Dash Pharmaceuticals LLC

Financial Statements as of March 31, 2022 and December 31, 2021, and for the Period from January 1 to March 31, 2022 (Three Months) and the Year Ended December 31, 2021, and Independent Auditors’ Report

DASH PHARMACEUTICALS LLC

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INDEPENDENT AUDITORS' REPORT

To the Members of
Dash Pharmaceuticals LLC
Upper Saddle River, New Jersey

Opinion

We have audited the accompanying financial statements of Dash Pharmaceuticals LLC (the "Company), which comprise the balance sheets as of March 31, 2022 and December 31, 2021, and the related statements of income (operations), changes in members' equity, and cash flows for the period from January 1 to March 31, 2022 (three months), and the year ended December 31, 2021 and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2022 (three months) and December 31, 2021, and the results of its operations and its cash flows for the period from January 1 to March 31, 2022 and the year ended December 31, 2021 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 with one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the 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 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 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.

Related Party Transactions

The accompanying financial statements have been prepared from the separate records maintained by the Company and may not be indicative of the conditions that would have existed or the results of its operations if the Company had been operated as an unaffiliated company. As described in Note 7 to the accompanying financial statements, a significant portion of the Company's transactions is with related parties. Our opinion is not modified with respect to that matter.

PNJK Partners LLP

Park Ridge, Illinois
April 30, 2022

DASH PHARMACEUTICALS LLC

BALANCE SHEET

AS OF MARCH 31, 2022 AND DECEMBER 31, 2021

	2022 (Three Months)	2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 4,422,270	$ 4,183,106
Accounts receivable — net of allowance of $3,692,340 $3,149,326 in March 31, 2022 and December 31, 2021, respectively	1,901,482	1,972,810
Other receivable	274,699	152,360
Inventories (Note 3)	2,424,836	2,710,199
Prepaid and other current assets	660,465	694,763
Total current assets	9,683,752	9,713,238
PROPERTY, PLANT, AND EQUIPMENT — Net (Note 4)	39,669	45,046
RIGHT-OF-USE ASSETS (OPERATING LEASE) - Net (Note 8)	79,577	-
OTHER ASSETS:		
Deposits	17,500	17,500
Other assets	3,200	3,200
Total other assets	20,700	20,700
TOTAL	$ 9,823,698	$ 9,778,984
LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 1,296,790	$ 1,094,838
Loan payable - related party (Note 5)	-	4,000,000
Accrued expenses and other current liabilities	2,617,164	2,365,591
Current portion of lease obligations (Note 8)	67,971	-
Current portion of long-term debt (Note 5)	-	-
Total current liabilities	3,981,925	7,460,429
LONG-TERM LIABILITIES:		
Lease obligations - operating lease (Note 8)	11,606	-
Long-term debt (Note 5)	4,000,000	-
Total long-term liabilities	4,011,606	7,460,429
COMMITMENTS AND CONTINGENCIES (Note 9)		
MEMBERS' EQUITY:	1,830,167	2,318,555
Total members' equity	1,830,167	2,318,555
TOTAL	$ 9,823,698	$ 9,778,984

See notes to financial statements.

DASH PHARMACEUTICALS LLC

STATEMENTS OF INCOME (OPERATIONS)
FOR THE PERIOD FROM JANUARY 1 TO MARCH 31, 2022 (THREE MONTHS) AND THE YEAR ENDED DECEMBER 31, 2021

	2022 (Three Months)	2021
REVENUE		
Sales	$ 8,200,767	$ 25,724,752
Sales allowance	(3,758,002)	(11,147,314)
TOTAL REVENUES	4,442,765	14,577,438
COST OF SALES	3,880,159	11,453,374
GROSS PROFIT	562,606	3,124,064
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	1,010,037	3,252,105
INCOME FROM OPERATIONS	(447,431)	(128,041)
OTHER INCOME (EXPENSE):		
Interest income	172	2,190
Interest expense	(41,129)	(130,023)
Other income	-	1
Total other income (expense)	(40,957)	(127,832)
NET INCOME	$ (488,388)	$ (255,873)

See notes to financial statements.

DASH PHARMACEUTICALS LLC

STATEMENTS OF MEMBERS' EQUITY
FOR THE PERIOD FROM JANUARY 1 TO MARCH 31, 2022 (THREE MONTHS) AND THE YEAR ENDED DECEMBER 31, 2021

	Members' Ownership Interests				(Accumulated Deficit) Retained Earnings	Total Members' Equity
	Unit A		Unit B			
	Units	Amount	Units	Amount		
BALANCE — December 31, 2020	2,000	$ 8,500,000	-	$ -	$ (5,925,572)	$ 2,574,428
Capital contributions	-	-	-	-	-	-
Net income (loss)	-	-	-	-	(255,873)	(255,873)
BALANCE — December 31, 2021	2,000	$ 8,500,000	-	$ -	$ (6,181,445)	$ 2,318,555
Capital contributions	-	-	-	-	-	-
Net income (loss) (Three Months)	-	-	-	-	(488,388)	(488,388)
BALANCE — March 31, 2022	2,000	$ 8,500,000	-	$ -	$ (6,669,833)	$ 1,830,167

See notes to financial statements.

DASH PHARMACEUTICALS LLC

STATEMENTS OF CASH FLOWS
FOR THE PERIOD FROM JANUARY 1 TO MARCH 31, 2022 (THREE MONTHS) AND FOR THE YEAR ENDED DECEMBER 31, 2021

	2022 (Three Months)	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (488,388)	$ (255,873)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,378	21,510
Changes in assets and liabilities:		
Accounts receivable — net	71,328	585,394
Other receivable	(122,339)	185,966
Prepaid expenses and other current assets	34,298	(387,180)
Inventory	285,363	(1,785,349)
Other assets	-	-
Accounts payable — trade	201,952	96,594
Accrued expenses and other current liabilities	251,572	811,533
Net cash provided by (used in) operating activities	239,164	(727,405)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	-	-
Net cash provided by (used in) investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of related party loan	(4,000,000)	-
Proceeds from related party loan	4,000,000	-
Net cash provided by (used in) financing activities	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	239,164	(727,405)
CASH AND CASH EQUIVALENTS — Beginning of year	4,183,106	4,910,511
CASH AND CASH EQUIVALENTS — End of year	$ 4,422,270	$ 4,183,106
SUPPLEMENTAL DISCLOSURES:		
Obtaining a right-of-use asset in exchange for a lease liability	$ 137,281	$ -
Cash paid for interest	$ 130,023	$ 171,493

See notes to financial statements.

1. NATURE OF BUSINESS

Fidelity Pharmaceuticals LLC was formed in the State of Delaware on June 3, 2014 and was originally owned by three founders ("Founders"). The name was changed to Dash Pharmaceuticals LLC (the "Company") on September 23, 2014. On August 4, 2017, CBC Capital USA, Inc, a Delaware Corporation ("CBC Capital"), and the Company entered into a unit purchase agreement (the "CBC Agreement") pursuant to which the Company issued additional 1,000 of Class A Units in the Company to CBC Capital.

On January 1, 2022, NATCO Pharma, Inc., a Delaware corporation, acquired all of the issued and outstanding membership interests of the Company from CBC Capital and the Founders pursuant to a membership unit purchase agreement (the "NATCO Agreement") as a result of which the Company became a wholly owned subsidiary of NATCO Pharma, Inc., a Delaware Corporation (the "NPI").

The Company's primary business is to develop partnerships, product licensing, sales, marketing, and distribution of generic pharmaceutical products, emphasizing its operations on the development and distribution of niche products across a variety of dosage forms and therapeutic categories.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents — The Company considers all money market accounts and highly liquid debt instruments with maturities of three months or less when purchased to be cash equivalents. The Company, at times, may maintain deposits at financial institutions that exceed federally insured limits.

Accounts Receivable — The Company reports trade receivables at net realizable value. Management determines the allowance for doubtful accounts and returns based on historical losses and current economic conditions. On a periodic basis, management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they adjust the allowance based on current circumstances and charge off uncollectible receivables when all attempts to collect have failed.

Inventories — Inventories are valued at the lower of cost or market based on the first-in, first-out method. The Company records an inventory reserve for obsolete and excess inventories. A reserve for obsolescence is provided for any specific inventories that reached to within six months to products expiration date. The balances at March 31, 2022 and December 31, 2021 represent finished goods purchased from contracted manufacturers net of inventory reserve of approximately $487,000 and $292,000 as of March 31, 2022 and December 31, 2021, respectively. The Company maintains such finished goods at the warehouse of their third-party logistics provider.

Property, Plant, and Equipment — Property, plant, and equipment are stated at cost, less accumulated depreciation. Expenditures for repairs and maintenance are charged to expense as incurred, and additions and improvements that significantly extend the lives of assets are capitalized. Upon sale or other retirement of depreciable property, the cost and accumulated depreciation are removed from the related accounts and any gain or loss is reflected in operations. Depreciation is provided primarily using the straight-line method over the following estimated useful lives:

Item	Estimated Useful Life
Buildings	40 years
Leasehold improvements	5-15 years
Machinery and equipment	7-10 years
Furniture and fixtures	7 years
Office equipment	5 years
Computer software	3-5 years
Vehicles	5 years

Long-Lived Assets — The Company periodically evaluates whether events and circumstances have occurred that indicate that the remaining balance of long-lived assets to be held and used in the operations of the Company may be impaired and not be recoverable. In performing this evaluation, the Company uses an estimate of the related cash flows expected to result from the use of the asset and its eventual disposition. When this evaluation indicates the asset has been impaired, the Company will measure such impairment based on the asset's fair value, and the amount of such impairment is charged to operations.

Fair Value of Financial Instruments – The Company values its assets and liabilities using the methods of fair-value as described in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, Fair Value Measurements and Disclosures. In accordance with ASC 820, the Company determines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

ASC 820 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to active markets for identical assets and liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The Company classifies fair value balances based on the observability of those inputs. The three levels of the fair value hierarchy are as follows:

Level 1 – Observable inputs such as quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and amounts derived from valuation models where all significant inputs are observable in active markets.

Level 3 – Unobservable inputs that reflect management's assumptions.

The carrying values of accounts receivable and accounts payable approximate fair value because of the short-term nature of these items.

Long-term financial instrument and long-term debt consist of certificate of deposits with maturity over a year and fixed rate loans, respectively. Management believes that if the long-term financial instrument and long-term debt with fixed rates were currently obtained, the interest rate would not be substantially different from the interest rate applied and, therefore, the carrying amount approximates the fair value.

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable, which approximates fair value due to the nature and the short-term maturities of these assets and liabilities. The Company has no financial instruments measured at fair value on a recurring basis as of March 31, 2022 and December 31, 2021.

Revenue Recognition — The Company adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2014-09 on January 1, 2018, which required it to recognize revenue when a customer obtains control. Revenue transactions associated with the sale of the products comprise a single performance obligation. The Company satisfies the performance obligation and records revenues when transfer of control has passed to the customer, based on the terms of sale. A customer is considered to have control once they are able to direct the use and receive substantially all of the benefits of the product. Transfer of control passes to customers upon shipment or upon receipt depending on the agreement with the customer.

The estimates of allowances for discounts, rebates, returns, chargebacks, and other potential adjustments reduce sales in the accompanying statement of operations. These allowances are recorded in the period in which the related sales are recognized and include significant accounting estimates. The allowances are presented as a reduction of accounts receivable or current liabilities in the accompanying balance sheet as of March 31, 2022 and amounted to approximately $3,692,000 and $766,000, respectively. Actual or estimated discounts, rebates, returns, chargebacks and other adjustments amounted to approximately $3,758,000 for the three months period ended March 31, 2022.

The allowances presented as a reduction of accounts receivable or current liabilities in the balance sheet as of December 31, 2021 amounted to approximately $3,149,000 and $741,000, respectively. Actual or estimated discounts, rebates, returns, chargebacks and other adjustments amounted to approximately $11,147,000 for the year ended December 31, 2021.

Payment terms differ by customer but typically range between 60 and 70 days from the date of shipment. Collection period is normally one year or less, thus, there is no significant financing component.

The Company recognizes revenue based on a portfolio approach such that application is to a portfolio of contracts or performance obligation with similar characteristics.

The Company accounts for shipping and handling activities as fulfillment for the promise to transfer goods.

Collaborative Agreements – The Company enters into collaborative agreements with various parties for formulating, developing, manufacturing, licensing, marketing, and distributing generic pharmaceutical products. If under these agreements, the Company is actively involved and exposed to the risks and rewards of the activities and is determined to be the principal participant in the collaboration, the Company classifies third party costs incurred and revenues in the statement of operations on a gross basis. Otherwise, third party revenues and costs generated by collaborative arrangements are presented on a net basis and recorded under commission income. Payments between the Company and the other participants are recorded and classified based on the nature of the payments.

Research and Development Costs – The Company charges all research and development costs to operating expenses as incurred. The total research and development costs for the three months period ended March 31, 2022 and the year ended December 31, 2021 were approximately $181,000 and $303,000, respectively.

Income Taxes — In accordance with the provisions of the Internal Revenue Code, the Company is not subject to federal income taxes. A member includes the Company's profit or loss in its own federal income tax returns. The Company is generally not subject to state income taxes and has no state income tax liability.

Effective April 1, 2009, the Company adopted the provisions of the FASB ASC Topic 740, *Income Taxes*. Under FASB ASC 740-10-05, the evaluation of an uncertain tax position is a two-step process of recognition and measurement. The Company recognizes the benefit of an uncertain tax position if it determines that the position will be more likely than not to be sustained, based on the technical merits of the position. The Company measures the amount of the benefit at the largest amount that is more than 50% likely of being recognized upon settlement. No interest or penalty was recorded as a result of the evaluation of uncertain tax positions as of March 31, 2022 and December 31, 2021.

Shipping Income and Related Costs — The Company engages a third-party logistics provider in product warehousing, customer ordering and invoicing, picking, packing, shipping services, receivables cash application and chargeback and returns processing. The Company charges the related cost of goods sold as incurred. The total related costs for the three months period ended March 31, 2022 and the year ended December 31, 2021 were approximately $87,000 and $343,000, respectively.

Subsequent Events – FASB ASC 855-10 (formerly SFAS No. 165, Subsequent Events) requires management to evaluate subsequent events through the date the financial statements are either issued, or available to be issued. Companies are required to disclose the date through which subsequent events have been evaluated. The Company evaluated subsequent events through April 30, 2022, which is the date the financial statements were available to be issued. No material subsequent events came to the Company's attention in the three months period ended March 31, 2022.

Recently Adopted Accounting Standards – In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This update supersedes the lease requirements in Topic 840, Leases. The objective of Topic 842 is to establish the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flow arising from a lease. For public business entities, the standard is effective for financial statements issued for annual periods beginning after December 15, 2019. For non-public companies, the standard is effective for financial statements issued for annual periods beginning after December 15, 2021. The Company adopted ASU 2016-02 effective January 1, 2022. Based on the modified retrospective transition approach, there was no significant retrospective impact from the adoption. The new standard provides a number of optional practical expedients in transition. The Company has elected the package of practical expedients, which permits the Company not to reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs. The new standard also provides practical expedients for an entity's ongoing accounting. The Company has elected the short-term lease exception and we will not recognize ROU assets or lease liabilities for qualifying leases (leases with a term of less than 12 months from lease commencement). In 2022, the Company accounted for a new lease under the guidance (see Note 9).

3. INVENTORIES

Inventories as of March 31, 2022 and December 31, 2021 are comprised as follows:

	1Q 2022	2021
Finished goods	$ 2,912,122	$ 3,002,527
Less inventory reserve	(487,286)	(292,328)
Total inventories	$ 2,424,836	$ 2,710,199

4. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment as of March 31, 2022 and December 31, 2021 consist of the following major classifications:

	1Q 2022	2021
Leasehold improvements	$ 37,122	$ 37,122
Computer and equipment	34,060	34,060
Furniture and fixtures	48,527	48,527
Construction in progress	-	-
	119,709	119,709
Accumulated depreciation	(80,040)	(74,663)
Property, plant, and equipment — net	$ 39,669	$ 45,046

5. LINE OF CREDIT ANLD LONG-TERM DEBT

The Company has a revolving line of credit with CBC Capital in the amount of $7,500,000 expiring on August 4, 2022, which is automatically extended for additional one-year periods. The expiration date of the line of credit cannot extend beyond August 4, 2023. This facility is secured by all of the Company's assets and, as of December 31, 2021, the outstanding balance was $4,000,000 represent two separate withdrawals and bearing interest at six-month LIBOR rate plus 3% (3.15% at December 31, 2021). The Company also recorded $130,023 of interest expense in connection with the outstanding loan balance as of December 31, 2021 and for the year then ended. The outstanding loan and accrued interest were repaid in full in January 2022 and the line of credit was terminated on January 3, 2022.

The Company entered into a new loan agreement with NPI on January 1, 2022, in the amount of $4,000,000, bearing interest at 4.17%. The interest is payable at the end of each calendar quarter and the maximum tenure of the loan is five years from the date of each drawdown. The Company recorded $41,129 of interest expense in connection with the outstanding loan balance as of March 31, 2022 and the outstanding loan balance is $4,000,000 at March 31, 2022. The $4,000,000 of the loan proceeds was utilized to repay the outstanding balance from the line of credit and the line of credit was terminated on January 3, 2022 as noted above.

6. RETIREMENT PLAN

The Company sponsors a Safe Harbor 401(k) retirement plan since March 1, 2018. Employees become eligible to participate on the first of the month following 3 consecutive months of service beginning on the employee's date of hire. Contributions made by plan participants may be tax deferred as allowed under section 401(k) of the Internal Revenue Code. Employees elect the portion of their compensation they wish to contribute to the plan up to the statutory maximum. The Company matches participant contributions at 100%, up to 4% of their compensation. The Company's total contributions amounted to approximately $21,000 and $78,000 for the three months period ended March 31, 2022 and the year ended December 31, 2021, respectively.

7. RELATED-PARTY TRANSACTIONS

Guaranteed Payments – Under employment agreements entered into in connection with the CBC Agreement, the Company agreed to pay compensation to the Founders totaling $750,000 annually with scheduled increases in August 2019 to an annualized amount of $875,000 and in August 2021 to an annualized amount of $1,025,00. However, the Founders voluntarily waived the August 2019 increase and the compensation remained unchanged until August 2021. In August 2021 the compensation was increased to the $875,000 level and the Founders waived any retroactive adjustments back to August 2019. Thus, the Company paid $802,083 of guaranteed payments to the Founders during the year ended December 31, 2021.

As a part of the NATCO Agreement, on December 31, 2021 the employee agreements above were terminated and replaced by the new employment agreements for three founders of the Company. The three founders became the employees of the Company and were included in payroll effective on January 1, 2022.

Revolving Credit Agreement – See Note 5.

Long-Term Debt – See Note 5

8. LEASE

The Company adopted ASU 2016-02, "Leases," on January 1, 2022 requiring, among other changes, operating and finance leases with terms exceeding twelve months to be recognized as a right-of-use asset (or "ROU") and lease liabilities on the balance sheet. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. The lease term is determined to be the non-cancelable period including any lessee renewal options that are considered reasonably certain of exercise. The interest rate implicit in lease contracts is typically not readily determinable. As such, the Company used judgment to determine an appropriate incremental borrowing rate, which is the rate incurred to borrow on a collateralized basis over a similar term in a similar economic environment.

Future minimum payments under the Company's operating leases related to the ROU asset and lease liability as of March 31, 2022 was as follows:

Years Ending December 31		Operating Leases Amount
2022	$	52,500
2023		29,167
Total minimum payments	$	81,667
Less: imputed interest		2,090
Present value of lease liabilities	$	79,577

As of March 31, 2022, the weighted average remaining operating lease term was 1.17 years and the weighted average discount rate used to determine the operating lease liabilities was 4.17%. Cash paid related to the lease liability was $17,500 for the three months period ended March 31, 2022. Operating lease costs during the 3 months period ended March 31, 2022 and the year ended December 31, 2022 were approximately $74,000 and $17,000, respectively. Short term and variable leases costs were immaterial during the 3 months period ended March 31, 2022 and the year ended December 31, 2021.

9. COMMITMENTS AND CONTINGENCIES

Concentration of Credit Risk and Significant Customers — Financial instruments that potentially subject the Company to credit risk consist principally of cash and cash equivalents and accounts receivable. The Company maintains its cash and cash equivalents in financial institutions, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts, and management believes that the Company is not exposed to any significant credit risk related to cash and cash equivalents because of the high quality of the financial institutions where cash is deposited.

The Company's business is dependent upon a few unrelated customers. Sales to three customers accounted for 79% and 84% of gross sales for the three months period ended March 31, 2022 and the year ended December 31, 2021, respectively. In addition, 80% and 86% of accounts receivable was due from these customers at March 31, 2022 and December 31, 2021, respectively. The Company performs ongoing credit evaluations of its customers and maintains an allowance for potential credit losses when necessary. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company's customers may be affected by changes in economic, regulatory, and other factors that may cause a material adverse effect on the Company's business, financial condition, and results of operations.

Guarantees - The Company maintains contracts with manufacturer Orion Corporation ("Orion") and packager Unit Dose Solutions ("Unit") under which the Company would be responsible for certain surplus or unused materials purchased to manufacture or package the Company's products if those contracts are terminated.

The total value of such materials on hand at Orion and at Unit Dose at March 31, 2022 was approximately $14,000 and $113,000, respectively. No related liabilities were recorded at March 31, 2022.

The total value of such materials on hand at Orion and at Unit at December 31, 2021 was approximately $67,000 and $83,101, respectively. No related liabilities were recorded at December 31, 2021.

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SUPPLEMENTAL INFORMATION

DASH PHARMACEUTICALS LLC
SCHEDULES OF COST OF GOODS SOLD

FOR THE PERIOD FROM JANUARY 1 TO MARCH 31, 2022 AND THE YEAR ENDED DECEMBER 31, 2021

	1Q 2022	2021
Purchases	$ 2,117,545	$ 6,800,451
Profit share out costs	1,192,336	3,254,007
Logistics expneses	86,656	343,058
Freight	253,891	604,481
Obs & Excess Inventory Expenses	194,958	376,995
Other costs	34,773	74,382
TOTAL COST OF GOODS SOLD	$ 3,880,159	$ 11,453,374

DASH PHARMACEUTICALS LLC
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES

FOR THE PERIOD FROM JANUARY 1 TO MARCH 31, 2022 AND THE YEAR ENDED DECEMBER 31, 2021

	1Q 2022	2021
Automobile expenses	$ -	$ 3,343
Bank fees	645	2,628
Benefit administration expense	1,101	4,948
IT Support	4,020	15,480
Computer and Internet Expenses	1,682	9,640
Recruiting fees	10,000	-
Employee benefits	28,265	110,348
Training & education	(200)	2,062
Dues and subscriptions	29,689	121,356
Guaranteed payments	-	802,083
Insurance expense	46,690	176,561
Licenses	33,638	72,845
Business Meals	2,769	4,282
Office expense	2,225	7,311
Salaries and wages	388,409	849,878
Postage and delivery	206	955
Payroll processing fees	1,131	4,420
Professional & legal fees	86,972	324,746
Regulatory & pharmacovigelance	85,145	149,860
Payroll taxes	34,801	59,564
Marketing and promotion	27,983	121,702
Rent expense	17,500	38,336
Other taxes	1,356	23,680
Phone services	2,256	10,747
Travel expense	16,128	8,012
Utilities	650	2,597
R&D expenses	181,498	303,111
Charitable contributions	100	100
Depreciation	5,378	21,510
	$ 1,010,037	$ 3,252,105