60 days after such effective date or thereafter with the written approval of the corporation, then the right of such person to an appraisal of the shares subject to the withdrawal shall cease. Notwithstanding the foregoing, an appraisal proceeding in the Court of Chancery shall not be dismissed as to any person without the approval of the Court, and such approval may be conditioned upon such terms as the Court deems just, including without limitation, a reservation of jurisdiction for any application to the Court made under subsection (j) of this section; provided, however that this provision shall not affect the right of any person who has not commenced an appraisal proceeding or joined that proceeding as a named party to withdraw such person's demand for appraisal and to accept the terms offered upon the merger, consolidation, conversion, transfer, domestication or continuance within 60 days after the effective date of the merger, consolidation, conversion, transfer, domestication or continuance, as set forth in subsection (e) of this section. If a petition for an appraisal is not filed within the time provided in subsection (e) of this section, the right to appraisal with respect to all shares shall cease.

(l) The shares or other equity interests of the surviving, resulting or converted entity to which the shares of stock subject to appraisal under this section would have otherwise converted but for an appraisal demand made in accordance with this section shall have the status of authorized but not outstanding shares of stock or other equity interests of the surviving, resulting or converted entity, unless and until the person that has demanded appraisal is No longer entitled to appraisal pursuant to this section.

Annex D

Company Financial Statements

PHARMCHEM, INC.
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023
with Report of Independent Auditors

PHARMCHEM, INC.
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
PharmChem, Inc. and Subsidiary

Opinion

We have audited the consolidated financial statements of PharmChem, Inc. and subsidiary (collectively referred to as the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Whitley Penn LLP

Fort Worth, Texas
February 28, 2025

PHARMCHEM, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	December 31, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 1,629,037	$ 1,571,766
Accounts receivable, net of allowance for credit losses of $15,000 in 2024 and 2023	722,339	636,336
Income tax receivable	4,168	-
Inventories	227,929	391,937
Prepaid expenses and other current assets	71,215	39,846
Total current assets	2,654,688	2,639,885
Property and equipment, net	117	287
Right-of-use asset - operating lease, net	49,128	76,853
Deferred tax assets, net	27,518	48,534
Other intangible asset - research and development	2,554	-
Total assets	$ 2,734,005	$ 2,765,559
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 189,611	$ 160,135
Accrued expenses and other liabilities	170,664	128,141
Current portion of operating lease liabilities	29,510	26,725
Income tax payable	-	29,178
Deferred revenue	174,487	163,840
Total current liabilities	564,272	508,019
Operating lease liabilities, net of current portion	21,118	50,628
Total liabilities	585,390	558,647
Stockholders' equity:		
Common stock, $0.001 par value, 25,000,000 shares authorized, 4,621,187 outstanding and 4,647,731 issued in 2024 and 4,647,731 outstanding and 4,767,331 issued in 2023	4,621	4,648
Additional paid-in capital	12,280,773	12,784,328
Accumulated deficit	(10,053,754)	(10,272,513)
Treasury stock, 26,544 shares in 2024 and 119,600 shares in 2023, at cost	(83,025)	(309,551)
Total stockholders' equity	2,148,615	2,206,912
Total liabilities and stockholders' equity	$ 2,734,005	$ 2,765,559

See accompanying notes to consolidated financial statements.

PHARMCHEM, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31, 2024	2023
Revenues, net	$ 6,085,137	$ 6,012,403
Cost of revenues	2,207,478	2,107,857
Gross profit	3,877,659	3,904,546
Operating expenses:		
Sales and marketing	1,028,077	1,171,974
General and administrative	1,186,640	1,759,425
Total operating expenses	2,214,717	2,931,399
Income from operations	1,662,942	973,147
Other income:		
Interest income, net of expenses	76,626	79,693
Other income	1,039	800
Total other income	77,665	80,493
Income before provision for income taxes	1,740,607	1,053,640
Income tax expense, net	359,916	208,538
Net income	$ 1,380,691	$ 845,102
Basic common shares outstanding - weighted average	4,645,286	4,971,136
Basic net income per common share	$ 0.30	$ 0.17
Diluted common shares outstanding - weighted average	4,645,286	4,971,136
Diluted net income per common share	$ 0.30	$ 0.17
Dividends paid per common share	$ 0.25	$ 0.20

See accompanying notes to consolidated financial statements.

PHARMCHEM, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years Ended December 31, 2024 and 2023

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Treasury Stock	Total
Balance at December 31, 2022	$ 5,059	$ 13,735,663	$ (10,105,816)	$ -	$ 3,634,906
Net income	-	-	845,102	-	845,102
Repurchase and cancellation of common stock	(291)	(717,638)	-	-	(717,929)
Dividends	-	-	(1,011,799)	-	(1,011,799)
Repurchase of treasury stock	(120)	-	-	(309,551)	(309,671)
Repurchase of stock options	-	(311,192)	-	-	(311,192)
Stock-based compensation	-	77,495	-	-	77,495
Balance at December 31, 2023	4,648	12,784,328	(10,272,513)	(309,551)	2,206,912
Net income	-	-	1,380,691	-	1,380,691
Retirement of treasury stock	-	(309,820)	-	309,551	(269)
Dividends	-	-	(1,161,932)	-	(1,161,932)
Repurchase of treasury stock	(27)	-	-	(83,025)	(83,052)
Forfeited stock options	-	(206,979)	-	-	(206,979)
Stock-based compensation	-	13,244	-	-	13,244
Balance at December 31, 2024	$ 4,621	$ 12,280,773	$ (10,053,754)	$ (83,025)	$ 2,148,615

See accompanying notes to consolidated financial statements.

PHARMCHEM, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2024	2023
Operating Activities		
Net income	$ 1,380,691	$ 845,102
Adjustments to reconcile net income		
to net cash provided by operating activities:		
Depreciation	170	170
Provision for credit losses	128	2,741
Deferred tax expense (benefit)	21,016	(18,518)
Stock-based compensation	13,244	77,495
Forfeited stock options	(206,979)	-
Non-cash lease expense	30,600	10,200
Net changes in operating assets and liabilities		
Accounts receivable	(86,131)	(71,326)
Income tax receivable	(4,168)	13,457
Inventories	164,008	(231,093)
Prepaid expenses and other current assets	(31,369)	(13,701)
Accounts payable	29,476	13,813
Accrued expenses and other liabilities	42,523	(16,289)
Operating lease liability	(29,600)	(9,700)
Income tax payable	(29,178)	29,178
Deferred revenue	10,647	7,365
Net cash provided by operating activities	1,305,078	638,894
Investing Activities		
Capitalized research and development expenses	(2,554)	-
Net cash used in investing activities	(2,554)	-
Financing Activities		
Dividends	(1,161,932)	(1,011,799)
Retirement of treasury stock	(269)	-
Repurchase of common stock	-	(717,929)
Repurchase of treasury stock	(83,052)	(309,671)
Repurchase of stock options	-	(311,192)
Net cash used in financing activities	(1,245,253)	(2,350,591)
Net increase (decrease) in cash and equivalents	57,271	(1,711,697)
Cash and equivalents at beginning of year	1,571,766	3,283,463
Cash and equivalents at end of year	$ 1,629,037	$ 1,571,766
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for taxes	$ 369,385	$ 189,346
Supplemental Disclosure of Non-Cash Flow Information		
Right-of-use asset assumed through lease liability	$ -	$ 85,831
Lease assumed through lease liability	$ -	$ 85,831

See accompanying notes to consolidated financial statements.

PHARMCHEM, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

1. Nature of Business

PharmChem, Inc. ("PharmChem") sells and distributes the PharmChek® Sweat Patch Device (the "Sweat Patch" or "PharmChek®"). PharmChek® is a system that uses sweat to detect the presence of illegal drugs. It consists of a transparent polyurethane outer covering, a small absorbent pad, and a release liner. A unique number is printed on the Sweat Patch for identification and anti-counterfeiting purposes. Unlike urinalysis, flushing or employing a diuretic to rid the body of drugs of abuse does not affect PharmChek® test results, since the drugs in the sweat simply collect on the absorption pad until the pad is removed for analysis.

The Food and Drug Administration ("FDA") has cleared PharmChek® for detecting the use of cocaine, opiates (including heroin), amphetamines (including methamphetamine), phencyclidine, and marijuana. Once the Sweat Patch is removed from the donor, it is sent to a third-party, certified laboratory for screening and, if necessary, confirmation. PharmChem's customers include federal, state, and local governments, state and local drug courts, as well as independent companies which provide drug rehabilitation and other related services.

PharmChek® is a registered trademark owned by PharmChem. PharmChem was incorporated in California in 1987 and reincorporated in Delaware in 2000. The corporate offices are located in Fort Worth, Texas.

During December 2022, PharmChem formed Chemiclear Testing LLC ("Chemiclear" and when combined with PharmChem, the "Company"), a wholly owned subsidiary. Chemiclear is a Delaware LLC formed for the purpose of marketing and distributing the TruPatch™ sweat patch kit, for over-the-counter use.

2. Summary of Significant Accounting Policies

A summary of the Company's significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows.

Basis of Accounting

The accounts are maintained and the consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Principles of Consolidation

The consolidated financial statements include the accounts of the PharmChem and its subsidiary, which is wholly owned. Significant intercompany accounts and transactions have been eliminated in consolidation.

2. Summary of Significant Accounting Policies – continued

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates and assumptions.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company maintains deposits in various financial institutions, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation ("FDIC"). The money market account is insured by the Securities Investor Protection Corporation ("SIPC"). The Company has not experienced any losses related to amounts in excess of FDIC and SIPC limits.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable are stated at amounts management expects to collect for providing services to consumers. The Company regularly monitors and assesses its risk of not collecting amounts owed by customers. At each balance sheet date, the Company recognizes an expected allowance for credit losses. In addition, at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded.

The allowance estimate is derived from a review of the Company's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Company. The Company believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Company's portfolio segments have remained constant since the Company's inception.

The allowance for credit losses was $15,000 for the years ended December 31, 2024 and 2023.

The Company writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income in the year of recovery, in accordance with the entity's accounting policy election. The total amount of write-offs was immaterial to the consolidated financial statements as a whole for the years ended December 31, 2024 and 2023.

Inventories

Inventories consist of the Sweat Patch, packaging, and other related materials. Inventories are valued at the lower of cost or net realizable value using average cost.

2. Summary of Significant Accounting Policies – continued

Property and Equipment

Property and equipment are stated at cost. Office equipment is depreciated using the straight-line method over a four-to-ten-year useful life for financial reporting purposes. Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lives of the respective leases or the service lives of the improvements. Expenditures for major renewals and betterments that extend the useful lives are capitalized. Depreciation expense during 2024 and 2023 was approximately $200 and is included in general and administrative expenses in the accompanying consolidated statements of income. Expenditures for normal maintenance and repairs are expensed as incurred. The cost of assets sold or abandoned and the related accumulated depreciation are eliminated from the accounts, and any resulting gains or losses are reflected in the operating results of the respective period.

Leases

The Company has a lease for its office space. A lease provides the lessee the right to control the use of an identified asset for a period of time in exchange for consideration. Operating lease right-of-use assets ("ROU assets") represent the Company's right to use an underlying asset for the lease term. Operating lease liabilities ("lease liabilities") represent the Company's obligation to make lease payments arising from the lease. The Company determines if an arrangement is a lease at inception. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Company excludes short-term leases having initial terms of 12 months or less from ROU assets and lease liabilities and recognizes rent expense on a straight-line basis over the lease term.

Operating leases are included in right-of-use asset – operating lease and operating lease liabilities on the accompanying consolidated balance sheets.

The discount rate used to determine the commencement date present value of lease payments is the interest rate implicit in the lease, or when that is not readily determinable, the Company utilizes the applicable risk-free rate in effect at the time of the lease inception. Both ROU assets and lease liabilities exclude variable payments not based on an index or rate, which are treated as period costs. The Company's lease agreement does not contain lease incentives, significant residual value guarantees, restrictions, or covenants.

The Company has a lease agreement with lease and non-lease components, which are generally accounted for separately. For these leases, there may be variability in future lease payments as the amount of non-lease component is typically revised from one period to the next. These variable lease payments, which are primarily comprised of common area maintenance, utilities, taxes, and other related fees that are passed on from the lessor in proportion to the leased space, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

2. Summary of Significant Accounting Policies – continued

Revenue Recognition

Revenue is recognized when performance obligations under the terms of a contract with customers are satisfied. For Sweat Patch and TruPatch™ product sales, this typically occurs at the time the product is shipped to the customer, and for Sweat Patch and TruPatch™ screening, this occurs upon completion of the lab screening. Revenue is measured at the amount of consideration expected to be received in exchange for transferring the products to the customer or at the amount of consideration expected to be received upon completion of the lab screening of the TruPatch™ and the Sweat Patch. The lab screening for Sweat Patch is due within 30 days of performance obligation completion. The pricing for the Sweat Patch is separate from the pricing for the screening and, as such, revenue is not allocated between the two. Rebates are offered to certain customers and are earned only after achieving specified purchase targets. The amounts of rebates which will be taken by customers are calculated and recorded as a reduction from revenue and are included in net revenue in the accompanying consolidated statements of income. The TruPatch™ product and screen are sold together as a kit. The TruPatch™ product revenue is recognized immediately with rebates and discounts offered to customers, during certain online promotions, recorded as a reduction from revenue and included in net revenue in the accompanying consolidated statements of income.

Cash receipts for future Sweat Patch screenings are recognized as a contract liability. The contract liability is classified as deferred revenue in the accompanying consolidated balance sheets when sold and as revenue when the related screening has occurred. As of December 31, 2024 and 2023 and January 1, 2023, deferred revenues for future Sweat Patch screenings were approximately $174,000, $164,000, and $156,000, respectively. During 2024, approximately $103,000 of deferred revenue at December 31, 2023, was recognized as revenue. During 2023, approximately $90,000 of deferred revenue at December 31, 2022, was recognized as revenue. As of December 31, 2024 and 2023 and January 1, 2023, the Company had accounts receivable, net of approximately $722,000, $636,000, and $568,000, respectively.

TruPatch™ screen revenue is recognized as a contract liability, classified as deferred revenue in the accompanying consolidated balance sheets, when sold and as a revenue when the screening has occurred. As of December 31, 2024, deferred revenue for future TruPatch™ screenings was $0. As of December 31, 2023, deferred revenue for future TruPatch™ screenings was approximately $700. There are no related accounts receivable for TruPatch™ since the kits are sold directly to the end user and are paid in full, before they are shipped.

The Company invoices its customers for shipping and handling, which it records as revenues once the goods are shipped to the customer. Expenses for shipping costs are expensed as incurred and are included in the cost of revenues in the accompanying consolidated statements of income. Such shipping costs approximated $44,000 and $42,000, respectively, for the years ended December 31, 2024 and 2023.

2. Summary of Significant Accounting Policies – continued

Advertising and Marketing

Advertising and marketing expenses are expensed as incurred and are included in sales and marketing expenses in the accompanying consolidated statements of income. Such amounts approximated $146,000 and $253,000, respectively, for the years ended December 31, 2024 and 2023.

Income Taxes

The Company accounts for income taxes under the liability method, which requires recognition of deferred tax assets and liabilities for the future tax consequences of events that have been included in the consolidated financial statements or income tax returns. Deferred income taxes are measured using enacted tax rates expected to apply to taxable income in years in which such temporary differences are expected to be recovered or settled. The effect on deferred income taxes of a change in tax rates is recognized in the operating results of the period that includes the enactment date. In addition, a valuation allowance is established to reduce any deferred tax asset for which it is determined that it is more likely than not that some portion of the deferred tax asset will not be realized.

Tax positions are evaluated in a two-step process. The Company first determines whether it is more likely than not that a tax position will be sustained upon examination. If a tax position meets the more likely than not threshold, it is then measured to determine the amount of expense to record in the consolidated financial statements. The tax position is measured as the largest amount of expense that is greater than 50 percent likely to be realized upon ultimate settlement. The Company recognizes the potential accrued interest and penalties related to unrecognized tax benefits within income tax expense. The Company has not recorded any liability related to uncertain tax positions.

The Company files income tax returns in the United States federal jurisdiction and various state jurisdictions within the United States. For the years ended December 31, 2024 and 2023, the Company incurred approximately $600 and $14,000, respectively, in penalties and interest related to such tax returns.

Stock-Based Compensation

The Company accounts for stock-based compensation, which consists primarily of share-based payments for employee services using a fair value-based method. The Company uses the Black-Scholes option pricing model to determine the fair value of stock options and has elected to account for forfeitures as they occur.

2. Summary of Significant Accounting Policies – continued

Net Income Per Share

Basic net income per share is computed by dividing net income attributable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted net income per share reflects the potential dilution that could occur if non-qualified options to purchase shares of common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. For the years ended December 31, 2023 and 2024, there were no potentially dilutive shares included in the diluted net income per share calculated.

Recently Issued Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2023-07, *Improvements to Reportable Segment Disclosures* (Topic 280). ASU 2023-07 modifies reportable segment disclosure requirements, primarily through enhanced disclosures about segment expenses categorized as significant or regularly provided to the Chief Operating Decision Maker ("CODM"). In addition, the amendments clarify circumstances in which an entity can disclose multiple segment measures of profit or loss and contain other disclosure requirements. The purpose of the amendments is to enable investors to better understand an entity's overall performance and assess potential future cash flows. This ASU is effective for annual periods beginning after December 15, 2023, with early adoption permitted. The Company currently operates as one reportable segment and does not believe there will be a material impact on the related disclosure in the consolidated financial statements.

3. Inventories

Inventories consisted of the following at December 31,:

	2024	2023
Sweat Patch	$ 181,230	$ 306,233
Other Sweat Patch kit components	46,699	85,704
Total inventories	$ 227,929	$ 391,937

4. Income Taxes

Net income tax expense reflects the net tax effects of temporary differences in the recognition of revenue and expenses for tax and financial statement purposes. Components of the Company's net income tax expense consisted of the following for the years ended December 31,:

	2024	2023
Current	$ 338,900	$ 227,056
Deferred	21,016	(18,518)
Income tax expense, net	$ 359,916	$ 208,538

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used from income tax purposes. The primary components of the deferred tax assets were as follows at December 31,:

	2024	2023
Deferred tax assets (liabilities):		
Allowance for doubtful accounts	$ 3,150	$ 3,150
Operating leases	315	105
Property and equipment	2,329	2,392
Research and development	23,966	3,273
Stock-based compensation	-	40,684
Unrealized gain on cash equivalents	(2,242)	(1,070)
Total deferred tax assets	27,518	48,534
Less valuation allowance	-	-
Deferred tax assets, net	$ 27,518	$ 48,534

The Company has approximately $278,000 of business tax credits for state purposes which, if unused, will expire in 2027.

A reconciliation of the income tax provision with the amount of tax computed by applying the U.S. federal statutory rate to pretax income follows for the years ended December 31,:

	2024	2023
Consolidated income before tax	$ 1,740,607	$ 1,053,640
Statutory rate	21%	21%
Statutory tax expense	365,527	221,264
State taxes	12,694	36,976
Permanent differences due to other items	5,209	(54,713)
Other	(23,514)	5,011
Tax expense	$ 359,916	$ 208,538

5. Leases

The Company has an operating lease for its office space. Previously, the impacts of the lease being included in the balance sheet were considered immaterial. On September 1, 2023, the Company's office lease space lease agreement was renewed for three years.

The components of lease expense during the years ended December 31, 2024 and 2023, are as follows:

	2024	2023
Operating lease cost	$ 30,600	$ 10,200
Variable lease cost	$ 4,850	$ 2,736
Short-term lease cost	$ -	$ 14,900

Weighted average lease term and discount rate are as follows as of December 31,:

	2024	2023
Weighted average remaining lease term (years)	1.67	2.67
Weighted average discount rate	4.57%	4.57%

Cash paid for operating leases is as follows during the years ended December 31,:

	2024	2023
Operating cash flows	$ 29,600	$ 9,700

Maturities of the lease liability as of December 31, 2024, are as follows:

2025	$ 31,100
2026	21,400
Total lease payments	52,500
Less present value discount	(1,872)
Lease liabilities	$ 50,628

6. Commitments and Contingencies

Vendor Contracts

The Company contracts with a certified laboratory to screen and confirm its customers' Sweat Patches. This laboratory must maintain certifications with Substance Abuse and Mental Health Services Administration, Clinical Laboratory Improvement Amendment, College of American Pathologists, and American Board of Forensic Toxicology. In addition, the laboratory must voluntarily participate in a number of external proficiency programs to maintain such licenses. After providing certain notices, this laboratory can cancel the agreement, which could severely impact the Company's ability to provide these services to its customers until another similarly certified laboratory is identified which can provide protocols and standards currently used for sweat testing at a comparable cost.

The Company needs to invest in further research and development to keep abreast of current trends, new technologies, and heavily regulated protocols to which the Company's business continues to be subjected.

7. Concentrations of Credit Risk

The Company is subject to a number of risks which include, among others, development and marketing of PharmChek® and customer concentration. Financial instruments which potentially subject PharmChem to concentrations of credit risk consist principally of investments in marketable securities and trade receivables. The Company has cash investment policies that limit investments to short-term, low-risk instruments.

One customer accounted for approximately 10% of net revenues in 2024 and two customers accounted for approximately 11% each of net revenues in 2023. Further, one customer accounted for approximately 10% of accounts receivable as of December 31, 2024. There were no such concentrations as of December 31, 2023. The Company believes the risk associated with concentrations of credit for trade receivables is mitigated because (i) one of the customers is multiple federal government agencies; (ii) the remaining customer base is diversified among many corporate industries and other government agencies; (iii) the Company has an ongoing credit evaluation process; and (iv) the Company maintains an allowance for doubtful accounts. See Note 6 for disclosure regarding a significant vendor who screens and confirms customers' Sweat Patches.

8. Preferred Stock

The Company is authorized to issue 5,000,000 shares of preferred stock, $0.001 par value. No shares of this preferred stock were outstanding as of December 31, 2024 and 2023.

9. Stock Option Plan

In January 2015, the Board of Directors (the "Board") approved the 2015 Employee Stock Option Plan (the "Plan") whereby non-qualified options were authorized and granted to employees to purchase 1,140,000 shares of common stock with varying vesting dates up to sixty months. The Plan is administered by the Board, which determines the term of each stock option. The exercise price cannot be less than 100% of the fair value of the common stock on the date the option is granted. As of December 31, 2023, all options from this Plan have been repurchased by the Company and the Plan has been terminated.

In June 2022, 265,000 stock options were granted under a stock option plan and agreement (the "Stock Option Plan") to an employee with various vesting dates through 2026. Effective January 26, 2023, due to the payment of a dividend of $0.20 per share, the exercise price was adjusted from $4.60 to $4.40. As a result of the modification, the Company determined the change in compensation expense immaterial and no additional expense was recognized. No options were granted during 2024 or 2023.

In February 2023, 240,000 stock options were repurchased for $1.25 per share for a total transaction of $300,000 plus expenses. In June 2024, all remaining 265,000 stock options were forfeited and $206,979 of recognized stock option compensation was reversed. As of December 31, 2023, there were 265,000 stock options outstanding. There were no stock options outstanding as of December 31, 2024.

The following is a summary of options as of December 31, 2023:

	Units	Weighted Average Grant-date Fair Value	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Outstanding options at December 31, 2023	265,000	$ 2.80	$ 4.40	8.5 yrs
Exercisable options at December 31, 2023	106,000	$ 2.80	$ 4.40	8.5 yrs
Options vested in 2023	53,000	$ 2.80	$ 4.40	8.5 yrs

The Company uses the Black-Scholes options pricing model to determine the fair value of options granted. No options were exercised or expired during 2024 or 2023. Compensation expense relating to option grants in 2024 and 2023 was $13,244 and $77,495, respectively, and was recorded in general and administrative expenses in the accompanying consolidated statements of income. At December 31, 2024 and 2023, the unrecognized expense associated with unvested options was $0 and $193,733, respectively.

9. Stock Option Plan – continued

The calculated value of each common stock-based option payment transaction granted during the year ended December 31, 2023, was estimated on the grant date, as determined by using the Black-Scholes options pricing model with the following assumptions:

Exercise price	$	4.60
Stock price	$	2.80
Dividend yield		0%
Forfeiture rate		0%
Risk-free interest rate		3.14%
Expected life of options		5 years
Expected volatility		74.17%

10. Stockholders' Equity

In September 2021 and October 2022, the Company announced authorization for a $1,000,000 and $500,000, respectively, stock repurchase program. In August 2024, the Company announced authorization for an additional $1,000,000 to the existing stock repurchase program. During 2022, 44,278 shares were repurchased and retired for a cost of $200,284. These shares were held at a $.001 par value and were repurchased for prices ranging from $4.11 to $4.51. During 2023, 291,664 shares were repurchased and retired for a cost of $717,929. These shares were held at a $.001 par value and were repurchased for prices ranging from $2.25 to $2.61. In addition, during 2023 119,600 shares were repurchased that were not retired for a cost of $309,671. During 2024, 119,600 shares were retired at cost and an additional 26,544 shares were repurchased and remain as Treasury Stock at the cost of $83,025. The stock repurchase program will expire on August 31, 2026.

11. Revenue and Segment Reporting

The Company sells its product to customers mainly in the United States, with some sales to non-US countries. The Company operates as a single reportable segment for financial reporting purposes. While revenue is disaggregated by type, customer concentration, and state, the business is managed and evaluated as a single operating segment by the CODM, the Chief Executive Officer. This is because the Company provides the same types of products and services to its customer base regardless of location, and the CODM assesses financial performance and allocates resources on a consolidated basis, rather than by individual location.

In making key decisions and allocating resources, the CODM primarily evaluates the Company's profitability, with a focus on gross profit, as this metric provides a view of operational performance. Revenue by customer concentration is reviewed to identify trends, but profitability remains the primary measure of performance. The CODM assesses performance and decides how to allocate resources based on profitability reported on the income statement.

11. Revenue and Segment Reporting – continued

The break down by customer concentration is as follows:

	2024	2023
Federal	$ 585,778	$ 660,631
Non-Federal	5,499,359	5,351,772
Total revenues, net	$ 6,085,137	$ 6,012,403

The table below represents the Company's reportable revenues from customers by type for the years ended December 31,:

	2024	2023
Screening	$ 4,277,520	$ 4,213,658
Sweat Patch	1,807,617	1,798,745
Total revenues, net	$ 6,085,137	$ 6,012,403

The table below represents the Company's reportable revenues from customers by state for the years ended December 31,:

	2024	2023
Texas	$ 902,928	$ 943,824
Missouri	705,291	745,400
Montana	588,459	572,853
Nebraska	491,808	431,613
California	472,191	381,381
All remaining states	2,924,460	2,937,332
Total revenues, net	$ 6,085,137	$ 6,012,403

12. Dividend

In October 2024, the Board declared a $0.25 per share dividend on its common stock, with dividends payable on October 17, 2024, to stockholders of record on October 10, 2024. In January 2023, the Board declared a $0.20 per share dividend on its common stock, with dividends payable on February 8, 2023, to stockholders of record on January 31, 2023.

13. Related-Party Transactions

In June 2023, the Company opened cash accounts with a related-party financial institution for the sole purpose of facilitating the stock buyback program. During 2024 and 2023, the Company utilized this financial institution for stock repurchases.

14. Subsequent Events

In preparing the accompanying consolidated financial statements, management of the Company has evaluated all subsequent events and transactions for potential recognition or disclosure through February 28, 2025, the date the accompanying consolidated financial statements was available for issuance.

In February 2025, the Company announced that the Board of Directors has decided to explore strategic alternatives including acquisitions, potential sale of the Company, merger, or a debt financed special dividend.

PHARMCHEM, INC.

CONSOLIDATED BALANCE SHEETS

Assets	**March 31, 2025 (unaudited)**	**December 31, 2024 (audited)**
Current assets:		
Cash and cash equivalents	$ 2,018,390	$ 1,629,037
Accounts receivable, net of allowance for doubtful accounts of $15,000 in 2025 and 2024	696,865	722,339
Inventories	165,372	227,929
Income tax receivable	-	4,168
Prepaid expenses and other current assets	139,812	71,215
Total current assets	3,020,439	2,654,688
Office equipment and leasehold improvements, net	75	117
Right-of-use asset – operating lease, net	42,000	49,128
Deferred tax asset, net	-	27,518
Intangible assets	13,600	2,554
Total assets	$ 3,076,114	$ 2,734,005
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	$ 282,416	$ 189,611
Accrued expenses and other liabilities	153,934	170,664
Current portion of operating lease liabilities	30,226	29,510
Deferred revenue	175,760	174,487
Total current liabilities	642,336	564,272
Operating lease liabilities, net of current portion	13,274	21,118
Total liabilities	655,610	585,390
Stockholders' equity:		
Common stock, $0.001 par value, 25,000,000 shares authorized, 4,621,187 outstanding and 4,621,187 issued in 2025 and 2024.	4,621	4,621
Additional paid-in capital	12,280,773	12,280,773
Treasury Stock	(83,025)	(83,025)
Accumulated deficit	(9,781,865)	(10,053,754)
Total stockholders' equity	2,420,504	2,148,615
Total liabilities and stockholders' equity	$ 3,076,114	$ 2,734,005

PHARMCHEM, INC.

CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

	Three Months Ended March 31, 2025	2024	%Inc(Dec)
Sales, net	$ 1,579,910	$ 1,446,189	9.2%
Cost of sales	565,322	563,123	0.4%
Gross profit	1,014,588	883,066	14.9%
Operating expenses:			
Sales and marketing	308,828	257,161	20.1%
General and administrative	349,393	388,950	(10.2%)
Direct to Consumer	-	33,637	N/A
Research and Development	1,954	10,215	(80.9%)
Total operating expenses	660,175	689,963	(4.3%)
Income from operations	354,413	193,103	83.5%
Other income (expense):			
Dividend and interest income	14,338	10,406	
Other income (expense)	(692)	6,831	
Total other income	13,646	17,237	(20.8%)
Income before provision for income taxes	368,059	210,340	75.0%
Provision for income taxes			
Current	68,652	7,611	
Deferred	27,518	44,363	
Total provision for income taxes	96,170	51,974	85.0%
Net income	$ 271,889	$ 158,366	71.7%
Earnings per Share	$0.059	$0.034	
Diluted Earnings per Share	$0.059	$0.034	
Common shares outstanding, weighted avg	4,621,187	4,647,731	
Diluted common shares outstanding, weighted avg	4,621,187	4,647,731	

PHARMCHEM, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLERS' EQUITY
Three Months Ended March 31, 2025

	Common Stock	Additional Paid in Capital	Accumulated Deficit	Treasury Stock	Total
Balance on December 31, 2023 (audited)	$ 4,648	$ 12,784,328	$ (10,272,513)	$ (309,551)	$ 2,206,912
Net Income	-	-	1,380,692	-	1,380,692
Repurchase & Cancellation of Stock Options	-	(309,820)	-	309,551	(269)
Dividends Paid	-	-	(1,161,933)	-	(1,161,933)
Repurchase of Treasury Stock	(27)	-	-	(83,025)	(83,052)
Repurchase of Stock Options	-	(206,979)	-	-	(206,979)
Black Scholes Valuation of Issued Stock Options	-	13,244	-	-	13,244
Balance on December 31, 2024 (audited)	4,621	12,280,773	(10,053,754)	(83,025)	2,148,615
Net Income	-	-	271,889	-	271,889
Dividends Paid	-	-	-	-	-
Treasury Stock Purchased	-	-	-	-	-
Balance on March 31, 2025 (unaudited)	$ 4,621	$ 12,280,773	$ (9,781,865)	$ (83,025)	$ 2,420,504

PHARMCHEM, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

	Three Months Ended March 31,	
	2025	**2024**
Operating Activities		
Net income	$ 271,889	$ 158,366
Adjustments to reconcile net income		
to net cash provided by operating activities:		
Depreciation	42	42
Stock-based compensation	-	13,244
Provision for doubtful accounts (recovery)	-	-
Deferred tax expense (benefit)	27,518	44,363
Non-cash lease expense	-	-
Net changes in operating assets and liabilities:		
Accounts receivable	25,474	(73,730)
Income tax receivables	4,168	-
Inventories	62,557	141,193
Prepaid expenses and other current assets	(68,597)	(76,098)
Accounts payable	92,805	101,580
Operating lease liability	-	374
Accrued expenses and other liabilities	(16,730)	(71,995)
Deferred revenue	1,273	(7,008)
Total Adjustments	128,510	71,965
Net cash provided by operating activities	400,399	230,331
Investing Activities		
Capitalized research and development	(11,046)	(600)
Net cash used in financing activities	(11,046)	(600)
Financing Activities		
Dividends paid	-	-
Retirement of treasury stock	-	(309,760)
Repurchase of common stock	-	-
Repurchase of treasury stock	-	309,551
Repurchase of stock options	-	-
Net cash used in financing activities	-	(209)
Net (decrease)/increase in cash and equivalents	389,353	229,522
Cash and equivalents at beginning of year	1,629,037	1,571,766
Cash and equivalents at end of quarter	$ 2,018,390	$ 1,801,288
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for federal and state income taxes	$ -	$ -

PHARMCHEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Business

PharmChem, Inc. (the "Company" or "PharmChem") sells and distributes the PharmChek® Sweat Patch Device (the "Sweat Patch" or "PharmChek®"). PharmChek® is a system that uses sweat to detect the presence of illegal drugs. It consists of a transparent polyurethane outer covering, a small absorbent pad, and a release liner. A unique number is printed on the Sweat Patch for identification and anti-counterfeiting purposes. Unlike urinalysis, flushing or employing a diuretic to rid the body of drugs of abuse does not affect PharmChek® test results, since the drugs in the sweat simply collect on the absorption pad until the pad is removed for analysis.

The Food and Drug Administration ("FDA") has cleared PharmChek® for detecting the use of cocaine, opiates (including heroin), amphetamines (including methamphetamine), phencyclidine, and marijuana. Once the Sweat Patch is removed from the donor, it is sent to a third-party, certified laboratory for screening and, if necessary, confirmation. The Company's customers include federal, state, and local governments, state, and local drug courts, as well as independent companies which provide drug rehabilitation and other related services.

PharmChek® is a registered trademark owned by the Company. PharmChem was incorporated in California in 1987 and reincorporated in Delaware in 2000. The Company's corporate offices are located in Fort Worth, Texas.

During December 2022, PharmChem formed Chemiclear Testing LLC ("Chemiclear" and when combined with PharmChem, the "Company"), a wholly owned subsidiary. Chemiclear is a Delaware LLC formed for the purpose of marketing and distributing the TruPatch™ sweat patch kit, for over-the-counter use.

2. Summary of Significant Accounting Policies

A summary of the Company's significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows.

Basis of Accounting

The accounts are maintained, and the consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company, PharmChem Inc., and the direct and wholly owned subsidiaries of this entity.

The Company operates one subsidiary, Chemiclear Testing LLC. All inter-company accounts and transactions have been eliminated in consolidation.

2. Summary of Significant Accounting Policies – continued

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates and assumptions.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company maintains deposits in various financial institutions, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation ("FDIC"). The money market account is insured by the Securities Investor Protection Corporation ("SIPC"). The Company has not experienced any losses related to amounts in excess of FDIC and SIPC limits.

Accounts Receivable

Accounts receivables are stated at amounts management expects to collect for providing services to consumers. Management provides for probable uncollectible amounts through a charge to earnings and a credit to an allowance for doubtful accounts based on its assessment of the status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable.

Inventories

Inventories consist of the Sweat Patch as well as packaging and other related materials. Inventories are valued at the lower of cost or net realizable value using average cost.

Property and Equipment

Property and equipment are stated at cost. Office equipment is depreciated using the straight-line method over a four to ten-year useful life for financial reporting purposes. Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lives of the respective leases or the service lives of the improvements. Expenditures for major renewals and betterments that extend the useful lives are capitalized. Depreciation expense is included in general and administrative expenses in the accompanying statements of income. Expenditures for normal maintenance and repairs are expensed as incurred. The cost of assets sold or abandoned, and the related accumulated depreciation are eliminated from the accounts, and any resulting gains or losses are reflected in the operating results of the respective period.

2. Summary of Significant Accounting Policies – continued

Leases

The Company has a lease for its office space. A lease provides the lessee the right to control the use of an identified asset for a period of time in exchange for consideration. Operating lease right-of-use assets ("ROU assets") represent the Company's right to use an underlying asset for the lease term. Operating lease liabilities ("lease liabilities") represent the Company's obligation to make lease payments arising from the lease. The Company determines if an arrangement is a lease at inception. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Company excludes short-term leases having initial terms of 12 months or less from ROU assets and lease liabilities and recognizes rent expense on a straight-line basis over the lease term.

Operating leases are included in right-of-use asset – operating lease and operating lease liabilities on the accompanying consolidated balance sheets.

The discount rate used to determine the commencement date present value of lease payments is the interest rate implicit in the lease, or when that is not readily determinable, the Company utilizes the applicable risk-free rate in effect at the time of the lease inception. Both ROU assets and lease liabilities exclude variable payments not based on an index or rate, which are treated as period costs. The Company's lease agreement does not contain lease incentives, significant residual value guarantees, restrictions, or covenants.

The Company has a lease agreement with lease and non-lease components, which are generally accounted for separately. For these leases, there may be variability in future lease payments as the amount of non-lease component is typically revised from one period to the next. These variable lease payments, which are primarily comprised of common-area maintenance, utilities, taxes, and other related fees that are passed on from the lessor in proportion to the leased space, are recognized in operating expenses in the period in which the obligation for those payments were incurred.

2. Summary of Significant Accounting Policies – continued

Revenue Recognition

Revenue is recognized when performance obligations under the terms of a contract with customers are satisfied. For Sweat Patch and TruPatch™ product sales, this typically occurs at the time the product is shipped to the customer, and for Sweat Patch and TruPatch™ screening, this occurs upon completion of the lab screening. Revenue is measured at the amount of consideration expected to be received in exchange for transferring the products to the customer or at the amount of consideration expected to be received upon completion of the lab screening of the TruPatch™ and the Sweat Patch. The lab screening for Sweat Patch is due within 30 days of performance obligation completion. The pricing for the Sweat Patch is separate from the pricing for the screening and, as such, revenue is not allocated between the two. Rebates are offered to certain customers and are earned only after achieving specified purchase targets. The amounts of rebates which will be taken by customers are calculated and recorded as a reduction from revenue and are included in net revenue in the accompanying consolidated statements of income. The TruPatch™ product and screen are sold together as a kit. The TruPatch™ product revenue is recognized immediately with rebates and discounts offered to customers, during certain online promotions, recorded as a reduction from revenue and included in net revenue in the accompanying consolidated statements of income.

Cash receipts for future Sweat Patch screenings are recognized as a contract liability. The contract liability is classified as deferred revenue in the accompanying consolidated balance sheets when sold and as revenue when the related screening has occurred. As of March 31, 2025 and 2024 and January 1, 2024, deferred revenues for future Sweat Patch screenings were approximately $176,000, $157,000, and $174,000, respectively.

TruPatch™ screen revenue is recognized as a contract liability, classified as deferred revenue in the accompanying consolidated balance sheets, when sold and as a revenue when the screening has occurred. As of March 31, 2025 and 2024 and January 1, 2024, deferred revenue for future TruPatch™ screenings was approximately $0, $700 and $700. There are no related accounts receivable for TruPatch™ since the kits are sold directly to the end user and are paid in full before they are shipped.

The Company invoices its customers for shipping and handling, which it records as revenues once the goods are shipped to the customer. Expenses for shipping costs are expensed as incurred and are included in the cost of revenues in the accompanying consolidated statements of income. Such shipping costs approximated $14,000 and $11,000, respectively, for the three months ended March 31, 2025 and 2024.

2. Summary of Significant Accounting Policies – continued

Income Taxes

The Company accounts for income taxes under the liability method, which requires recognition of deferred tax assets and liabilities for the future tax consequences of events that have been included in the consolidated financial statements or income tax returns. Deferred income taxes are measured using enacted tax rates expected to apply to taxable income in years in which such temporary differences are expected to be recovered or settled. The effect on deferred income taxes of a change in tax rates is recognized in the operating results of the period that includes the enactment date. In addition, a valuation allowance is established to reduce any deferred tax asset for which it is determined that it is more likely than not that some portion of the deferred tax asset will not be realized.

Tax positions are evaluated in a two-step process. The Company first determines whether it is more likely than not that a tax position will be sustained upon examination. If a tax position meets the more likely than not threshold, it is then measured to determine the amount of expense to record in the consolidated financial statements. The tax position is measured as the largest amount of expense that is greater than 50 percent likely to be realized upon ultimate settlement. The Company recognizes the potential accrued interest and penalties related to unrecognized tax benefits within income tax expense. The Company has not recorded any liability related to uncertain tax positions.

The Company files income tax returns in the United States federal jurisdiction and various state jurisdictions within the United States.

Stock-Based Compensation

The Company accounts for stock-based compensation, which consists primarily of share-based payments for employee services using a fair value-based method. The Company uses the BlackScholes option pricing model to determine the fair value of stock options.

3. Inventories

Inventories consisted of the following:

	March 31, 2025 (unaudited)	December 31, 2024 (audited)
Sweat Patch / TruPatch™	$ 115,561	$ 181,230
Other Sweat Patch kit components	49,811	46,699
Total inventories	$ 165,372	$ 227,929

4. Income Taxes

Net income tax expense reflects the net tax effects of temporary differences in the recognition of revenue and expenses for tax and consolidated financial statement purposes. Components of the Company's net income tax expense consisted of the following:

	March 31, 2025 (unaudited)	March 31, 2024 (unaudited)
Current	$ 68,652	$ 7,611
Deferred	27,518	44,363
Income tax expense (benefit), net	$ 96,170	$ 51,974

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used from income tax purposes.

The primary components of the deferred tax assets were as follows:

	March 31, 2025 (unaudited)	December 31, 2024 (audited)
Deferred tax assets:		
Allowance for doubtful accounts	$ -	$ 3,150
Operating leases	-	315
Property and equipment	-	2,329
Research & Development	-	23,966
Unrealized gain on cash equivalents	-	(2,242)
Total deferred tax assets	-	27,518
Less valuation allowance	-	-
Deferred tax assets	$ -	$ 27,518

Deferred income taxes may only be recorded if they are more likely than not to be realized. The Company has established a valuation allowance to reserve the deferred tax asset for the investments in marketable securities, due to the uncertainty of realization.

5. Leases

The Company has an operating lease for its office space. Previously, the impacts of the lease being included in the balance sheet were considered immaterial. On September 1, 2023, the Company's office lease space lease agreement was renewed for three years. Our lease has a remaining lease term of 2 years.

The components of lease expense were as follows:

	March 31, 2025 (unaudited)	December 31, 2024 (audited)
Operating lease cost	$ 7,650	$ 30,600
Variable lease cost	-	4,850
Short-term lease cost	-	-

Weighted average lease term and discount rate are as follows as of March 31,:

	2025	2024
Weighted average remaining lease term (years)	1.42	1.67
Weighted average discount rate	4.57%	4.57%

Cash paid for operating leases is as follows during the years ended March 31,:

	2025	2024
Operating cash flows	$ 7,650	$ 29,600

Maturities of the lease liability as of March 31, 2025, are as follows:

2025 (remaining)	$ 23,450
2026	21,400
Total lease payments	44,850
Less present value discount	(1,350)
Lease liabilities	$ 43,500

5. Stock Option Plan

In January 2015, the Board of Directors (the "Board") approved the 2015 Employee Stock Option Plan (the "Plan") whereby non-qualified options were authorized and granted to employees to purchase 1,140,000 shares of common stock with varying vesting dates up to sixty months. The Plan is administered by the Board, which determines the term of each stock option. The exercise price cannot be less than 100% of the fair value of the common stock on the date the option is granted. As of December 31, 2023, all options from this Plan have been repurchased by the Company and the Plan has been terminated.

In June 2022, 265,000 stock options were granted under a stock option plan and agreement (the "Stock Option Plan") to an employee with various vesting dates through 2026. Effective January 26, 2023, due to the payment of a dividend of $0.20 per share, the exercise price was adjusted from $4.60 to $4.40. As a result of the modification, the Company determined the change in compensation expense immaterial and no additional expense was recognized. No options were granted during 2023.

In February 2023, 240,000 stock options were repurchased for $1.25 per share for a total transaction of $300,000 plus expenses. In June 2024, the company experienced the forfeiture of all remaining stock options previously granted to a former employee. According to the terms of the stock option agreement, unexercised options are subject to forfeiture ninety days after the termination date. As a result of the forfeiture, all previously recognized stock-based compensation expense associated with the forfeited options has been reversed. The total reversal amount is $206,979 and has been reflected in the financial statements as of June 30, 2024.

As of March 31, 2024 there were 265,000 stock options outstanding. There were no stock options outstanding as of March 31, 2025.

6. Stockholders' Equity

In September 2021 and October 2022, the Company announced authorization for a $1,000,000 and $500,000, respectively, stock repurchase program. During 2022, 44,278 shares were repurchased and retired for a cost of $200,284. These shares were held at a $.001 par value and were repurchased for prices ranging from $4.11 to $4.51. During 2023, 291,664 shares were repurchased and retired for a cost of $717,929. These shares were held at a $.001 par value and were repurchased for prices ranging from $2.25 to $2.61. In addition, during 2023, 119,600 shares were repurchased, for a cost of $309,671, and they were retired in the first quarter of 2024. In July 2024, the board announced authorization for an additional $1,000,000 for the stock repurchase program. During 2024, 26,544 shares were repurchased and remain as Treasury Stock at the cost of $83,025. There were no share repurchases or retirements made thus far in 2025. The program will expire on August 31, 2026.

7. Dividend

October 1, 2024, the Board declared a $0.25 per share dividend on its common stock with dividends payable on October 17, 2024, to stockholders of record on October 10, 2024. No dividends have been declared or paid in 2025.

8. Related-Party Transactions

In June 2023, the Company opened cash accounts with a related-party financial institution for the sole purpose of facilitating the stock repurchase program. Since June 2023, the Company utilized this financial institution for stock repurchases.

9. Subsequent Events

In preparing the accompanying consolidated financial statements, management of the Company has evaluated all subsequent events and transactions for potential recognition or disclosure through May 9, 2025, the date the accompanying consolidated financial statements was available for issuance.