Dragonfly Health, Inc. and Subsidiaries

Consolidated Financial Statements
Years Ended December 31, 2025 and 2024

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Report of Independent Auditors

To the Management and Board of Directors of Dragonfly Health, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Dragonfly Health, Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2025 and December 31, 2024, and the related consolidated statements of operations, of changes in stockholder's equity and of cash flows for the years then ended, including the related notes (collectively referred to as 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, 2025 and December 31, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated 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 audit. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, 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 the consolidated financial statements are available to be issued.

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Auditors' Responsibilities for the Audit of the Consolidated 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 auditors' 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 US 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 US 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.

PricewaterhouseCoopers LLP

Nashville, Tennessee
March 31, 2026

Dragonfly Health, Inc. and Subsidiaries
Consolidated Balance Sheets
Years Ended December 31, 2025 and 2024

	2025	2024
Assets		
Current assets		
Cash and cash equivalents	$ 26,006,129	$ 14,226,637
Accounts receivable, less provision for credit losses of $3,891,325 and $1,657,923, respectively	124,890,562	75,681,832
Prepaid expenses	6,780,269	4,666,975
Inventories, net	4,934,210	589,594
Total current assets	162,611,170	95,165,038
Property and equipment, net	42,557,427	26,827,624
Operating lease right-of-use assets, net	15,955,812	6,779,515
Finance lease right-of-use assets, net	21,936,534	9,198,090
Goodwill, net	317,341,651	292,907,054
Intangible assets, net	101,698,311	77,997,784
Other noncurrent assets	942,117	4,923,058
Total assets	$ 663,043,022	$ 513,798,163
Liabilities and Stockholder's Equity		
Current liabilities		
Accounts payable	$ 63,831,112	$ 59,682,974
Accrued liabilities	25,566,987	9,878,462
Current portion of long-term debt	3,550,000	1,893,000
Current portion of operating lease liabilities	4,433,705	3,142,731
Current portion of finance lease liabilities	5,468,798	2,134,538
Total current liabilities	102,850,602	76,731,705
Long-term liabilities		
Long-term debt, net of current portion	341,398,603	182,537,528
Operating lease liabilities, net of current portion	11,601,332	3,842,661
Finance lease liabilities, net of current portion	18,318,104	7,715,572
Other liabilities	585,654	5,552,026
Deferred tax liabilities, net	336,575	475,807
Total liabilities	475,090,870	276,855,299
Commitments and contingencies (Notes 10 and 13)		
Common stock: $0.01 par value; 1,000 shares authorized, issued and outstanding	10	10
Additional paid-in capital	380,665,441	379,625,184
Accumulated deficit	(192,713,299)	(142,682,330)
Total stockholder's equity	187,952,152	236,942,864
Total liabilities and stockholder's equity	$ 663,043,022	$ 513,798,163

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

Dragonfly Health, Inc. and Subsidiaries
Consolidated Statements of Operations
Years Ended December 31, 2025 and 2024

	2025	2024
Revenues	$ 613,589,117	$ 462,343,999
Cost of revenues	442,271,062	340,982,109
Gross profit	171,318,055	121,361,890
Selling, general and administrative expense	171,255,452	132,721,531
Other expense (income) from transactions	27,814,587	(2,884,897)
Loss from operations	(27,751,984)	(8,474,744)
Interest expense, net	(26,333,283)	(22,330,021)
Loss before income taxes	(54,085,267)	(30,804,765)
Income tax (benefit) expense	(4,054,298)	802,832
Net loss	$ (50,030,969)	$ (31,607,597)

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

Dragonfly Health, Inc. and Subsidiaries
Consolidated Statements of Stockholder's Equity
Years Ended December 31, 2025 and 2024

	Common Stock		Additional Paid-In	Accumulated	
	Shares	Amount	Capital	Deficit	Total
Balances at December 31, 2023	1,000	$ 10	$ 378,695,784	$ (111,074,733)	$ 267,621,061
Unit-based compensation	-	-	929,400	-	929,400
Net loss	-	-	-	(31,607,597)	(31,607,597)
Balances at December 31, 2024	1,000	$ 10	$ 379,625,184	$ (142,682,330)	$ 236,942,864
Unit-based compensation	-	-	1,040,257	-	1,040,257
Net loss	-	-	-	(50,030,969)	(50,030,969)
Balances at December 31, 2025	1,000	$ 10	$ 380,665,441	$ (192,713,299)	$ 187,952,152

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

Dragonfly Health, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities		
Net loss	$ (50,030,969)	$ (31,607,597)
Adjustments to reconcile net loss to net cash provided by operating activities		
Provision for credit losses	1,338,447	1,116,471
Provision for inventory reserves	352,036	-
Depreciation	22,954,239	15,930,389
Amortization of right-of-use assets	4,158,285	2,953,709
Amortization of intangibles and goodwill	56,183,361	51,899,656
Amortization of debt issuance costs	765,339	683,560
Deferred income taxes	(4,411,653)	66,707
(Gain) Loss on disposal of property and equipment	(48,866)	52,933
Unit-based compensation	1,040,257	929,400
Change in fair value of contingent liability	(693,950)	(10,649,750)
Changes in operating assets and liabilities, net of acquisitions		
Accounts receivable	(9,118,873)	(10,217,407)
Inventories	(530,255)	10,361
Prepaid expenses	(1,064,335)	(1,173,188)
Other noncurrent assets	4,501,458	(454,748)
Accounts payable	(2,231,533)	8,823,392
Accrued liabilities	10,115,623	(906,532)
Operating lease liabilities	(4,284,937)	(2,896,843)
Finance lease liabilities	(918,453)	(376,065)
Net cash provided by operating activities	28,075,221	24,184,448
Cash flows from investing activities		
Acquisition of a business, net of cash acquired	(125,312,647)	-
Payments of contingent considerations	(25,000,000)	-
Capitalized software development	(6,450,924)	(4,365,264)
Purchases of property and equipment	(18,850,126)	(14,023,229)
Proceeds from sale of property and equipment	2,204,359	-
Net cash used in investing activities	(173,409,338)	(18,388,493)
Cash flows from financing activities		
Payments on line of credit	(2,000,000)	(2,000,000)
Proceeds from long-term debt	165,000,000	-
Payments on long-term debt	(2,375,000)	(1,837,500)
Payments of debt issuance costs	(872,264)	(6,964)
Principal payments on finance lease liabilities	(2,639,126)	(1,347,301)
Net cash provided by (used in) financing activities	157,113,610	(5,191,765)
Net increase in cash	11,779,492	604,190
Cash		
Beginning of year	14,226,637	13,622,447
End of year	$ 26,006,129	$ 14,226,637
Supplemental disclosures of cash flow information		
Cash paid for income taxes	$ 286,165	$ 157,979
Cash paid for interest	25,533,850	21,410,339
Supplemental schedule of noncash activity		
Noncash changes to operating right-of-use assets and lease liabilities	8,286,088	2,531,305
Noncash changes to finance right-of-use assets and lease liabilities	17,494,371	5,411,684

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

1. Description of Business and Summary of Significant Accounting Policies

Description of Business

Dragonfly Health, Inc. through its wholly owned subsidiaries (collectively, the "Company" or "Dragonfly"), provides medical equipment, prescription drugs, and supplies directly and indirectly to patients nationwide through its network management services solutions, direct patient support services and licensed health management software. Dragonfly is a wholly owned subsidiary of StateServ Parent, LLC ("Parent").

Basis of Presentation

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

The accompanying consolidated financial statements as of December 31, 2025 and 2024 include the accounts of Dragonfly and its wholly owned subsidiaries: StateServ Acquisition, Inc., BW DME Acquisition, LLC, BW DME LTP LLC, Network Medical, LLC d/b/a HospiceLink (HL), StateServ Holdings LLC (SSM) and wholly owned subsidiaries: The StateServ Companies, L.L.C. and subsidiaries, InvaServ, LLC, InvaSoft, LLC, Scriptalytics LLC, Scrypt Sense LLC, Easy Rx Pad, LLC d/b/a Delta Care and subsidiaries, and Eagle Rx d/b/a Enclara Pharmacia and Alexander Infusion. All intercompany accounts and balances have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates made by management include, but are not limited to, the provision for credit losses, estimated useful lives and carrying value of long-lived assets, the recoverability of such assets by their estimated future undiscounted cash flow, impairment evaluation of goodwill and indefinite- lived assets, the valuation of assets acquired in business combinations, the fair value of contingent liabilities, and the fair value of equity incentive units.

Cash and Cash Equivalents

The Company maintains checking and savings accounts with quality financial institutions. At times, cash balances may exceed the amount insured by the Federal Deposit Insurance Corporation. Historically, the Company has not experienced any significant losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Concentrations of Credit Risk

Revenues from the top five customers represented approximately 24% and 30% of total revenue for the years ended December 31, 2025 and 2024, respectively. Accounts receivable from these customers represented 15% and 20% of total receivables as of December 31, 2025 and 2024, respectively.

Accounts Receivable

Accounts receivable are carried at amounts originally invoiced, less an estimate made for credit losses. The Company recorded $894,955 and $1,318,482 in writeoffs in 2025 and 2024, respectively, related to credit losses. For the years ended December 31, 2025 and 2024, there were no recoveries of amounts previously written off.

The Company offers most customers net 30-day terms after the issuance of the invoice. Receivables more than 120 days past due are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer. The carrying amount of accounts receivable is reduced by a credit loss allowance, which reflects management's best estimate of the amount of credit losses expected over the lifetime of the receivables. The allowance is based on management's knowledge of its customers, historical loss experience, existing and anticipated economic conditions, and forward-looking expectations. Accounts receivable and the allowance are written off when, in management's opinion, all collection efforts have been exhausted.

Inventories, net
Inventories are stated at the lower of cost or net realizable value. Cost is determined on the first-in, first-out method and is net of discounts or rebates received. Inventories were reduced by a valuation allowance of $352,036 and $0 at December 31, 2025 and 2024, respectively.

Property and Equipment
Property and equipment are carried at cost, less accumulated depreciation. Property and equipment acquired in a business combination are stated at fair value. The Company depreciates property and equipment using the straight-line method over the estimated lives of the assets. Leasehold improvements are depreciated over the shorter of the lease term or the useful life. The estimated useful lives are as follows:

Durable medical equipment (DME)	3 years
Office equipment	3 years
Vehicles	5 years
Warehouse equipment	5 years
Leasehold improvements	5 years
Furniture and fixtures	5 years

Major additions and improvements are capitalized, while replacements, maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed as incurred.

Leases
The Company recognizes leases in accordance with ASC 842. This guidance requires the Company to recognize right-of-use assets and lease liabilities for leases with contractual terms longer than twelve months and categorize such leases as either operating or finance. When evaluating the discount rate to be used for its leases, the Company chose to use the risk-free rate allowed by ASU 2021-19. None of its leases had a rate implicit in the lease that was readily determinable. The Company leases office space, warehouse space and vehicles under noncancelable operating leases. The Company has a lease agreement for office space in Arizona that serves as the Company's headquarters. During 2025, the Company entered into a new lease for reduced office space within the same building that goes through February 2031. The Company leases warehouse space in several states in support of its direct services business with expiration dates ranging from January 2026 to July 2032. Additionally, the Company leases vehicles in support of its direct services business with expiration dates ranging from June 2027 to November 2030.These are classified as finance leases. Leases with stated renewal clauses are assumed to not be exercised.

Internal Use Software
The Company incurs payroll and non-payroll costs to leverage software engineers who specialize in the coding and development of applications for internal use. For this work, the Company leverages employees and third-party contractors. These individuals are responsible for the creation of tools that enhance our product offerings and/or capabilities. These employees are often engaged in significant projects tied to our proprietary DME Track and Pharmacy E3/Infinity solutions, the mobile application leveraged by our employees in the field, and other modernization of our technology. Costs incurred for stand-ready support, project management or maintenance of existing solutions are expensed as incurred. Unless there are unique circumstances, the Company amortizes internal use costs over a five-year period to best align with the length of time the Company will see value from the asset before further technological advancement is necessary.

Goodwill
Goodwill represents the excess of the purchase price from the acquisition over the estimated fair values of the identified net assets. The Company elected the accounting alternative provided in Accounting Standards Update ("ASU") 2014-02, *Intangibles—Goodwill and Other (Topic 350): Accounting for Goodwill*. Under this accounting alternative, goodwill is amortized on a straight-line basis over a period of 10 years.

Pursuant to the accounting alternative, the Company tests for goodwill impairment only upon the occurrence of an event or circumstance that may indicate the fair value of the Company is less than its carrying amount and has elected to perform this test at the Company level. If events or circumstances are present that may indicate the fair value of the Company is less than its carrying value, the estimated fair value of the Company is compared to its carrying amount and an impairment loss is recognized for the excess of the carrying amount over fair value (if any), not to exceed the carrying amount of goodwill. Fair value is determined using appropriate valuation techniques, which may include discounted cash flow models, market prices for similar assets, or independent third-party appraisals, as necessary.

Management determined that no indicators of impairment have occurred for the years ended December 31, 2025 and 2024.

Intangible Assets
The category of intangible assets includes internally developed software, trademarks and trade names, and licenses. Intangible assets are amortized on a straight-line basis over their estimated useful lives. Changes in circumstances, such as significant changes in the Company's viability, could result in the actual useful lives differing from initial estimates. In those cases where the Company determined that the useful life of an amortizing intangible asset should be revised, the Company will amortize the net book value in excess of the estimated residual value over the revised remaining useful life.

The Company has elected to apply the alternative available to private companies under Accounting Standards Codification ("ASC") 350, *Intangibles – Goodwill and Other Intangible Assets*. Under the accounting alternative, a private company that elects the accounting alternative to recognize or otherwise consider the fair value of intangible assets as a result of any in-scope transactions should no longer recognize separately from goodwill: (1) customer- related intangible assets unless they are capable of being sold or licensed independently from the other assets of the business, and (2) noncompetition agreements. As such, the value of these assets have been subsumed into goodwill.

Impairment of Long-lived Assets
Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. Recoverability is measured by a comparison of the carrying amount to estimated undiscounted future cash flows expected to be generated by the asset. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over its fair value. Certain long-lived assets to be disposed of by sale are reported at the lower of the carrying amount or the fair value, less cost to sell. No impairment loss was recognized by the Company for the years ended December 31, 2025 and 2024.

Debt Issuance Costs
Debt issuance costs represent fees paid to lenders and third parties to acquire debt. Such fees are amortized using the straight-line method (which approximates the effective interest method) over the life of the debt, as interest expense. Debt issuance costs are included with long-term debt on the consolidated balance sheets.

Income Taxes
The Company accounts for income taxes under the asset and liability method, whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company evaluates the need to establish a valuation allowance for deferred tax assets based upon the amount of existing temporary differences, the period in which they are expected to be recovered, and expected levels of taxable income. A valuation allowance to reduce deferred tax assets is established when it is considered more likely than not that some or all of the deferred tax assets will not be realized. The Company's judgments regarding future taxable income may change over time due to changes in market conditions, changes in tax laws, tax planning strategies, or other factors. If the Company's assumptions, and consequently, its estimates, change in the future, the valuation allowance may materially increase or decrease, resulting in an increase or decrease, respectively, in income tax expense and the related impact on the Company's reported net loss.

The Company follows ASC 740, *Income Taxes*, in recognizing and measuring uncertain tax positions, based on the weight of available evidence and whether it is more likely than not the positions will be upheld. The Company recognizes the effect of income tax positions only if sustaining those positions is considered more likely than not sustained in an audit, including resolution of related appeals or litigation process, if any. Changes in recognition or measurement of uncertain tax positions are reflected in the period in which a change in judgment occurs. The Company recognizes interest and penalties, if any, related to uncertain tax positions as a component of income tax expense.

Fair Value Measures
ASC 820, *Fair Value Measurements and Disclosures* requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. ASC 820 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quote prices for similar assets or liabilities in active markets; quoted prices for identical assets in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3 Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The estimated fair values of the Company's short-term financial instruments including cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities arising in the ordinary course of business, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization.

Revenue Recognition
Revenue is recognized in accordance with ASC 606, *Revenue From Contracts With Customers*, which provides a five-step model for recognizing revenue from contracts with customers, including: (a) identifying the contract with a customer, (b) identifying the performance obligation in the contract, (c) determining the transaction price, (d) allocating the transaction price to the performance obligations in the contract, and (e) recognizing revenue when or as performance obligations are satisfied.

Most of the Company's revenue is generated by providing DME, durable benefit management (DBM) services, and pharmaceutical services to its clients. The Company also generates revenue from subscriptions to its DBM software. The Company's products and services are marketed and sold primarily to hospice providers in the United States. Sales of products and services are subject to economic conditions and may fluctuate based on changes in the industry, benefit reimbursement policies, and financial markets.

The Company assesses the contract term as the period in which the parties to the contract have presently enforceable rights and obligations. The contract term can differ from the stated term in contracts that include certain termination or renewal rights, depending on whether there are penalties associated with those rights. Customer contracts are generally standardized and cancellable at any time by either party without penalty, subject to payment for all services rendered through the date of cancellation.

Revenue related to DME and DBM services is recognized over time as the customer consumes the benefits of the services the Company performs. The Company generates DME and DBM revenue under two types of billing arrangements: per diem and fee for service. The customer is generally invoiced based on the contractual agreement between the parties, typically on a monthly basis, with terms that range from net 30 to 60 days. In these contracts, the Company's right to consideration from the customer directly corresponds to the value received by the customer from the entity's performance completed to date. Therefore, the Company recognizes revenue under the arrangements using the right-to-invoice practical expedient, which allows it to recognize revenue in the amount invoiced based on the DME provided during the period. Related fulfillment costs are expensed as incurred.

Subscription to the Company's DBM software is recognized over time as the customer consumes the benefits of the services as the Company stands ready to provide access to the software throughout the subscription period. Subscription customers typically are invoiced monthly, with net 30-day terms. The timing of revenue recognition is based on a time-based measure of progress as the Company provides access to the programs evenly over the course of the subscription period.

Pharmacy revenues relate to contracts with hospice providers in which the Company's performance obligations are to provide pharmacy and professional services primarily through its nationwide network of local pharmacies and company owned closed pharmacies via shipping and courier. Revenues generated from prescription drugs sold by mail dispensing pharmacies and its own pharmacies are recognized when the drug is delivered to the customer. At the time of delivery, the Company has performed substantially all performance obligations and expects minimal returns or reshipments. In addition to pharmaceutical professional services, the Company also provides hospice providers with a suite of professional services.

When the Company's contracts with customers contain multiple performance obligations, the contract transaction price is allocated on a relative standalone selling price basis to each performance obligation. The Company's contracts with customers generally include only one performance obligation and, as such, no allocation of transaction price is required.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods and services to the customer. Revenue is recorded based on the transaction price, which includes fixed consideration and variable consideration. The amount of variable consideration included in the transaction price is constrained and is included only to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Company's contracts with customers may include cost ceilings or other pricing adjustments, which could represent a form of variable consideration. At the time the Company recognizes revenue, any uncertainty associated with variable consideration is resolved, and therefore, there is no need for the Company to estimate the amount of variable consideration to be included in the transaction price as the amount is known. The Company has elected the practical expedient that permits an entity not to recognize a significant financing component if the time between the transfer of a good or service and payment is one year or less. The Company does not enter into contracts in which the period between payment by the customer and the transfer of the promised goods or services to the customer is greater than 12 months.

The Company excludes from revenue sales taxes and other government-assessed and -imposed taxes on revenue-generating activities that are invoiced to customers.

The timing of revenue recognition may not align with the right to invoice the customer. The Company records accounts receivable when it has the unconditional right to issue an invoice and receive payment, regardless of whether revenue has been recognized. If revenue has not yet been recognized, a contract liability (deferred revenue) also is recorded. If revenue is recognized in advance of the right to invoice, a contract asset (unbilled receivable) is recorded.

Sales commissions paid to internal sales personnel, as well as associated payroll taxes and retirement plan contributions (together, sales commissions and associated costs) that are incremental to the acquisition of customer contracts are capitalized as deferred contract costs on the consolidated balance sheets when the period of benefit is determined to be greater than one year. Commission expense is included in selling, general and administrative expense in the consolidated statements of operations. The Company has elected the practical expedient to expense sales commissions and associated costs as incurred when the expected amortization period is one year or less. The Company determines the period of benefit for sales commissions paid and associated costs for the acquisition of the initial contract by taking into consideration the initial estimated customer life, as well as expectations about whether the renewal commission will be commensurate with the initial commission. Amortization is recognized on a straight-line basis commensurate with the pattern of revenue recognition. The Company periodically reviews these deferred costs to determine whether events or changes in circumstances have occurred that could affect the period of benefit of these deferred contract acquisition costs. The Company has $323,627 and $383,915 of unamortized cost associated with sales commissions as of December 31, 2025, and 2024, respectively. During the years ended December 31, 2025, and 2024, the Company amortized $505,414 and $550,025, of these costs, respectively. There were no impairment losses recorded during for the years ended December 31, 2025 and 2024.

Advertising Costs
Advertising costs are charged to expense when incurred. For the years ended December 31, 2025, and 2024, advertising expense was $562,395 and $114,097, respectively, and are included in selling, general and administrative expense in the consolidated statements of operations.

Comprehensive Loss
A separate statement of comprehensive income is required under ASU 2011-05, *Comprehensive Income*, however, as net loss is the only component of comprehensive loss, the Company has elected not to include a separate statement of comprehensive loss because it would not be meaningful to the users of the financial statements.

Business Combinations
The business combination completed by the Company during the year ended December 31, 2025, is further described in Note 2.. The acquisition method of accounting has been applied with respect to the assets acquired and liabilities assumed by the Company, which have been remeasured to their fair values as of the transaction date, primarily using level 3 inputs. The judgments used to determine the estimated fair values assigned to a class of assets and liabilities, as well as asset lives, may have a material impact on the Company's consolidated financial statements.

2. Acquisitions

Acquisition of Eagle Rx, Enclara Pharmacia, and Alexander Infusion (collectively "Enclara")
On August 29, 2025, the Company acquired 100% of the issued and outstanding equity securities of Enclara from Humana ("Seller") for total consideration of $150,474,929. Total consideration consisted of cash consideration of $124,660,460 and assumption of seller's debt in the amount of $814,649. Additionally, as part of the stock purchase agreement, Dragonfly agreed to pay Seller the first $25,000,000 in collected accounts receivable. The accounts receivable were not specific to individual customers, and therefore Dragonfly was deemed to have the risk of collection. Had this additional $25,000,000 not been paid to Seller, the upfront deal price would have been larger. Therefore, the $25,000,000 was included in the purchase price allocation.

Fair values of assets acquired and liabilities assumed are as follows:

Assets		
Cash	$	162,282
Accounts receivable		41,428,304
Inventories		4,166,397
Fixed assets		17,233,484
Right-of-use assets		5,048,494
Other assets		1,569,477
Total Assets		**69,608,438**
Liabilities		
Accounts Payable		6,379,673
Right-of-use lease liabilities		5,048,494
Other liabilities		5,572,904
Total Liabilities		**17,001,071**
Intangible assets, net		
Technology		30,500,000
Goodwill		67,367,562
Total Intangibles	**$**	**97,867,562**

The estimated fair values of intangible assets were based on commonly accepted valuation techniques management believes to be appropriate in the circumstances.

The fair value of the acquired technology assets was determined using the cost method, which is based upon the premise that the value of the assets received is represented by the costs required to develop or replace them, adjusted as appropriate for functional and economic obsolescence.

Goodwill is recognized as the excess of the purchase price over the net identifiable assets recognized. Goodwill is generated from the business combinations from expected revenue and cost synergies, enhanced value of combined products/services, and intangible assets that do not qualify for separate recognition.

The Company incurred $11,813,626 of transaction costs during the year ended December 31, 2025, which are included in other expense (income) from transactions in the consolidated statements of operations.

3. Property and Equipment

Property and equipment consist of the following at December 31:

	2025	2024
DME	$ 56,184,740	$ 42,903,257
Furniture and fixtures	2,652,782	1,701,604
Leasehold improvements	4,467,300	2,029,027
Office equipment	4,480,509	1,953,369
Vehicles	12,376,781	11,372,077
Warehouse equipment	12,814,952	456,392
Other	103,775	900,570
	93,080,839	61,316,296
Less: Accumulated depreciation	(50,523,412)	(34,488,672)
Property and equipment, net	$ 42,557,427	$ 26,827,624

Depreciation expense for the years ended December 31, 2025 and 2024, was $18,198,312 and $13,696,255, respectively.

4. Goodwill and Intangible Assets

The changes in the carrying amount of goodwill and other intangible assets during the years ended December 31, 2025 and 2024, are as follows:

	2025			
	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Net
Goodwill	10 years	$ 474,241,358	$ (156,899,707)	$ 317,341,651
Internally developed software	5-7 years	67,011,630	(20,173,405)	46,838,225
Trademarks and trade names	5-15 years	76,072,600	(21,452,514)	54,620,086
Licenses	Indefinite	240,000	-	240,000
Balance at December 31, 2025		$ 617,565,588	(198,525,626)	419,039,962

	2024			
	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Net
Goodwill	10 years	$ 406,873,796	$ (113,966,742)	$ 292,907,054
Internally developed software	5-7 years	30,060,706	(12,253,563)	17,807,143
Trademarks and trade names	5-15 years	76,072,600	(16,121,959)	59,950,641
Licenses	Indefinite	240,000	-	240,000
Balance at December 31, 2024		$ 513,247,102	$ (142,342,264)	$ 370,904,838

Future amortization expense, for the next five years and thereafter, as of December 31, 2025, is as follows:

Years ending December 31,	
2026	$ 61,091,292
2027	60,806,578
2028	60,785,209
2029	60,620,864
2030	58,208,100
Thereafter	117,287,919
	$ 418,799,962

Total amortization expense for goodwill for the years ended December 31, 2025 and 2024, was $42,932,965 and $40,688,048, respectively. Total amortization expense for other amortizable intangible assets for the years ended December 31, 2025 and 2024, was $13,250,396 and $11,211,608, respectively. The weighted average amortization period of the intangible assets is 8.77 years.

5. Line of Credit and Related Party

On November 19, 2021, the Company executed a syndicated Credit and Guaranty Agreement ("Credit Agreement") led by Midcap Financial Trust ("Midcap"), a minority equity holder of the Company. The credit agreement includes a line of credit facility with a borrowing capacity of $10,000,000. On September 28, 2023, the Company executed a Second Amendment to the Credit Agreement to increase the borrowing capacity of the line of credit facility to $15,000,000. On May 9, 2025, the Company executed a Fourth Amendment to the Credit Agreement to increase the borrowing capacity of the line of credit to $30,000,000. Outstanding balances on the line of credit accrue interest, payable quarterly at the base rate or SOFR (as defined, by the Credit Agreement) plus a margin that ranges from 4.25% to 5.50% based on the Company's leverage ratio as of the most recent determination date, as defined. The line of credit matures on November 19, 2027, and is secured by substantially all the Company's assets. At December 31, 2025 and 2024, there was a balance of $0 and $2,000,000 outstanding on the line of credit, respectively.

6. Long-Term Debt and Related Party

Term Loans

On November 19, 2021, the Company entered into a Credit Agreement with Midcap as the administrative agent. The credit facilities, provided by a group of banks under the Credit Agreement, included the line of credit (see Note 5 for additional information),a $150,000,000 term loan, and a $25,000,000 delayed draw term loan. As of December 31, 2025 and 2024, $25,000,000 and $25,000,000 has been drawn on the delayed draw term loan, respectively. Interest is payable quarterly at the base rate of SOFR plus a margin that ranges from 4.25% to 5.75% based on the Company's leverage ratio as of the most recent determination date, as defined.

On September 28, 2023, the Company executed a Second Amendment to the Credit Agreement that included an additional $15,000,000 term loan. On May 9, 2025, the Company amended its credit agreement to extend the maturity dates of the facilities to November 19, 2030, and to include an additional $165,000,000 delayed draw term loan. The Credit Agreement is secured by substantially all of the Company's assets.

The Credit Agreement includes various financial and nonfinancial covenants. Financial covenants include maintaining compliance with the defined maximum total net leverage ratio and a minimum consolidated EBITDA (as defined, by the Credit Agreement). The Company is also required to make additional principal payments based on a percentage of excess cash flow (as defined in the loan agreement) earned during each fiscal year.

For the years ended December 31, 2025 and 2024, interest and fees paid to the related party totaled $23,909,484 and $21,410,339, respectively.

Long-term debt at December 31, 2025 and 2024, consisted of the following:

	Interest Rate (A)	December 31, 2025
Term Loan due on November 19, 2030, payable in quarterly installments totaling $2,375,000 in 2025	SOFR + 5.75%	347,417,500
		347,417,500
Unamortized deferred financial costs		(2,468,897)
Less: Current maturities		(3,550,000)
		341,398,603

	Interest Rate (A)	December 31, 2024
Term Loan due on November 19, 2027, payable in quarterly installments totaling $1,837,500 in 2024	SOFR + 5.75%	184,792,500
Line of credit facility, due November 19, 2027		2,000,000
		186,792,500
Unamortized deferred financial costs		(2,361,972)
Less: Current maturities		(1,893,000)
		182,537,528

(A) Interest rate in effect at December 31, 2025 and 2024, for which a balance is outstanding.

Scheduled maturities of long-term debt, excluding the unamortized debt costs of $2,468,897 as of December 31, 2025, are as follows:

Years Ending December 31,	
2026	$ 3,550,000
2027	3,550,000
2028	3,550,000
2029	3,550,000
2030	330,748,603
	$ 344,948,603

Debt Issuance Costs

Debt issuance costs totaled $4,369,412 in connection with the credit facility and are recorded as a reduction to the carrying value of the term loan. During the years ended December 31, 2025 and 2024, debt issuance costs of $872,264 and $6,964 were incurred, respectively. Related amortization classified as interest expense for the years ended December 31, 2025 and 2024, was $765,339 and $683,560, respectively. The annual estimated future interest expense is as follows:

Years ending December 31,	
2026	$ 962,799
2027	417,828
2028	377,442
2029	565,452
2030	145,376
	$ 2,468,897

7. Contingent Consideration

In connection with the acquisition of Delta Care in September 2023, the Company had a contingent payment obligation to the seller, under which the Company may be required to disburse funds to the seller based on achieving Pharmacy Average Daily Census (ADC) (“Contingent Consideration #1) and Incremental Net Rebate Revenue (“Contingent Consideration #2) over a defined measurement period.

The Company utilized a Monte Carlo simulation to determine the fair value of Contingent Consideration #1 of $8,000,000.

The Company used a Black Scholes Option Pricing Model to determine the fair value of Contingent Consideration #2 of $3,700,000

As of December 31, 2025, the Company has paid out $693,950 and has adjusted the contingent liability to $356,300 based on actual performance during the measurement period. The adjustments of $10,649,750 in 2024 and $693,950 in 2025 are reflected in other expense (income) from transactions in the consolidated statements of operations, and the contingent liability is recorded in other liabilities in the consolidated balance sheets. The remaining balance is expected to be paid out in 2026.

8. Equity

The Amended and Restated Limited Liability Agreement ("A&R Agreement") of StateServ Parent, LLC, provides for the issuance of Class P Units to be used for management incentive compensation purposes. It is the intention that each Class P Unit constitutes a "profits interest" within the meaning of Revenue Procedures 93-27 and Revenue Procedure 2001-43 issued by the Internal Revenue Service. As of December 31, 2025 and 2024, Parent has authorized the issuance of 44,866,004 and 44,054,682 Class P Units. Of the awards issued, 19,741,394 and 19,335,733 vest over time and 25,124,610 and 24,718,949 only vest upon a change in control provided that specified performance thresholds are achieved, respectively.

Class P Units are not entitled to participate in any distribution under the A&R Agreement until Parent distributes an aggregate amount, to other holders of units, equal to the fair market value of Parent on the applicable date that the Class P Units were issued and until all payments contemplated by the A&R Agreement are made. Time-vesting Class P Units generally vest over four years, provided that the unit holder continues to be employed by the Company. Performance-based Class P units vest in their entirety upon a liquidity event, as defined in the A&R Agreement, provided that the unit holder continues to be employed by the Company through the liquidity event and provided that specified performance thresholds are achieved. As of December 31, 2025 and 2024, 44,866,004 and 44,054,682 Class P Units had been granted, of which 16,250,372 and 11,315,023 were vested as of December 31, 2025 and 2024, respectively.

The Company accounts for profits interest through the measurement and recognition of compensation expense for all awards based on estimated fair values at the date of grant. The Company uses an option-pricing model to determine the fair value of Class P Units. The fair value of Class P Units granted during 2025 and 2024 was $0.23 and $0.23 for time-vesting units and ranged from $0.08 to $0.18 for performance-based units, respectively, utilizing the assumptions as described below and a 40% discount for lack of marketability. Compensation recognized during the years ended December 31, 2025 and 2024, was $1,040,257 and $929,400 for the time vesting units, which is included in selling, general and administrative expense in the consolidated statements of operations, respectively. As of December 31, 2025 and 2024, there was $761,505 and $1,708,460 of unrecognized compensation expense related to unvested time-vesting Class P units granted and $3,330,848 and $3,040,458 of unrecognized compensation expense related to performance-based Class P Units granted, respectively.

A summary of profits interest units activity under the A&R Agreement for the years ended December 31, 2025 and 2024, is as follows:

	Shares	Weighted Avg. Grant-Date Fair Value	Weighted Avg. Remaining Vesting Term
Time-Based units			
Nonvested at December 31, 2024	8,020,710	$ 0.23	1.23
Granted during the year	405,661	0.23	3.20
Vested during the year	4,935,349	0.23	-
Forfeited during the year	-	0.23	-
Nonvested at December 31, 2025	3,491,022	0.23	1.27
Performance-Based units			
Performance units outstanding	25,124,610	0.13	-

The weighted-average assumptions utilized in the option-pricing model for the units granted in 2025 and 2024 are as follows:

	2025	2024
Risk-free interest rate	1.30 %	1.30 %
Expected life (years)	4	4
Dividend yield	0.00 %	0.00 %
Expected volatility	44.67 %	44.67 %

9. Income Taxes

The Company is taxed as a C corporation.

Net deferred income tax consists of the following components as of December 31, 2025 and 2024:

	2025	2024
Deferred income tax assets (liabilities)		
Accrued expenses and reserves	$ 2,963,467	$ 866,876
Interest expense carryforward	15,784,864	12,473,370
Net operating loss carryforward	13,653,381	8,387,136
Fixed assets	(6,763,481)	(4,155,840)
Intangibles	(1,138,163)	(395,312)
Goodwill	7,891,261	5,417,935
Right-of-use assets	(9,979,745)	(3,886,518)
Lease liabilities	10,542,627	4,064,048
Other	372,558	(1,092,059)
Total deferred tax assets	33,326,769	21,679,636
Valuation allowance	(33,663,344)	(22,155,443)
Deferred tax liability	$ (336,575)	$ (475,807)

The components of the Company's income tax expense are as follows:

	2025	2024
Current		
Federal	$ (4,501,776)	$ 566,588
State	596,339	169,537
Total current income taxes	(3,905,437)	736,125
Deferred		
Federal	(148,861)	66,707
State	-	-
Total deferred income taxes	(148,861)	66,707
Total income tax (benefit) expense	$ (4,054,298)	$ 802,832

The Company evaluates the realizability of its deferred tax assets by assessing the valuation allowance and makes adjustments to the allowance as necessary. The factors used by the Company in assessing the likelihood of realization of its deferred tax assets include history of earnings, reversing temporary differences, forecasts of future taxable income and available tax planning strategies that could be implemented. The Company's ability or failure to achieve forecasted taxable income in the applicable taxing jurisdictions could affect the ultimate realization of its deferred tax assets. The Company has evaluated the available positive and negative evidence supporting the realization of its gross deferred tax assets, including its cumulative losses, and the amount and timing of future taxable income, and has determined it is more likely than not that the assets will not be realized. Accordingly, the Company recorded a full valuation allowance against its U.S. federal and state deferred tax assets as of December 31, 2025 and 2024.

As of December 31, 2025, the Company had federal and state tax effected loss carry forwards of $51,711,976 and $53,403,421, respectively. The federal net operating loss of $51,711,976 can be carried forward indefinitely. The state NOLs will begin to expire in 2025.

As of December 31, 2025, the Company has unrecognized tax benefits of $229,354. Interest and penalties are immaterial.

The Company records accrued interest and penalties related to unrecognized tax benefits from operations in income tax expense. During 2025, the Company recorded a benefit of $4.5M due to expiration of the statute of limitation on previously unrecognized tax benefit.

The Company files tax returns in the U.S. and various state jurisdictions. The tax years 2017 and thereafter remain open to examination for the Company by the United States and state tax authorities.

Under the Tax Cuts and Jobs Act of 2017, research and development costs are required to be capitalized and amortized for U.S. tax purposes, effective January 1, 2022. The mandatory capitalization requirement did not materially impact the Company's net deferred tax assets and 2025 and 2024 cash tax liabilities.

10. Leases

The components of operating and financing leases costs recognized in the consolidated statements of operations for the fiscal years ended December 31, 2025 and 2024, were as follows:

	2025	2024
Operating lease cost	$ 5,266,126	$ 3,658,093
Operating variable costs	928,011	757,797
Total operating lease cost	6,194,137	4,415,890
Finance lease cost		
Amortization of right-of-use assets	4,755,927	2,234,134
Interest on lease liabilities	918,453	376,065
Total finance lease cost	$ 5,674,380	$ 2,610,199

Operating and finance lease terms and discount rates as of December 31, 2025 and 2024, were as follows:

	2025	2024
Weighted average remaining lease term		
Operating leases	3.94 years	2.07 years
Finance leases	3.37 years	3.20 years
Weighted average discount rate		
Operating leases	3.82 %	2.84 %
Finance leases	3.93 %	4.16 %

Maturities of operating and finance lease liabilities for the next five years and thereafter as of December 31, 2025, are:

	Operating Leases	Finance Leases
Years ending December 31,		
2026	$ 4,433,705	$ 5,468,798
2027	4,094,381	7,429,533
2028	3,592,412	5,519,801
2029	2,962,725	6,214,805
2030	1,734,149	434,595
Thereafter	308,291	-
Total lease payments	17,125,663	25,067,532
Less: Present value adjustment	(1,090,626)	(1,280,630)
Present value of lease liabilities	$ 16,035,037	$ 23,786,902

11. Retirement Plan

The Company established a 401(k) profit sharing plan that is available to substantially all employees. The plan is funded by employee payroll contributions and employer match. The Company's contributions to the plan are based upon current "safe harbor" provisions of the Internal Revenue Code. The Company matches 100% of each employee's contribution up to 3% and matches 50% of each employee's contribution that exceeds 3%, up to 5%, but does not exceed 5%. For the years ended December 31, 2025, and 2024, the Company's 401(k) contribution was $1,234,597 and $1,076,503, respectively.

12. Related-Party Transactions

During the years ended December 31, 2025, and 2024, the Company pays quarterly management fees to WindRose Health Investors LLC (WindRose), an affiliate of StateServ Parent, LLC for management services relating to corporate strategy, governance and structure in order to assist the Company in maximizing value. WindRose executed additional agreements that provide a portion of such management fees to certain executives of the Company. Pursuant to the Management Services Agreement dated November 19, 2021, the Company accrues and pays management fees in an amount equal to the lesser of: (1) $900,000 per year, or (2) 2% of the Company's EBITDA. In each of the years ended December 31, 2025 and 2024, the Company recognized $900,000 in transaction and other expenses related to management fees, of which $225,000 was accrued at each year end.

13. Contingencies

Periodically, the Company may be contingently liable with respect to claims incidental to the ordinary course of its operations. In the opinion of management, and based on management's consultation with legal counsel, the ultimate outcome of such matters will not have a material adverse effect on the Company. Accordingly, no provision has been made in the accompanying consolidated financial statements for losses, if any, that might result from the ultimate disposition of these matters should they arise.

14. Subsequent Events

The Company has evaluated events and transactions for potential recognition or disclosure through March 31, 2026, the date the consolidated financial statements were available to be issued, and has determined that there are no subsequent events to report.