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

FORM 10-K/A

(Amendment No. 1)

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

For the fiscal year ended December 31, 2024
or

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

FOR THE TRANSITION PERIOD FROM_____ TO_____

COMMISSION FILE NUMBER 000-22333

SOLÉSENCE, INC.

(Exact name of registrant as specified in its charter)

Delaware	**36-3687863**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1319 Marquette Drive, Romeoville, Illinois 60446
(Address of principal executive offices) (zip code)

Registrant's telephone number, including area code: **(630) 771-6708**

NANOPHASE TECHNOLOGIES CORPORATION
(Former name or former address, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	SLSN	The NASDAQ Capital Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

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

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

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

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

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

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

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

The aggregate market value of the registrant's voting stock held by non-affiliates of the registrant based upon the last reported sale price of the registrant's common stock on June 30, 2024 was $27,254,231 as of such date.

The number of shares outstanding of the registrant's common stock, par value $.01, as of March 28, 2025 was 70,103,279.

DOCUMENTS INCORPORATED BY REFERENCE

None.

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A (this "Amendment") amends our Annual Report on Form 10-K for the fiscal year ended December 31, 2024, which was originally filed with the Securities and Exchange Commission (the "SEC") on March 31, 2025 (the "Original Filing").

We are filing this Amendment to restate our audited consolidated financial statements and related financial information for the fiscal year ended December 31, 2024, and to present our corrected financial statements for 2023, including disclosures regarding the impact of those corrections.

Background of the Restatement

As previously disclosed in its Quarterly Report on Form 10-Q filed August 19, 2026, and in its Current Report on Form 8-K filed on August 21, 2026, during its review of inventory accounting in connection with the preparation of its unaudited condensed consolidated financial statements for the quarter ended June 30, 2026, Solésence, Inc., formerly known as Nanophase Technologies Corporation (the "Company"), identified errors in its historical accounting for labor and overhead included in inventories. The historical process allocated certain labor and overhead between raw materials and finished goods using budget-based percentages and allocation bases that were not sufficiently supported. The process also did not consistently limit capitalized costs to eligible acquisition and production costs, allocate variable overhead based on actual activity, or adjust standard or budgeted amounts so that they approximated actual cost. The Company concluded that the historical process did not comply with the inventory-costing requirements in ASC 330, Inventory.

As a result, inventories were overstated and cost of revenue was misstated. The errors also affected gross profit, operating income (loss), income (loss) before income taxes, net income (loss), basic and diluted earnings (loss) per share, accumulated deficit, total stockholders' equity and related disclosures in the periods affected. The Company determined the correction from its accounting records, including general-ledger and inventory detail, cost-pool and burden-rate schedules, inventory roll-forwards and the Company's internal inventory-cost model.

After considering the requirements of ASC 250, Accounting Changes and Error Corrections, and the quantitative and qualitative factors in SEC Staff Accounting Bulletin ("SAB") Topic 1.M and Topic 1.N, on August 17, 2026, the Audit Committee, Board of Directors and Executive Officers of the Company concluded that the Company's previously issued consolidated financial statements as of and for the years ended December 31, 2023, 2024, and 2025, as of and for the three months ended March 31, 2024, 2025, and 2026, as of and for the three and six months ended June 30, 2024 and 2025, and as of and for the three and nine months ended September 30, 2024 and 2025 should no longer be relied upon. The Company is filing amendments to its Annual Reports on Form 10-K for the years ended December 31, 2024 and 2025 and its Quarterly Reports on Form 10-Q for the quarters ended September 30, 2025, March 31, 2026 and June 30, 2026.

The Company previously disclosed in its Form 10-Q filed on August 19, 2026 and in its Current Report on Form 8-K filed on August 21, 2026 that the Company had anticipated including among the preceding amendments a separate amendment to its Annual Report on Form 10-K for the year ended December 31, 2023 (the "2023 10-K"). However, following further evaluation of the appropriate and least confusing reporting approach, the Company determined that a separate amendment to the 2023 10-K is not necessary or appropriate. The restated financial statements for that year, together with the related disclosures regarding the nature and impact of the corrections, are included in this Amendment.

The Company believes that presenting the restated 2023 financial information within this Amendment provides investors with the complete relevant corrected historical financial information, including with respect to the year ended 2023, without the need for a separate amendment to the 2023 10-K.

The Audit Committee has discussed with the Company's independent accountant the matters disclosed herein.

Impact of the Restatement

The corrections resulted in a change in inventory on our Consolidated Balance Sheets and a corresponding change in cost of revenue on our Consolidated Statement of Operations. The effects of the Restatement on our previously reported Consolidated Statements of Operations, Consolidated Balance Sheets, Consolidated Statements of Stockholders' Equity, and Consolidated Cash Flows are detailed in Note 3, "Restatement of Previously Issued Financial Statements," to the Consolidated Financial Statements included in Item 8 of this Amendment. This Amendment also amends Part III, Item 11, "Executive Compensation," to provide disclosure regarding the recovery of erroneously awarded incentive-based compensation in connection with the restatement.

Internal Controls and Assessments

In connection with this Restatement, management has re-evaluated the effectiveness of our internal controls over financial reporting as of December 31, 2024. Management identified material weaknesses in inventory costing and in oversight and review of financial reporting and restatement activities. Accordingly, our internal controls and disclosure controls and procedures were not effective as of December 31, 2024. See Item 9A, "Controls and Procedures," for additional information and our remediation plans.

Scope of this Amendment

This Amendment includes revisions to, among other things: Item 7, Item 8, Item 9A, Item 11, & Item 15.

Except as described above, this Amendment does not reflect events occurring after the filing of the Original Filing, nor does it modify or update disclosures in the Original Filing in any way. This Amendment should be read in conjunction with the Original Filing and our other subsequent filings with the SEC.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with risks discussed in the financial statements and related notes thereto appearing elsewhere in this Form 10-K. When used in the following discussions, the words "anticipates," "believes," "estimates," "expects," "plans," "intends" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks, uncertainties and contingencies that could cause actual results, performance or achievements to differ materially from those expressed in, or implied by, such statements. See the "Forward Looking Statements" section in Part 1, Item 1, of this Form 10-K.

Overview

Solésence is a health-oriented, science-driven company, focused on various skin health and beauty markets. Our primary skin health products are fully developed prestige skin care formulations with mineral-based UV protection enabled by our proprietary Active Pharmaceutical Ingredients ("APIs"), which are also marketed as APIs for sale to manufacturers of other types of skin health products, including sunscreens and daily care products. Additionally, we continue to sell products in legacy markets including medical diagnostics, architectural coatings, industrial coating applications, abrasion-resistant additives, and plastics additives applications— all of which currently fall into the advanced materials product category.

Critical Accounting Estimates

Management also monitors the value of inventory for the effects of aging, obsolescence, and seasonality. Consistent with the provisions in FASB ASC 330-10-35, we adjust inventory valuation upon management's determination that the potential for obsolete materials exist. The majority of the reserve is done by specific identification. Factors include inventory in quarantine, aging finished goods or obsolete materials as identified by management. Some of the materials in question are nearing expiration and therefore more difficult to sell, some represent soon-to-be obsolete products, and some are raw materials that we no longer use regularly.

Certain assumptions are necessary to assess the impact of risks and uncertainties on the financial information, such as cash flow projections, availability of capital if needed to support the ongoing operations of the business, and our expected compliance with contractual commitments. Any changes in those plans or assumptions could have a material impact on our liquidity and financial condition. While we have seen costs continue to increase on an inflationary basis as we enter 2025, it is our belief that we will be able to offset much of this cost as we gain greater production efficiencies and seek to increase our pricing where possible.

Results of Operations

Years Ended December 31, 2024 and 2023

The financial information for 2024 and 2023 discussed below reflects the restatement described in Note 3 to the consolidated financial statements.

Total revenue increased to $52,347,000 in 2024, compared to $37,297,000 in 2023. A substantial majority of our revenue for each year is from our largest customers, in particular, sales to our largest customer in skin care and sunscreen applications, finished skin health products marketed through our consumer products. Product revenue, the primary component of our total revenue, increased to $51,890,000 in 2024, compared to $36,641,000 in 2023. This increase was due to an increase in revenue from our consumer products partially offset by decreased personal care ingredients and advanced materials products.

Current Significant Customers

		For the years ended December 31,	
Customer #	**Product Category**	**2024**	**2023**
1	Consumer Products	32%	17%
2	Personal Care Ingredients	13%	25%
3	Consumer Products	7%	15%
	Total	52%	57%

Cost of revenue generally includes costs associated with commercial production and customer development arrangements. Cost of revenue, as restated, increased to $39,295,000 in 2024, compared to $30,019,000 in 2023, as restated. Higher materials and direct labor costs, as well as increased supply chain and maintenance costs associated with increased sales volume, contributed to the year-over-year increase. Gross profit, as restated, increased to $13,052,000 in 2024 from $7,278,000 in 2023, as restated, and gross margin increased to approximately 24.9% from 19.5%. We expect to continue new materials development and dispersion technologies for personal care applications and for our formulated Solésence products during 2025 and beyond, as part of our business model. At current revenue levels we have generated a positive gross margin, though margins can be impeded by the cyclicality of our demand, often leading to the Company not having enough revenue to efficiently absorb manufacturing overhead that is required to work with current customers and expected future customers. We believe that our current fixed manufacturing cost structure is sufficient to support higher levels of revenue volume. The extent to which margins grow, as a percentage of total revenue, will be dependent upon revenue mix, revenue volume, our ability to cut costs and pass commodity market-driven raw materials increases on to customers, and the speed and efficiency with which we are able to scale up production for our Solésence products. We expect that, as product revenue volume increases, our fixed manufacturing costs will be more efficiently absorbed, which should lead to increased margins as we grow. We expect to continue to focus on reducing controllable variable product manufacturing costs, with potential variability related to the commodity metals markets and cost and wage inflation but may or may not realize gross margin percentage growth through 2025 and beyond, dependent upon the factors discussed above.

Research and development expense, which includes all expenses relating to the technology and advanced engineering groups, primarily consists of costs associated with the development or acquisition of new finished product formulations for skin care, new product applications for our skin care ingredients, advancement of our medical diagnostics ingredient knowledge, and the cost of enhancing our manufacturing processes. This includes legal fees related to intellectual property development, protection, and maintenance. As an example, we are currently focusing the bulk of our resources on developing new product formulations, and related new technologies, as we expand marketing and sales efforts relating to our Solésence products. This work has led to several new products and additional potential new products. Our efforts in research and development, cosmetic formulating, process engineering and advanced engineering groups are focused in three major areas: 1) application development for our products; 2) creating or obtaining additional core materials technologies and/or materials that have the capability to serve multiple skin health-related markets; and 3) continuing to improve our core technologies to improve manufacturing operations and reduce costs.

Research and development expense remained the same in 2024, totaling $3,837,000, the same as in 2023. In 2024 labor costs were higher than 2023 which were offset by lower legal and consulting costs in 2024 compared to 2023. We expect expenses for research and development to increase slightly in 2025 depending on growth in our Solésence line of products, and related technologies. This expense growth will be dependent upon the success we have in developing new products, which adds significantly to outside testing fees to both enhance product development and comply with regulatory requirements.

Selling, general and administrative expense decreased to $7,219,000 in 2024, compared to $7,534,000 in 2023. The net decrease was largely attributed to a decrease in legal costs. We expect 2025 expenses in this area to be slightly higher due to expanding parts of our administrative functions, including related staffing additions. The extent to which this increase occurs will be dependent upon growth.

Interest expense decreased to $670,000 in 2024, compared to $838,000 in 2023, due to lower interest rates in 2024 and decreased usage of the debt facilities. The interest expense for 2024 and 2023 related to interest paid relating to our revolving lines of credit for working capital funding and term loans supporting some of our equipment.

In Company-wide operations, we believe inflation has not had a material effect on our operations or financial position for 2024, although we have seen increases in our costs. We expect supplier price increases and wage and benefit inflation, both of which represent a significant component of our costs of operations, may have a material effect on our operations and financial position in 2025 and beyond. We will apply our best efforts to pass through cost increases to our customers. If we are unable to pass through any increases due to contractual limitations or conditions in our markets specifically, this could reduce margins and net income.

Liquidity and Capital Resources

Cash, cash proceeds and use of cash for 2024 and 2023 were:

	For the year ended December 31,	
	2024	2023
Total cash	$ 1,409,000	$ 1,722,000
Net cash provided by (used in) operating activities	1,971,000	(2,006,000)
Net cash used in investing activities	(4,558,000)	(1,051,000)
Net cash provided by financing activities	2,274,000	2,593,000

Net cash provided by operating activities was $1,971,000 in 2024, compared to net cash used in operating activities of $2,006,000 in 2023, an improvement of $3,977,000. Net income, as restated, was $1,099,000 in 2024, compared to a net loss, as restated, of $4,937,000 in 2023. The improvement in operating cash flow reflected higher earnings and greater sources of operating cash from accounts payable, deferred revenue and accrued expenses, partly offset by greater uses of operating cash for inventories, receivables, prepaid expenses and other assets, and changes in operating lease assets and liabilities. The restatement did not change net cash provided by or used in operating activities in either year because the changes to net income or loss were offset by the corresponding changes in the inventory reconciliation. Cash capital expenditures amounted to approximately $4,558,000 and $1,051,000 for the years ended December 31, 2024 and 2023, respectively. We did not dispose of or sell any assets during 2024 or 2023.

The Company maintains a credit agreement with Libertyville to support our obligations under our leased manufacturing and warehouse space in Bolingbrook, Illinois. As of December 31, 2024 there was no outstanding borrowings on this line of credit. This credit agreement has a maturity of December 22, 2025.

On January 28, 2022, to support the working capital demands created by the commercial growth of the Company and its wholly owned subsidiary, Solésence, LLC, the Company entered into (i) an Amended and Restated Business Loan Agreement (the "A&R Loan Agreement"), which amends and restates the Master Agreement, (ii) a Business Loan Agreement (the "New Term Loan Agreement") with Strandler, LLC, (iii) a Business Loan Agreement (the "New Revolving Loan Agreement" and together with the A&R Loan Agreement and the New Term Loan Agreement, the "Loan Agreements") with Beachcorp, LLC, and (iv) three promissory notes in order to evidence the loans pursuant to the Loan Agreements (the "Notes"). Beachcorp, LLC and Strandler, LLC are affiliates of Mr. Bradford T. Whitmore, who beneficially owns a majority of the Company's common stock and is the brother of Ms. R. Janet Whitmore, a director of the Company and the chair of the Company's board of directors.

The Loan Agreements changed the terms of both the Company's asset-based revolving loan facility (the "A/R Revolver Facility") and the secured advance (the "Term Loan", which was assigned from Beachcorp, LLC to Strandler, LLC) under the Master Agreement and provide a new asset-based revolving loan facility based on inventory (the "Inventory Facility"). The maximum borrowing amount under the A/R Revolver Facility increases from $6,000,000 to $8,000,000, with a borrowing base consisting of qualified accounts receivable of the Company. The maximum borrowing amount under the Inventory Facility is $4,000,000, with a borrowing base consisting of up to 50% of the value of qualified inventory of the Company. The Loan Agreements also extended the date for which all principal and accrued interest under the A&R Revolver Facility and the Term Loan are due from March 31, 2023 and March 31, 2022, respectively, to March 31, 2024, which was also the maturity date for the Inventory Facility. The Loan Agreements reduce interest on outstanding borrowings under the A/R Revolver Facility and the Term Loan from the prime rate plus 2% and 5.25% per year, to a floating rate equal to the prime rate plus 0.75%, which is also the interest rate for borrowings under the Inventory Facility. The amount of the Term Loan remains $1,000,000. The A/R Revolver Facility, the Inventory Facility and the Term Loan are all secured by all the unencumbered assets of the Company and subordinated to the Company's revolving line of credit with Libertyville Bank & Trust.

On November 13, 2023 to support working capital demands the Company entered into (i) a new Promissory Note ("Bridge Note") with Strandler, LLC, with a maximum borrowing amount of $2,000,000, interest rate at the prime rate plus 0.75%, and set to mature on May 13, 2024, and (ii) amendments to the Loan Agreements increasing the principal amount of the Inventory Facility to $5,200,000, increased the borrowing base to 55% of eligible inventory, up from 50% and extending the maturity date under the Loan Agreement to March 31, 2025. The Bridge Note was repaid in full in connection with the Purchase Agreement referred to below.

On March 1, 2024, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement"), between the Company and Strandler, LLC ("Strandler").

Pursuant to the Purchase Agreement, the Company issued to Strandler 15,000 shares of the Company's Series X Preferred Stock (the "Series X Preferred Stock") at a purchase price per share of $400, for total consideration of $6,000,000, in a transaction exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 4(a)(2) thereof. The terms of the Preferred Stock are set forth in the Company's Certificate of Designations to its Certificate of Incorporation, filed with the Secretary of State of the State of Delaware on March 4, 2024 (the "Certificate of Designations").

Under the Purchase Agreement, the Company granted Strandler customary registration rights with respect to shares of the Company's common stock, par value $0.01 per share (the "Common Stock"), it may receive in connection with any conversion of Series X Preferred Stock into Common Stock, as described below. For so long as any amount of Preferred Stock is outstanding, the Purchase Agreement also (i) prevented the Company from paying any dividend on any shares of the Company's capital stock (other than dividends consisting solely of Common Stock or rights to purchase Common Stock), (ii) prevented the Company from repurchasing any Common Stock, and (iii) subject to certain permitted exceptions, restricted the Company's ability to permit any lien or other encumbrance on Company assets.

At any time and from time to time, in whole or in part, following the Company properly filing an amendment (the "Certificate Amendment") to its Certificate of Incorporation to increase the number of authorized shares of its Common Stock from 60,000,000 to 95,000,000, each share of Series X Preferred Stock was convertible, at the option of the holder, into 1,000 shares of Common Stock at no additional cost. If the Company had not properly filed, upon shareholder approval, the Certificate Amendment on or before August 1, 2024, then each share of Series X Preferred Stock would have been redeemable at the holder's option, in whole or in part, without penalty or premium, at a redemption price equal to $420 per share (each, a "Redemption"). If the Company had failed to fully pay any Redemption within five days of receiving notice, all unpaid amounts will have born interest at a rate of 10% per annum. In addition, in the event of a Change in Control (as defined in the Certificate of Designations) of the Company, each share of the Series X Preferred Stock would have been redeemable at the option of the holder, without penalty or premium, at a redemption price equal to $420 per share. Upon any conversion of Preferred Stock into Common Stock by Strandler, Strandler is required to hold the Common Stock received in the conversion for a period of 12 months.

Holders of Series X Preferred Stock (i) were not entitled to receive dividends, subject to customary anti-dilution protections, (ii) have no voting rights, and (iii) receive a liquidation preference of $400 per share. The Series X Preferred Stock ranks senior in right of payment to all securities designated as junior securities, including Common Stock.

On June 18, 2024, the Company held a special meeting of stockholders where the Certificate Amendment was approved. The Certificate Amendment was filed with the State of Delaware on June 19, 2024. On June 20, 2024, Strandler converted its 15,000 shares of Series X Preferred Stock to 15,000,000 shares of Common Stock.

In connection with the Company's entry into the Purchase Agreement, the Company also entered into (i) a Second Amendment to Business Loan Agreement (the "Term Loan Agreement Amendment") with Strandler, LLC, (ii) a Second Amendment to Business Loan Agreement (the "A&R Loan Agreement Amendment") with Beachcorp, LLC, which is also an affiliate of our controlling shareholder, Bradford T. Whitmore ("Beachcorp"), and (iii) a Second Amendment to Business Loan Agreement with Beachcorp (the "Revolving Loan Agreement Amendment" and together with the Term Loan Agreement Amendment and the A&R Term Loan Agreement Amendment, the "Loan Agreement Amendments"). The Loan Agreement Amendments extend the maturity date under each respective loan agreement from March 31, 2025 to October 1, 2025. As of December 31, 2024, the Company's A/R Revolver, Inventory Facility and New Term Loan matured on October 1, 2025.

On May 27, 2025, the Company entered into a Third Amendment to the A&R Loan Agreement, Business Loan Agreement, and New Term Loan Agreement extending the maturity of the loans to April 30, 2027, to expand the limit on the A&R Loan Agreement from $8,000,000 to $12,000,000 and to expand the limit on the Business Loan Agreement from $5,200,000 to $10,000,000.

As a result of the restatements the Company would have been in default of the Inventory Revolving Loan Effective August 17, 2026, Beachcorp, LLC provided a waiver of all breaches and defaults under the Inventory Facility as a result of the foregoing up to a maximum of $3,000,000 per occurrence, of over-advances on the Inventory Revolving Loans. The Company does not expect there to be any prospective impact on the compliance or availability of the Inventory Revolving Loan.

On September 30, 2026, the Company entered into a Fourth Amendment to the Amended and Restated Business Loan Agreement to extend its maturity to May 31, 2028.

On December 31, 2024, the balance on the Term Loan was $1,000,000, the balance on the A/R Revolver Facility was $0, the balance on the Inventory Facility was $4,000,000. On December 31, 2023, the balance on the Term Loan was $1,000,000, the balance on the Bridge Load was $2,000,000, the balance on the A/R Revolver Facility was $2,810,000, and the balance on the Inventory Facility was $5,000,000.

For more information regarding the New Business Loan Agreement, see Note 4 to our Financial Statements referred to in Part II, Item 8 of this Annual Report on Form 10-K.

Our actual future capital requirements in 2025 and beyond will depend on many factors, including customer acceptance of our current and potential consumer products, APIs sold as ingredients in to the skin health markets, medical diagnostics ingredients, and other engineered materials, applications, and products, continued progress in research and development activities and product testing programs, the magnitude of these activities and programs, and the costs necessary to increase and expand our manufacturing capabilities and to market and sell these products and ingredients. Other important issues that will drive future capital requirements will be the development of new markets and new customers as well as the potential for significant unplanned growth with existing customers. Depending on the success of certain projects, we expect that capital spending relating to currently known capital needs for 2025 will be between $6 million and $8 million, to be funded by profit from operations, our existing loans and lines of credit, and possible new financing. If those projects are delayed or ultimately prove unsuccessful, or if we fail to be able to support the additional cost of funding them in the near term, we expect our capital expenditures may fall below the lower end of the range. Similarly, substantial success in business development projects may cause the actual 2025 capital investment to exceed the top of this range.

We have federal net operating loss carryforwards for tax purposes of approximately $44 million on December 31, 2024 Because the Company may experience “ownership changes” within the meaning of the U.S. Internal Revenue Code (“IRC”) in connection with any future equity offerings, future utilization of this carryforward may be subject to certain limitations as defined by the IRC. If not utilized, $36 million of this loss carryforward will expire between 2024 and 2037. Given changes to the IRC, net operating loss carryforwards generated after January 1, 2018 do not expire, therefore, $7.7 million in net operating losses generated since January 1, 2018 do not expire. We have Illinois net loss deduction carryforwards for tax purposes of approximately $18.5 million on December 31, 2024. Due to the provisions of Illinois Public Act 102-0669 signed November 16, 2021, Illinois net loss deductions expire between 2029 and 2039.

Because of uncertainty as to the amount of future taxable income that will be earned prior to the expiration of the carryforward, we have concluded that it is likely that some portion of this carryforward will expire before ultimately becoming available to reduce income tax liabilities.

Item 8. Financial Statements and Supplementary Data

The financial statements, with the report of independent auditors, listed in Item 15 appear on pages F-1 through F-[21] of this Form 10-K/A.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We are responsible for establishing and maintaining disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports filed by us under the Exchange Act is: (a) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms; and (b) accumulated and communicated to our management, including our principal executive and principal financial officer, to allow timely decisions regarding required disclosures. It should be noted that in designing and evaluating our disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and that our management necessarily was required to apply its judgment regarding the design of our disclosure controls and procedures.

In connection with the restatement of the Company’s previously issued consolidated financial statements included in this Form 10-K/A, management, with the participation of our Chief Executive Officer (our principal executive officer) and Chief Financial Officer (our principal financial officer), reevaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of December 31, 2024. Based on that reevaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective at the reasonable assurance level as of December 31, 2024 because of the material weaknesses in internal control over financial reporting described below. This conclusion supersedes the conclusion that our disclosure controls and procedures were effective as of December 31, 2024 stated in our originally filed Form 10-K.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for the preparation, integrity and fair presentation of the financial statements and Notes to the financial statements. Management is also responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed under the supervision of the Company's principal executive officer and principal financial officer in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that:

(i) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets of the Company;

(ii) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

(iii) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

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

In connection with the restatement, management reassessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2024. In making this assessment, management used the criteria established in Internal Control–Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

A material weakness exists when one or more deficiencies in internal control over financial reporting create a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented, or detected and corrected, on a timely basis.

Material Weakness in Inventory Costing

The Company did not design and maintain effective controls over the determination, accumulation, allocation, review and application of labor and manufacturing overhead costs capitalized into inventory.

Specifically, the Company did not establish and maintain effective controls to provide for:

- Identification and capitalization of only eligible inventory acquisition and production costs;
- Allocation of variable production overhead based on actual production activity;
- Adjustment of standard or budgeted cost amounts to ensure those amounts reasonably approximated actual cost;
- Sufficient documentation supporting cost pools, burden rates, allocation methodologies, and significant assumptions; and
- An effective management review of the completeness, accuracy, and appropriateness of the inventory-costing calculation.

These deficiencies, considered in combination, constituted a material weakness that existed as of December 31, 2024. The material weakness resulted in errors affecting inventory, cost of revenue and related financial statement accounts and disclosures. The errors are corrected in the restated consolidated financial statements included in this Form 10-K/A. See the restatement disclosures in the notes to those financial statements.

Material Weakness in Oversight and Review of Financial Reporting and Restatement Activities

The Company did not design and maintain effective supervisory and review controls over the financial reporting process, including the identification, evaluation, correction, and disclosure of accounting errors and restatements.

Specifically, the Company did not establish and maintain effective controls to:

- Ensure that personnel and advisors responsible for performing, reviewing, and overseeing key accounting and financial reporting controls possess the appropriate level of knowledge and experience, including sufficient SEC reporting, financial reporting, and technical accounting expertise, to effectively execute those controls and address necessary accounting matters and financial statement corrections;
- Ensure that accounting analyses, methodologies, assumptions, allocations, and conclusions used in restatement calculations were sufficiently reviewed before being finalized;
- Verify the completeness, accuracy, consistency, and supportability of adjustments recorded in connection with the restatement;

- Ensure that, following the identification of a restatement, revised financial information is complete and accurate and is subject to appropriate accounting analysis, supporting documentation, and review procedures sufficient to prevent or detect material misstatements; and
- Evaluate whether accounting positions and allocation methodologies were consistently and accurately applied across all affected reporting periods.

As a result of these deficiencies, management did not timely identify errors and unsupported assumptions within the restatement calculations, including errors in the allocation of departmental costs among inventory and cost-of-sales cost pools, inconsistencies in the application of methodologies across reporting periods, and adjustments that lacked sufficient support under accounting principles generally accepted in the United States of America (U.S. GAAP).

The material weakness also impacted the Company's ability to complete and file corrected financial information in a proficient manner. There is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements would not be prevented or detected on a timely basis.

Based on this reassessment and the COSO criteria, management, including our Chief Executive Officer and Chief Financial Officer, concluded that the Company’s internal control over financial reporting was not effective as of December 31, 2024 because of the material weaknesses described above. This conclusion supersedes management’s conclusion in the originally filed Form 10-K that internal control over financial reporting was effective as of December 31, 2024.

This annual report does not include an opinion of the Company’s registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by the Company’s registered public accounting firm pursuant to the rules of the Securities and Exchange Commission that permit the Company to provide only management’s report in this Form 10-K/A.

Inventory Costing Remediation Activities Subsequent to December 31 2024

The Company intends to implement remediation measures that include:
- Reassessing the Company’s inventory-costing methodologies and formalizing the policy;
- Evaluating and refining labor and manufacturing overhead cost pools, allocation practices, methodologies, and assumptions;
- Strengthening documentation supporting burden rates, inventory valuation and costing activities;
- Establishing periodic reassessment requirements and comparisons of actual manufacturing costs with capitalized amounts;
- Enhancing management review controls over inventory accounting and valuation, including defined review thresholds and documentation requirements;
- Strengthening technical cost-accounting and U.S. GAAP expertise through training, additional resources and/or external specialists; and
- Increasing oversight by personnel with appropriate accounting and cost-accounting expertise.

Financial Reporting Oversight and Review Remediation Activities Subsequent to December 31 2024

The Company intends to implement remediation measures that include:
- Enhancing executive management oversight of significant accounting matters;
- Enhancing controls over the review and oversight of third-party specialists and advisors engaged to assist with infrequent transactions, including accounting corrections and related financial reporting matters;
- Implementing additional review controls over technical accounting analyses and application of U.S. GAAP, supporting calculations and burden rates, significant estimates and allocations, and quarterly adjustments of inventory to actual costs;
- Increasing the involvement of personnel with appropriate financial reporting, SEC reporting, and technical accounting expertise; and
- Evaluating staffing levels, competencies, and organizational structure within the finance and accounting function to ensure adequate resources are available to support financial reporting obligations.

Neither material weakness will be considered remediated until the applicable controls have been designed and implemented, have operated for a sufficient period, and management has concluded through testing that they are operating effectively. Correction of the financial statement errors does not, by itself, remediate either material weakness.

Changes in Internal Control Over Financial Reporting

The Company's management, including the Chief Executive Officer (our principal executive officer) and Chief Financial Officer (our principal financial officer), confirm that there was no change in the Company's internal control over financial reporting during the year ended December 31, 2024 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART III

Item 11. Executive Compensation

SUMMARY COMPENSATION TABLE

The following table sets forth a summary of the compensation for each of our named executive officers in U.S. dollars for the years ended December 31, 2024 and 2023.

Name and Principal Position	Year	Salary ($)	Bonus ($) (1)	Option Awards ($) (2)	All Other Compensation ($) (3)	Total ($)
Jess Jankowski	2024	$ 357,072	$ —	$ 39,738	$ 26,969	$ 423,779
Chief Executive Officer	2023	$ 341,409	$ —	$ 5,521	$ 27,919	$ 374,849
Kevin Cureton	2024	$ 309,256	$ —	$ 39,738	$ 21,299	$ 370,293
Chief Operating Officer	2023	$ 294,492	$ —	$ 5,521	$ 22,704	$ 322,717

(1) Any amounts earned during 2024 and 2023 would typically have been paid in early-to-mid 2025 and 2024, respectively. Bonus compensation is driven by Company performance against its goals as ultimately determined by the Compensation Committee of the Board of Directors ("Compensation Committee"). A set of Company-level objectives is created at the beginning of the year, focusing on total revenue, revenue growth, particular sources of revenue growth, business development achievements, cash flows and related targets, as well as a small discretionary component designed to capture items not specifically listed. Each measure has varying levels of achievement, which is reflected in the aggregate bonus measurement. The resulting bonus calculation is then applied to each individual's bonus potential as a percentage of salary. Performance milestones were achieved in 2024 and related bonuses will be paid. Performance milestones were not achieved in 2023 and related bonuses were not paid

(2) The amounts in this column represent the aggregate grant date fair value of awards granted in 2024 and 2023 in accordance with FASB ASC Topic 718. See Note 11 of the notes to our financial statements contained elsewhere in this Form 10-K for a discussion of all assumptions made by us in determining the FASB ASC Topic 718 values.

(3) The amounts in this column represent 401(k) match (total for executive officers of $14,305 during 2024 and $14,585 during 2023), and the value of the Company portion of the health and life insurance including employer HSA contributions. Health insurance benefits are the same for all employees. Life insurance is provided to all employees in the amount of the employee's annual base salary, capped at a maximum of $150,000.

Employment Agreements

Effective as of August 12, 2009, we entered into an employment agreement with Jess Jankowski in connection with his services as President and Chief Executive Officer. No term has been assigned to Mr. Jankowski's employment agreement.

Pursuant to the terms of his employment agreement, Mr. Jankowski will receive an annual base salary of not less than $275,000. In addition, Mr. Jankowski will be eligible for discretionary bonuses for services to be performed as an executive officer of the Company based on performance and achieving milestones approved by our Board of Directors (the "Board").

Mr. Jankowski will be eligible for such stock options and other equity compensation as the Board deems appropriate, subject to the provisions of the 2019 Equity Compensation Plan. Mr. Jankowski will also be entitled to the employee benefits made available by us generally to all of our other executive officers, subject to the terms and conditions of our employee benefit plan in effect from time to time.

In the event Mr. Jankowski's employment is terminated other than for "cause" (as such term is defined in the employment agreement), Mr. Jankowski will receive a sum equal to Mr. Jankowski's base salary in effect at the time of termination for 52 full weeks after the effective date of termination, payable in proportionate amounts on our regular pay cycle for professional employees, provided that Mr. Jankowski signs, without subsequent revocation, a separation agreement and release in a form acceptable to us. In addition, all stock options granted to Mr. Jankowski prior to termination will become fully vested and exercisable in accordance with the applicable option grant agreement and the 2019 Equity Compensation. If he is terminated for cause, or if he resigns as an employee of the Company, Mr. Jankowski will not be entitled to any severance or other benefits accruing after the term of the employment agreement and such rights will be forfeited immediately upon the end of such term.

If, within two years after the occurrence of a change in control, as defined in his employment agreement, Mr. Jankowski's employment is terminated other than for cause, his responsibilities or annual compensation are materially reduced without his prior consent, or we cease to be publicly held (each, a "Trigger"), then, subject to Mr. Jankowski signing, without subsequently revoking, a separation agreement and release in a form acceptable to us, Mr. Jankowski will receive a sum equal to his base salary for 104 full weeks after the date the Trigger occurs. In addition, all stock options granted to Mr. Jankowski prior to the Trigger will become fully vested and exercisable in accordance with the applicable option grant agreement and the 2019 Equity Compensation Plan.

Effective as of November 28, 2012, we entered into an employment agreement with Mr. Kevin Cureton providing for an annual base salary of not less than $190,000. No term has been assigned to Mr. Cureton's employment agreement. If Mr. Cureton is terminated other than for "cause" (as such term is defined in Mr. Cureton's employment agreement), then, subject to Mr. Cureton signing, without revoking, a separation agreement and release in a form acceptable to us, Mr. Cureton will receive severance benefits in an amount equal to Mr. Cureton's base salary for 26 weeks. In addition, all stock options granted to Mr. Cureton prior to termination will become fully vested and exercisable in connection with the applicable option grant agreement and the 2019 Equity Compensation Plan. A signing bonus of $25,000 was paid upon Mr. Cureton's acceptance of employment.

OUTSTANDING EQUITY AWARDS AT YEAR-END

The following table sets forth information regarding each unexercised option held by each of our named executive officers as of December 31, 2024.

	Option Awards				Stock Awards	
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares of Stock That Have Not Vested (#)**	**Market Value of Shares of Stock That Have Not Vested ($)**
Jess Jankowski						
	69,000	-0-	$ 0.42	02/23/26		
	81,000	-0-	$ 0.68	02/21/27		
	90,000	-0-	$ 0.82	05/23/28		
	16,500	-0-	$ 0.51	05/22/29		
	90,000	-0-	$ 0.45	06/18/27		
	90,000	-0-	$ 4.17	12/28/28		
	48,000	24,000(1)	$ 1.17	12/20/29		
	4,200	8,400(2)	$ 0.61	12/27/30	—	—
	-0-	22,500(3)	$ 2.44	12/31/31	—	—
Kevin Cureton						
	43,500	-0-	$ 0.42	02/23/26		
	50,000	-0-	$ 0.68	02/21/27		
	80,000	-0-	$ 0.82	05/23/28		
	16,500	-0-	$ 0.51	05/22/29		
	90,000	-0-	$ 0.45	06/18/27		
	90,000	-0-	$ 4.17	12/28/28		
	48,000	24,000(1)	$ 1.17	12/20/29		
	4,200	8,400(2)	$ 0.61	12/27/30		
	-0-	22,500(3)	$ 2.44	12/31/31	—	—

(1) These grants expiring December 20, 2029 vest in three equal installments on December 20, 2023, 2024, and 2025.
(2) These grants expiring December 27, 2030 vest in three equal installments on December 27, 2024, 2025, and 2026.

(3) These grants expiring December 31, 2031 vest in three equal installments on December 31, 2025, 2026, and 2027.

POTENTIAL PAYMENT UPON TERMINATION OR CHANGE IN CONTROL

Severance Benefits. Please see discussion of severance benefits under "Employment Agreements" above.

Change in Control. Upon a change in control, the 2019 Equity Compensation Plan provides that: (1) vesting under all outstanding stock options will automatically accelerate and each option will become fully exercisable; (2) the restrictions and conditions on all outstanding restricted shares shall immediately lapse; and (3) the holders of performance shares will receive a payment in settlement of the performance shares, in an amount determined by the Compensation Committee, based on the target payment for the performance period and the portion of the performance period that precedes the change in control. If the Company is not the surviving entity, the successor is required to assume all unexercised options.

Payments. The following table quantifies the estimated payments that would be made in each covered circumstance to the following named executive officers:

Name	Termination By Company Without Cause (1)(4)	Change In Control (2)(4)	Involuntary Termination In Connection With or Following a Change In Control (3)(4)
Jess Jankowski	$ 367,000	$ 36,000	$ 770,000
Kevin Cureton	$ 160,000	$ 36,000	$ 196,000

(1) This amount represents the severance benefits that would be received under the executive officer's employment agreement as described had the executive officer been terminated by the Company without cause on December 31, 2023, including the value of any stock options that would have accelerated vesting in connection with such termination.

(2) This amount represents an estimate of the value that would have been received under the 2019 Equity Compensation Plan had a change in control occurred as of December 31, 2024, and the executive officers benefited from an acceleration of vesting in the 2019 Equity Compensation Plan awards, as described above.

(3) This amount represents an estimate of the payments and value (including acceleration of vesting of equity-based awards) that would have been received by the executive officers had the executive officers been terminated by the Company without cause on December 31, 2024 in connection with a change in control on this date.

(4) In all three columns, for purposes of calculating the value of the acceleration of vesting of equity-based awards relating to a change in control on December 31, 2024, the closing price of our common stock as of December 31, 2024, was used. The amount represents the difference between the exercise price of any unvested options and $2.26.

Recovery of Erroneously Awarded Compensation

On August 17, 2026, the Audit Committee, the Board of Directors and the Executive Officers of the Company concluded that the Company was required to prepare an accounting restatement to correct errors in previously issued financial statements relating to the capitalization and allocation of labor and manufacturing overhead costs in inventory. The restatement is described in Note 3 to the consolidated financial statements included in this Amendment.

In connection with the restatement, the Company applied its Clawback Policy (the "Recovery Policy"), adopted pursuant to Exchange Act Rule 10D-1 and Nasdaq Listing Rule 5608. The Compensation Committee determined that the Company was required to recover an aggregate of $252,785 of erroneously awarded incentive-based compensation received by certain current and former executive officers during the applicable recovery period, consisting of the fiscal years ended 2023, 2024, and 2025 (all of which compensation was based on fiscal year 2024 results and paid in 2025).

The recoverable amount is based on the Compensation Committee having awarded incentive compensation for fiscal year 2024 by applying minimum income-related thresholds to its performance metrics for any incentive compensation to be awarded. The Committee determined that the recalculated income-related results for fiscal year 2024 were below these thresholds. The Committee then further determined that the entire $252,785 amount of incentive compensation awarded to and received by the executive officers was therefore subject to clawback recovery. The recoverable amount was determined without regard to taxes paid by the affected executive officers.

The Company is accounting for the changes to compensation on a prospective basis when the clawback feature is triggered and when the recovery contingency occurs. The Company recorded a receivable and other income of $111,000 in the third quarter of 2026 for the compensation recovery that was probable. As of October 9, 2026, the Company had recovered $94,338, and $158,447 remained outstanding. The Compensation Committee will seek recovery of the remaining portion of the erroneously awarded incentive compensation from the executive officers in accordance with the Clawback Policy during the remainder of fiscal year 2026 and into 2027.

DIRECTOR COMPENSATION

Upon first being elected to the Board of Directors, each director of the Company who is not an employee or consultant of the Company (an "Outside Director") is granted stock options to purchase shares of common stock at the closing price as of the date of issuance (the fair market value). This initial option grant to an Outside Director typically vests over three years, though may accelerate upon termination from the Board of Directors.

In 2024, we paid quarterly compensation to the Chairman of the Board of Directors, for an annual total of $24,000. Our other two then Outside Directors, Ms. Beres and Mr. Miller were each paid quarterly compensation for an annual total of $18,000. This compensation was made solely for services performed by each in their capacities as directors.

During the fourth quarter of 2024, we granted our Outside Directors stock options totaling 30,000 shares under the 2019 Equity Plan, as follows: the Chairman of the Board of Directors received stock options to purchase 12,000 shares of our common stock, while the other two of the then Outside Directors received stock options to purchase 9,000 shares of our common stock. Our current Outside Directors had the following shares of our common stock underlying stock options (both vested and unvested) outstanding as of December 31, 2024: Ms. Whitmore: 59,934 shares; Ms. Beres: 61,600 shares; and Mr. Miller: 31,600 shares.

In 2005, we adopted, and our stockholders approved, the 2005 Non-Employee Director Restricted Stock Plan (the "Director Restricted Stock Plan") which reserved 150,000 shares of our common stock to be issued to Outside Directors in the form of restricted shares. In 2005, no awards were made under the Director Restricted Stock Plan. In 2005, we also adopted the Non-Employee Director Deferred Compensation Plan (the "Director Deferred Compensation Plan") which permits an Outside Director to defer the receipt of director fees until separation from service or the Company undergoes a change in control. We amended the Director Restricted Stock Plan in 2005 to permit an Outside Director to defer receipt of restricted stock granted under it. The deferred restricted shares are accounted for under the Director Deferred Compensation Plan and issued upon separation from service or the Company's change in control. Under the Director Deferred Compensation Plan, the deferred fees that would have been paid in cash are deemed invested in 5-year U.S. Treasury Bonds during the deferral period. The accumulated hypothetical earnings are paid following the Outside Director's separation from service or the Company's change in control. The deferred fees that would have been paid as restricted shares are deemed invested in our common stock during the deferral period. The Director Deferred Compensation Plan is an unfunded, nonqualified deferred compensation arrangement. In 2009, all Outside Directors elected to defer receipts of all of the restricted shares they became entitled to under the Director Restricted Stock Plan, which was consolidated into the 2010 Equity Plan. In November 2019, the 2010 Equity Plan was consolidated in to the 2019 Equity Compensation Plan.

All Outside Directors are reimbursed for their reasonable out-of-pocket expenses incurred in attending board and committee meetings.

	2024 Outside Director Compensation		
Name	Fees Earned or Paid in Cash ($)	Option Awards ($) (1)	Total ($)
R. Janet Whitmore	$ 24,000	$ 21,193	$ 45,193
Laura M. Beres	$ 18,000	$ 15,895	$ 33,895
Mark E. Miller	$ 18,000	$ 15,895	$ 33,895

(1) The amounts in this column represent the aggregate grant date fair value of awards granted in 2024 in accordance with FASB ASC Topic 718. See Note 11 of the notes to our financial statements contained elsewhere in this Form 10-K for a discussion of all assumptions made by us in determining the FASB ASC Topic 718 values.

It is not the Company's practice to issue named executive officer or other employees option grants before or after the disclosure of material non-public information. The board of directors approve all option grants. For the last several years options have been granted one time a year in December to named executive officers and other employee. The only exception to this practice is when option grants are made to qualifying new hires on or near their hire date. It is not the board's policy or practice to time the release of material non-public information and the issuance of option grants to affect the value of the named executives' compensation.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this Form 10-K:

1. The following financial statements of the Company, with the report of independent registered public accounting firm, are filed as part of this Form 10-K:

   Report of Independent Registered Public Accounting Firm
   Consolidated Balance Sheets as of December 31, 2024 and 2023
   Consolidated Statements of Operations for the Years Ended December 31, 2024 and 2023
   Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2024 and 2023
   Consolidated Statements of Cash Flows for the Years Ended December 31, 2024 and 2023

   Notes to Consolidated Financial Statements

2. A list of exhibits required to be filed as part of this Form 10-K is set forth in the Exhibit Index beginning on page E-1 of this Form 10-K, and is incorporated herein by reference.

SOLESENCE, INC

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
Report of Independent Registered Public Accounting Firm (PCAOB ID No. 49)	F-2
Consolidated Balance Sheets as of December 31, 2024 and 2023	F-4
Consolidated Statements of Operations for the years ended December 31, 2024 and 2023	F-5
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2024 and 2023	F-6
Consolidated Statements of Cash Flows for the years ended December 31, 2024 and 2023	F-7
Notes to the Consolidated Financial Statements	F-8

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Solesence, Inc.

Opinion on the Financial Statements
We have audited the accompanying consolidated balance sheets of Solesence, Inc. and its subsidiaries, formerly known as Nanophase Technologies Corporation, (the Company) as of December 31, 2024 and 2023, the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 3 to the financial statements, the 2024 and 2023 financial statements have been restated to correct a misstatement.

Basis for Opinion
These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter
The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Inventory Excess and Obsolete Reserve
As described within Note 2 and Note 5 to the consolidated financial statements, the Company has recorded an allowance to reduce inventory relating to excess quantities or the obsolescence of certain products. As of December 31, 2024, the Company has reported inventories of approximately $15,616,000, net of an excess and obsolete reserve of $1,657,000. The Company monitors the value of inventory for the effects of aging, obsolescence, and seasonality, and recognizes a reserve equal to the value of inventory that will likely not be consumed in production or sold and therefore will experience an impairment. Such inventory may consist of materials nearing expiration, soon-to-be obsolete products or raw materials that are no longer regularly used.

We identified the valuation of the inventory excess and obsolete reserve as a critical audit matter because of the significant assumption and judgments made by management. Auditing management's assumption and judgments regarding their expectations of inventory that will not be consumed in production or sold, and evaluating evidence obtained, involved a high degree of auditor judgment, subjectivity and increased audit effort.

Our audit procedures related to the Company's evaluation of the excess and obsolete inventory reserve included the following primary procedures, among others:

- We reviewed the Company's accounting policy to understand management's estimation methodology and their significant assumption, assess consistency and identify changes from prior years.
- We performed corroborative inquiries with management and those in purchasing, operations, warehousing and production to understand the basis for the reserve.
- We evaluated the reasonableness of the significant assumption used by management including those related to identifying materials nearing expiration, soon-to-be obsolete products or raw materials that are no longer regularly used.
- We tested the completeness, accuracy and relevance of the underlying data used in management's estimate of excess and obsolete inventory.
- We tested the calculations and application of management's methodologies related to the valuation of excess and obsolete inventory.
- We performed a comparison of current year activity to the prior year reserve to assess the reasonableness of the Company's reserves and identify potential indicators of management bias that may be present.
- We obtained management's evaluation of the reasonableness of their significant assumption and reperformed calculations within to test for mathematical accuracy. We tested the completeness of the inventory subjected to their analysis. In addition, we tested the reliability of data underpinning management's analysis, including historical sales and usage data.

/s/ RSM US LLP

We have served as the Company's auditor since 2001.

Milwaukee, Wisconsin
March 31, 2025, except for Notes 3 and 4, as to
which the date is November 10, 2026

SOLESENCE, INC.

CONSOLIDATED BALANCE SHEETS (AS RESTATED)

	As of December 31,	
	2024 (As Restated)	2023 (As Restated)
	(in thousands except share and per share data)	
ASSETS		
Current assets:		
Cash	$ 1,409	$ 1,722
Trade accounts receivable	5,655	3,692
Allowance for credit losses	(786)	(225)
Trade accounts receivable, net	4,869	3,467
Inventories, net	15,616	8,516
Prepaid expenses and other current assets	2,803	1,082
Total current assets	24,697	14,787
Equipment and leasehold improvements, net	12,734	8,668
Operating leases, right of use	7,917	7,907
Other assets, net	3	4
Total assets	$ 45,351	$ 31,366
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Line of credit – accounts receivable, related party	$ —	$ 2,810
Line of credit – inventory, related party	4,000	—
Current portion of term debt, related party	—	2,000
Term debt, related party	1,000	—
Current portion of operating lease obligations	1,260	1,297
Accounts payable	9,093	6,260
Deferred revenue	5,571	2,353
Accrued expenses	4,849	869
Total current liabilities	25,773	15,589
Long-term portion of operating lease obligations	9,037	9,152
Long-term line of credit – inventory, related party	—	5,000
Long-term debt, related party	—	1,000
Asset retirement obligations	246	238
Total long-term liabilities	9,283	15,390
Stockholders' equity:		
Preferred stock, $.01 par value, 24,088 shares authorized, and no shares issued and outstanding	—	—
Common stock, $.01 par value, 95,000,000 and 60,000,000 shares authorized; 70,103,279 and 49,627,254 shares issued and outstanding on December 31, 2024 and 2023, respectively	700	496
Additional paid-in capital	114,674	106,069
Accumulated deficit	(105,079)	(106,178)
Total stockholders' equity	10,295	387
Total liabilities and stockholders' equity	$ 45,351	$ 31,366

(See accompanying Notes to Consolidated Financial Statements)

SOLESENCE, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS (AS RESTATED)

	Years ended December 31,	
	2024 (As Restated)	2023 (As Restated)
	(in thousands except share and per share data)	
Revenue:		
Product revenue	$ 51,890	$ 36,641
Other revenue	457	656
Total revenue	52,347	37,297
Operating expense:		
Cost of revenue	39,295	30,019
Gross profit	13,052	7,278
Research and development expense	3,837	3,837
Selling, general and administrative expense	7,219	7,534
Net income (loss) from operations	1,996	(4,093)
Interest expense	670	838
Net income (loss) before provision for income taxes	1,326	(4,931)
Provision for income taxes	227	6
Net income (loss)	$ 1,099	$ (4,937)
Net income (loss) per share-basic	$ 0.02	$ (0.10)
Weighted average number of basic common shares outstanding	62,350,459	49,556,305
Net income (loss) per share-diluted	$ 0.02	$ (0.10)
Weighted average number of diluted common shares outstanding	65,028,815	49,556,305

(See accompanying Notes to Consolidated Financial Statements)

SOLESENCE INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (2024 AND 2023 AS RESTATED)
(in thousands except share data)

	Preferred Stock		Common Stock				
Description	**Shares**	**Amount**	**Shares**	**Amount**	**Additional Paid-in Capital**	**Accumulated Deficit (As Restated)**	**Total (As Restated)**
Balance on December 31, 2022 (previously reported)	—	$ —	49,320,680	$ 493	$ 105,226	$ (100,070)	$ 5,649
Restatement adjustment (Note 3)	—	—	—	—	—	(968)	(968)
Balance on December 31, 2022 (as restated)	—	$ —	49,320,680	$ 493	$ 105,226	$ (101,038)	$ 4,681
Cumulative effect of accounting changes related to expected credit losses	—	—	—	—	—	(203)	(203)
Issuances of shares and stock option exercises	—	—	306,574	3	151	—	154
Stock-based compensation	—	—	—	—	773	—	773
Rights offering expense	—	—	—	—	(81)	—	(81)
Net loss for the year ended December 31, 2023 (as restated)	—	—	—	—	—	(4,937)	(4,937)
Balance on December 31, 2023 (as restated)	—	$ —	49,627,254	$ 496	$ 106,069	$ (106,178)	$ 387
Issuances of shares and stock option exercises	—	—	20,476,025	204	7,880	—	8,084
Stock-based compensation	—	—	—	—	725	—	725
Net income for the year ended December 31, 2024 (as restated)	—	—	—	—	—	1,099	1,099
Balance on December 31, 2024 (as restated)	—	$ —	70,103,279	$ 700	$ 114,674	$ (105,079)	$ 10,295

(See accompanying Notes to Consolidated Financial Statements)

SOLESENCE INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (AS RESTATED)

	Years Ended December 31,	
	2024 (As Restated)	2023 (As Restated)
	(in thousands)	
Operating activities:		
Net income (loss)	$ 1,099	$ (4,937)
Adjustments to reconcile net income (loss) to cash provided by (used) in operating activities:		
Depreciation and amortization	928	742
Share-based compensation	725	773
Changes in assets and liabilities related to operations:		
Trade accounts receivable, net	(1,402)	1,064
Inventories, net	(7,100)	(645)
Prepaid expenses and other assets	(1,721)	(216)
Accounts payable	2,399	(503)
Deferred revenue	3,218	165
Accrued expenses	3,988	(146)
Net changes in right-of-use assets and lease liabilities – operating	(163)	1,697
Net cash provided by (used in) operating activities	1,971	(2,006)
Investing activities:		
Acquisition of equipment and leasehold improvements	(4,558)	(1,051)
Net cash used in investing activities	(4,558)	(1,051)
Financing activities:		
Payments to line of credit – accounts receivable, related party	(2,810)	(1,472)
(Payments to) proceeds from line of credit - inventory, related party	(1,000)	2,000
Payments to term loans, related party	(2,000)	(1,346)
Proceeds from term loans, related party	—	3,338
Proceeds from issuance of mezzanine preferred stock	6,000	—
Proceeds from exercise of stock options	2,084	73
Net cash provided by financing activities	2,274	2,593
Decrease in cash	(313)	(464)
Cash at beginning of period	1,722	2,186
Cash at end of period	$ 1,409	$ 1,722
Supplemental cash flow information:		
Cash paid for interest	$ 637	$ 752
Supplemental non-cash investing and financing activity:		
Accounts payable incurred for the purchase of equipment and leasehold improvements	$ 434	$ 400
Conversion of mezzanine preferred stock	6,000	—
Right-of-use asset obtained in exchange for a lease liability	1,019	182

(See accompanying Notes to Consolidated Financial Statements)

(1) Description of Business

Nanophase Technologies Corporation, now known as Solesence, Inc. ("Solésence," "Company," "we," "our," or "us"), is a science-driven company which, along with its wholly owned subsidiary, Solésence, LLC (our "Solésence consumer products subsidiary"), is focused in various skin health- and beauty- markets. Using consumer health as our end-goal and science and innovation to guide the path, skin health and medical diagnostics combined currently make up the great majority of our business and drive our forward growth strategy. We offer engineered materials, formulation development and commercial manufacturing through an integrated family of technologies. Our expertise in materials engineering allows us to effectively coat and disperse particles on a nano and "non-nano" scale for use in a variety of skin health markets, including for use in sunscreens as active ingredients and as fully developed prestige skin care and cosmetics products, marketed and sold through our consumer products line. Additionally, we continue to sell products in legacy markets, including medical diagnostics, architectural coatings, industrial coating applications, abrasion-resistant additives, and plastics additives, all of which fall into the advanced materials product category.

We target markets; primarily related to skin health products and ingredients where we believe our materials and products offer practical and competitive minerals-based solutions. We traditionally work closely with current customers in these target markets to identify their material and performance requirements. We market our Solésence® products to cosmetics and skin care brands, and our other materials to various end-use applications manufacturers.

Recently developed technologies have made certain new products possible and opened potential new markets. During 2015 we were granted a patent on a new type of particle surface treatment (coating) — now called Original Active Stress Defense ™ Technology — which has become the cornerstone of our new product development in consumer products line, with first revenue recognized during 2016. Active Stress Defense™ now refers to a suite of three proprietary technologies — Original Active Stress Defense™, Kleair™, and Bloom™ — all three of which either utilize a unique and proprietary, mineral-based technology or work synergistically with one of our unique and proprietary, mineral-based technologies to improve performance and/or aesthetics. Our ongoing innovation efforts include new IP in areas that advance environmental protection, align with market needs, and complement our existing technologies Through the creation of our consumer products line, we utilize our technology suite to manufacture and sell fully developed solutions to targeted customers in the skin care industry, typically in prestige skin care and cosmetics markets, in addition to the ingredients we have traditionally sold in the personal care area.

Although our primary strategic focus has been the North American market, we currently sell materials to customers overseas and have been working to expand our reach within foreign markets. Our common stock trades on the OTCQB marketplace under the symbol NANX.

While product sales comprise the majority of our revenue, we also recognize revenue from other sources from time to time. These activities are not expected to drive the long-term growth of the business. For this reason, we classify such revenue as "other revenue" in our Consolidated Statements of Operations, as it does not represent revenue directly from the sale of our products.

The Company recorded net income, as restated, of $1,099 and positive cash flow from operations in 2024. At December 31, 2024, current liabilities exceeded current assets, as restated, by $1,076. In addition, the company reduced outstanding debt. As explained in Note 4, the Company's debt has been refinanced to extend maturity to May 31, 2028. Management believes that current liquidity and expected borrowing capacity are sufficient to fund operations and substantial doubt is not raised regarding the Company's ability to continue as a going concern. See Note 4 for additional information.

(2) Summary of Significant Accounting Policies

Use of Estimates and Risks and Uncertainties

The preparation of financial statements requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Certain assumptions are also necessary to assess the impact of risks and uncertainties on the financial statements, such as cash flow projections, availability of capital if needed to support the ongoing operations of the business, and our expected compliance with contractual commitments. These risks and uncertainties are further discussed in Note 13. Any changes in these assumptions or business plans could have a material impact on the financial statements.

Cash

The Cash balance on December 31, 2024 consists of funds borrowed from our Revolving Line of Credit, which is facilitated by Beachcorp, LLC. Our ability to access cash from our credit facilities depends on carrying an Accounts Receivable or Inventory balance greater than the outstanding loan balances in the Revolving Lines of Credit. As part of the agreement, we are required to have a bank account in place to act as a depository account for our customers. This account is referred to as the Control Account. Furthermore, there is an Account Control Agreement in place which provides Beachcorp, LLC the ability to exercise control over the account via approval of requested transfers. According to our agreements with Beachcorp, LLC, Solésence is to be the party initiating any transfers, whether to Solésence or to Beachcorp, LLC, and approval to access any monies within this account can only be withheld by Beachcorp, LLC if the borrowing base falls below the Company's qualified receivables, or if we are in arrears with respect to interest payments due Beachcorp, LLC. The failure of Solésence to remedy the previously mentioned conditions could lead to Beachcorp, LLC gaining the right, through a "springing" feature administered by Libertyville Bank and Trust, a Wintrust Community Bank ("Libertyville"), to transfer funds to itself without direct approval from Solésence. Cash is held at a federally insured institution, but our cash balances at times exceed insured limits. The Company has not experienced any losses related to these statutory limits.

Trade Accounts Receivable, Net

Trade accounts receivable are carried at original invoice amount less an estimate made for future credit losses based on a review of all outstanding amounts on a monthly basis, and written off when deemed uncollectible We determine the allowance for credit losses by identifying troubled accounts and by using historical experience applied to an aging of accounts, as well as expected losses based on the current and anticipated macroeconomic environment. Recoveries of trade accounts receivable previously written off are recorded when received. Our typical credit terms are between thirty and sixty days from shipment and invoicing.

	2024	2023
Balance, beginning	$ 225	$ 139
Current period provisions	564	95
Write offs	(3)	(9)
Balance, ending	$ 786	$ 225

Inventories, Net

Inventories are stated at the lower of cost, maintained on an average cost basis, or net realizable value. Cost includes applicable direct costs and allocated manufacturing overhead. The inventory-costing correction is described in Note 3. We have recorded allowances to reduce inventory relating to excess quantities of certain materials. Write-downs of inventories establish a new cost basis, which is not increased for future increases in market value of inventories or changes in estimated excess quantities.

Equipment and Leasehold Improvements

Equipment is stated at cost and is being depreciated over its estimated useful life (3-20 years) using the straight-line method. Leasehold improvements are stated at cost and are being amortized using the straight-line method over the shorter of the useful life of the asset or the term of the lease (3-7 years). Depreciation expense for leased assets is included with depreciation expense for owned assets. From time to time we have self-constructed assets. These assets are stated at cost plus the capitalization of labor and are depreciated over an estimated useful life (7-10 years) using the straight-line method.

Long Lived Assets

We review long-lived assets for impairment whenever events or changes in circumstances indicate that the asset's carrying amount may not be recoverable. We conduct long-lived asset impairment analyses in accordance with ASC 360-10-15, *Impairment or Disposal of Long-Lived Assets*. ASC 360-10-15 requires us to group assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities and evaluate the asset group against the sum of the undiscounted future cash flows. If the undiscounted cash flows do not indicate the carrying amount of the asset is recoverable, an impairment charge is measured as the amount by which the carrying amount of the asset group exceeds its fair value based on discounted cash flow analysis or appraisals. Based upon our analysis, there were no impairment charges recognized in either period presented.

Deferred Revenue

The Company records a contract liability for development projects due to the contractual billing of these projects not always aligning with revenue recognition. In addition, it is now the Company's policy to frequently require deposits relating to the production of our Solésence products. Of the total $5,571 in deferred revenue reported in 2024, 99% related to prepayments received from certain customers per Company policy, and the remaining 1% related to prepayments from a product development agreement with a personal care ingredient customer.

Financial Instruments

We follow ASC Topic 820, *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets or liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment.

Our financial instruments include cash, accounts receivable, accounts payable and accrued expenses, along with any short-term and long-term borrowings as described in Note 4. The carrying values of cash and cash equivalents, accounts receivable, and accounts payable and accrued expenses are reasonable estimates of their fair value due to the short-term nature. The fair value of short-term and long-term debt approximates carrying value based on comparison of terms to similar debt offering in the marketplace.

There were no financial instruments adjusted to fair value on December 31, 2024 and 2023.

Product Revenue

Revenues are recognized when control of the promised goods is transferred to customers, in an amount that reflects the consideration we expect to receive in exchange for those goods. When our ingredients and finished products are shipped, with control being transferred at the shipping point, is the point in time at which we recognize the related revenue.

We generally expense sales commissions when incurred because the amortization period would have been one year or less. These costs are recorded within selling, general and administrative expenses. Customers' deposits, deferred revenue and other receipts are deferred and recognized when the revenue is realized and earned. Cash payments to customers are classified as reductions of revenue in our statements of operations. For select customers the Company may pay volume rebates which are variable in nature due the amount the select customer will take. In 2024 one customer earned a volume rebate of $35. In 2023 no volume rebates were recorded because the customers did not meet required volumes.

As part of the sales process, it is common for the Company to receive customer deposits. These deposits are typically held for less than a year and do not result in a financing component to the sales. The customer deposits are recognized as revenue when the Company ships the finished goods to the customer. Revenue is recognized when the goods are shipped

The Company will for some customers arrange for the shipping of the finished goods. Revenues and costs associated with the shipment of the finished goods are recorded separately within product revenue and cost of revenue, respectively, on the consolidation statement of operations. With regard to revenue recognition, shipping activities that occur prior to the customers' obtaining control of the goods are not a promised service to the customer, but rather activities to fulfill the Company's promise to transfer the goods. As such, these activities are not deemed a performance obligation requiring allocation of the transaction price. Similarly, shipping activities that occur after the customers' obtaining control of the goods are, as a matter of policy, also not a promised service to the customer, but rather an activity to fulfill the Company's promise to transfer the good.

Contract balances for the years ended December 31, 2024, 2023, and 2022 are as follows:

	Accounts Receivable	Contract Liabilities
2022	$ 4,734	$ 2,188
2023	3,467	2,353
2024	4,869	5,571

Revenue recognized in the reporting period that was included in the contract liability balance at the beginning of the period was $2,074 and $2,084 for the years ended December 31, 2024, and 2023, respectively.

Other Revenue

Other revenue may include revenue from technology license fees and paid development projects. Technology license fees and paid development projects are recognized over time when the obligations under the agreed upon contractual arrangements are performed on our part. Revenue recognized over time was $457 and $656 for the years ended December 31, 2024 and 2023, respectively.

Research and Development Expenses

Research and development expenses are recognized as expense when incurred.

Income Taxes

We account for income taxes using the asset-and-liability approach. As such, 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 for income tax purposes. Deferred tax assets and liabilities are calculated using the enacted tax rates and laws that are expected to be in effect when the anticipated reversal of these differences is scheduled to occur. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some or all of the deferred tax assets will not be realized.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured, as described above, is reflected as a liability for uncertain tax benefits in the accompanying balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

We have not recorded a reserve for any tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. We file tax returns in all appropriate jurisdictions, which includes a federal tax return and Illinois state tax return. When and if applicable, potential interest and penalty costs are accrued as incurred, with expenses recognized in selling, general and administrative expenses in the statements of operations. As of December 31, 2024, and 2023, we had no liability for unrecognized tax benefits.

Earnings Per Share

Included in the computation of diluted earnings per share for the year ended December 31, 2024, was a total of 2,678,000 in potential shares of common stock. Options to purchase approximately 889,000 shares of common stock that were outstanding as of December 31, 2023 were not included in the computation of earnings per share for the year ended December 31, 2023, as they would have been anti-dilutive owing to the loss reported for the period.

Earnings applicable to common stock and common stock shares used in the calculation of basic and diluted earnings per share are as follows:

	Years Ended December 31,	
	2024 (As Restated)	2023 (As Restated)
Numerator: (in Thousands)		
Net income (loss)	$ 1,099	$ (4,937)
Denominator:		
Weighted average number of basic common shares outstanding	62,350,459	49,556,305
Weighted average additional shares assuming conversion of in-the-money stock options to common shares	2,678,356	—
Weighted average number of diluted common shares outstanding	65,028,815	49,556,305
Basic earnings per common share:		
Net income (loss) per share – basic	$ 0.02	$ (0.10)
Diluted earnings per common share:		
Net income (loss) per share – diluted	$ 0.02	$ (0.10)

Recently Adopted Pronouncements

In November 2023 the FASB issued ASU 2023-07 "*Improvements to Reportable Segment Disclosures*", which the Company adopted in 2024. The amendments in this Update improve financial reporting by requiring disclosure of incremental segment information on an annual and interim basis for all public entities to enable investors to develop more decision-useful financial analyses.

Topic 280 requires that a public entity disclose certain information about its reportable segments. For example, a public entity is required to report a measure of segment profit or loss that the Chief Operating Decision Maker uses to assess segment performance and make decisions about allocating resources. Topic 280 also requires other specified segment items and amounts, such as depreciation, amortization, and depletion expense, to be disclosed under certain circumstances. The amendments in this Update do not change or remove those disclosure requirements.

The amendments in this Update also do not change how a public entity identifies its operating segments, aggregates those operating segments, or applies the quantitative thresholds to determine its reportable segments.

This Update did not have a significant impact on the Company.

Recently Issued Pronouncements

On December 14, 2023 the FASB issued a final standard on improvements to income tax disclosures. The standard requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. The standard is intended to benefit investors by providing more detailed income tax disclosures that would be useful in making capital allocation decisions. ASU 2023-09, Improvements to Income Tax Disclosures, applies to all entities subject to income taxes. This new requirement will be effective for Solésence for annual periods beginning December 31, 2025. The Company is currently evaluating the impact of the adoption of this standard on the consolidated financial statements.

(3) Restatement of Previously Issued Consolidated Financial Statements

The Company has restated its previously issued consolidated financial statements as of December 31, 2024 and 2023 and for the years then ended to correct errors in the determination and application of overhead burden rates used in inventory costing. The errors resulted in overstated raw materials and finished goods inventories, on a net basis after considering the overstatement of reserves for excess and obsolete inventories and understated cost of revenue. The correction decreased inventories, total assets and stockholders' equity and increased accumulated deficit. The restatement has changed the Consolidated Financial Statements and Notes 1, 2, 5, 9 and 14.

The correction reduced net inventories by approximately $4.651 million and $1.515 million at December 31, 2024 and 2023, respectively. Net inventories as restated include reserves for excess and obsolete inventory of $1.657 million and $0.639 million, respectively. Cost of revenue increased by approximately $3.136 million and $0.547 million for the years ended December 31, 2024 and 2023, respectively.

The 2023 correction includes approximately $0.968 million of inventory overstatement that existed at December 31, 2022. The cumulative $0.968 million correction is reflected in beginning inventory and accumulated deficit for 2023, and the remaining $0.547 million correction was reflected in 2023 cost of revenue.

The restatement adjustments presented below do not impact previously reported provisions for income taxes of $227 and $6 for 2024 and 2023, however, components of deferred taxes and the related valuation allowance have been corrected in Note 9. Weighted-average basic and diluted common shares outstanding were unchanged.

The restatement did not affect actual cash receipts or payments. With respect to the consolidated statement of cash flows, the changes to net income (loss) and the year-over-year change in inventory balance offset each other, resulting in no change to net cash provided by (used in) operating activities. Net cash flows from investing and financing activities and beginning and ending cash balances were also unchanged.

Consolidated Balance Sheet
December 31, 2024

The following tables summarize the effects of the restatement. Amounts are in thousands, except per-share amounts.

	As Previously Reported	Restatement Adjustment	As Restated
Inventories, net	$ 20,267	$ (4,651)	$ 15,616
Total current assets	29,348	(4,651)	24,697
Total assets	50,002	(4,651)	45,351
Accumulated deficit	(100,428)	(4,651)	(105,079)
Total stockholders' equity	14,946	(4,651)	10,295
Total liabilities and stockholders' equity	50,002	(4,651)	45,351

Consolidated Statement of Operations
Year Ended December 31, 2024

	As Previously Reported	Restatement Adjustment	As Restated
Cost of revenue	$ 36,159	$ 3,136	$ 39,295
Gross profit	16,188	(3,136)	13,052
Income from operations	5,132	(3,136)	1,996
Income before income taxes	4,462	(3,136)	1,326
Net income	4,235	(3,136)	1,099

Net Income (Loss) Per Common Share
Year Ended December 31, 2024

	As Previously Reported	Restatement Adjustment	As Restated
Basic	$ 0.07	$ (0.05)	$ 0.02
Diluted	0.07	(0.05)	0.02

Consolidated Statement of Stockholders' Equity
Year Ended December 31, 2024

	As Previously Reported	Restatement Adjustment	As Restated
Accumulated deficit at December 31, 2023	$ (104,663)	$ (1,515)	$ (106,178)
Net income	4,235	(3,136)	1,099
Accumulated deficit at December 31, 2024	(100,428)	(4,651)	(105,079)
Total stockholders' equity at December 31, 2024	14,946	(4,651)	10,295

Consolidated Statement of Cash Flows
Year Ended December 31, 2024

	As Previously Reported	Restatement Adjustment	As Restated
Net income	$ 4,235	$ (3,136)	$ 1,099
Change in inventories	(10,236)	3,136	(7,100)
Net cash provided by operating activities	1,971	—	1,971

Consolidated Balance Sheet
December 31, 2023

	As Previously Reported	Restatement Adjustment	As Restated
Inventories, net	$ 10,031	$ (1,515)	$ 8,516
Total current assets	16,302	(1,515)	14,787
Total assets	32,881	(1,515)	31,366
Accumulated deficit	(104,663)	(1,515)	(106,178)
Total stockholders' equity	1,902	(1,515)	387
Total liabilities and stockholders' equity	32,881	(1,515)	31,366

Consolidated Statement of Operations
Year Ended December 31, 2023

	As Previously Reported	Restatement Adjustment	As Restated
Cost of revenue	$ 29,472	$ 547	$ 30,019
Gross profit	7,825	(547)	7,278
Loss from operations	(3,546)	(547)	(4,093)
Loss before income taxes	(4,384)	(547)	(4,931)
Net loss	(4,390)	(547)	(4,937)

Net Income (Loss) Per Common Share
Year Ended December 31, 2023

	As Previously Reported	Restatement Adjustment	As Restated
Basic	$ (0.09)	$ (0.01)	$ (0.10)
Diluted	(0.09)	(0.01)	(0.10)

Consolidated Statement of Stockholders' Equity
Year Ended December 31, 2023

	As Previously Reported	Restatement Adjustment	As Restated
Accumulated deficit at December 31, 2022, after adoption of the expected-credit-loss standard	$ (100,273)	$ (968)	$ (101,241)
Net loss	(4,390)	(547)	(4,937)
Accumulated deficit at December 31, 2023	(104,663)	(1,515)	(106,178)
Total stockholders' equity at December 31, 2023	1,902	(1,515)	387

Consolidated Statement of Cash Flows
Year Ended December 31, 2023

	As Previously Reported	Restatement Adjustment	As Restated
Net loss	$ (4,390)	$ (547)	$ (4,937)
Change in inventories	(1,192)	547	(645)
Net cash used in operating activities	(2,006)	—	(2,006)

(4) Related Party Notes and Lines of Credit

Notes and lines of credit consist of the following:

		As of December 31,			
		2024		2023	
	Rate	Available	Outstanding Balance	Available (restated)	Outstanding Balance
Libertyville Bank & Trust [1]	8.50%	$ 30	$ —	$ 30	$ —
Libertyville Bank & Trust [2]	8.50%	500	—	500	—
Beachcorp, LLC [3]	8.25%	5,604	—	3,298	2,810
Beachcorp, LLC [4]	8.25%	5,200	4,000	4,524	5,000
Strandler, LLC [5]	8.25%	1,000	1,000	1,000	1,000
Strandler, LLC [6]	9.25%	—	—	2,000	2,000

1) Since July 2014, we have maintained a bank-issued letter of credit for up to $30 in borrowings, with interest at the prime rate plus 1%, to support our obligations under our Romeoville, Illinois facility lease agreement. No borrowings have been incurred under this promissory note. It is our intention to renew this note annually. Because there were no amounts outstanding on the note at any time during 2024 or 2023, we have recorded no related liability on our balance sheet.

2) On December 21, 2021, the existing credit agreement with Libertyville was converted for use to support our obligations under our newly leased manufacturing and warehouse space in Bolingbrook, Illinois. Interest on drawn balances will be at the prime rate plus 1%. This credit agreement has a maturity of December 22, 2025. We expect to renew this agreement annually, as the lease requires. This credit agreement is secured by all the unencumbered assets of the Company and has superior collateral rights to those credit facilities with Beachcorp, LLC and Strandler, LLC.

3) On January 28, 2022, the Company entered into an Amended and Restated Business Loan Agreement (the "A&R Loan Agreement"), which amends and restates the Master Agreement between the Company and Beachcorp, LLC, and a new promissory note in order to evidence the A/R Revolver facility, including an amendment to expand the limit on the A/R Revolver Facility from $6,000 to $8,000, reduce the interest rate to the prime rate plus 0.75%, and extend the maturity of the A/R Revolver Facility to March 31, 2024. On March 1, 2024, the Company entered into a Second Amendment to the Amended and Restated Business Loan Agreement extending the maturity of the A/R Revolver Facility to October 1, 2025. On May 27, 2025, the Company entered into a Third Amendment to the Amended and Restated Business Loan Agreement to expand the limit on the A/R Revolver Facility from $8,000 to $12,000, and extend its maturity to April 30, 2027. On September 30, 2026, the Company entered into a Fourth Amendment to the Amended and Restated Business Loan Agreement to extend its maturity to May 31, 2028.

4) On January 28, 2022, the Company entered into the A&R Loan Agreement and a new revolving loan agreement ("Inventory Facility") with Beachcorp, LLC, and a new promissory note in order to evidence the Inventory Facility. The maximum borrowing amount under the Inventory Facility was $4,000, with a borrowing base consisting of up to 50% of the value of qualified inventory of the Company. The interest rate for the Inventory Revolver is at the prime rate plus 0.75%, and it was set to mature on March 31, 2024. On November 13, 2023, the Company entered into a Replacement Promissory Note with Beachcorp, LLC replacing the Inventory Facility promissory note executed on January 28, 2022. The maximum borrowing amount under the replacement Inventory Facility was increased to $5,200, with a borrowing base consisting of up to 55% of the value of qualified inventory of the Company. The interest rate for the replacement Inventory Revolver remains at the prime rate plus 0.75%. On March 1, 2024, the company entered into a Second Amendment to the Business Loan Agreement extending the maturity of the Inventory Revolver Facility to October 1, 2025. On May 27, 2025, the Company entered into a Third Amendment to the Business Loan Agreement to expand the limit on the Inventory Revolver Facility from $5,200 to $10,000, and extend its maturity to April 30, 2027. On September 30, 2026, the Company entered into a Fourth Amendment to the Business Loan Agreement to extend its maturity to May 31, 2028. As described above in Note 3 (Restatement of Previously Issued Consolidated Financial Statements), the Company recently identified errors in its historical accounting for labor and overhead included in inventories. As a result, inventories were overstated in past borrowing base calculations under the Inventory Facility. Effective and dated as of August 17, 2026, Beachcorp, LLC provided a waiver of all breaches, defaults and events of default under the Inventory Facility as a result of the inventory related accounting matters described in Note 3, with respect to up to $3,000 per occurrence, of over-advances on the Inventory Revolving Loans. The Company does not expect there to be any prospective impact on the compliance or availability of the Inventory Facility.

5) On January 28, 2022, the Company entered into an additional Business Loan Agreement (the "New Term Loan Agreement") with Strandler, LLC, which effectively transferred or assigned the Term Loan to Strandler, LLC from Beachcorp, LLC. Interest on the New Term Loan is at the prime rate plus 0.75%. Strandler, LLC is also an affiliate of Bradford T. Whitmore. On March 1, 2024, the company entered into a Second Amendment to the Business Loan Agreement extending the maturity of the Term Maturity Note to October 1, 2025. On May 27, 2025, the Company entered into a Third Amendment to the Business Loan Agreement extending the maturity of the Term Maturity Note to April 30, 2027. On September 30, 2026, the Company entered into a Fourth Amendment to the Business Loan Agreement extending the maturity of the Term Maturity Note to May 31, 2028. On November 4, 2026, Strandler, LLC assigned to Whitmore Holdings, LLC all of its rights as a lender under the New Term Loan agreement.

6) On November 13, 2023, the Company entered into a new Promissory Note (the "Bridge Note") with Strandler, LLC. The maximum borrowing amount under the Bridge Note was $2,000. The interest rate for the Bridge Note was at the prime rate plus 0.75%, and it was to mature on May 13, 2024. The Bridge Note was repaid in February 2024.

The Company classifies the line of credit – accounts receivable as current because we are required to pay back the borrowings as cash is received from our customers. The company's remaining debt is presented within the Consolidated Balance Sheet as of December 31, 2024, and 2023 in accordance with the maturity dates in the financing agreements.

Beachcorp, LLC, Strandler, LLC and Whitmore Holdings. LLC are affiliates of Mr. Bradford T. Whitmore, who beneficially owns a majority of the Company's common stock and is the brother of Ms. R. Janet Whitmore, a director of the Company and the chair of the Company's board of directors. The A/R Revolver Facility, the Inventory Facility and the New Term Loan are all secured by all the unencumbered assets of the Company and subordinated to the Company's credit facility with Libertyville Bank & Trust. The Company's loan agreements with Strandler, LLC and Beachcorp, LLC were amended on September 30, 2026 to extend their maturity dates to May 31, 2028.

Related party interest expense consists of the following:

	Twelve Months Ended December 31,	
	2024	2023
Interest expense, related parties	$ 656	$ 770

Accrued interest consists of the following:

	As of December 31,	
	2024	2023
Accrued interest expense, related parties	$ 36	$ 81

Outstanding balances associated with related parties are as follows:

	As of December 31,	
	2024	2023
Beachcorp, LLC	$ 4,000	$ 7,810
Strandler, LLC	1,000	3,000

(5) Inventories, net as Restated

Inventories consist of the following:

	As of December 31,	
	2024 (As Restated)	2023 (As Restated)
Raw materials	$ 12,860	$ 7,030
Finished goods	4,413	2,125
Inventory reserve	(1,657)	(639)
Total Inventories, net	$ 15,616	$ 8,516

(6) Equipment and Leasehold Improvements

Equipment and leasehold improvements consist of the following:

	As of December 31,	
	2024	2023
Machinery and equipment	$ 23,551	$ 23,339
Office equipment	1,014	1,014
Office furniture	126	126
Leasehold improvements	5,153	5,157
Construction in progress	5,706	931
	35,550	30,567
Less: Accumulated depreciation and amortization	(22,816)	(21,899)
	$ 12,734	$ 8,668

Depreciation expense was $918 and $732, for the years ended December 31, 2024 and 2023, respectively.

(7) Lease Commitments

The Company's operating lease portfolio is comprised of operating leases for office, warehouse space and equipment. Certain of the Company's leases include one or more options to renew or terminate the lease at the Company's discretion. The Company regularly evaluates the renewal and termination options and when they are reasonably certain of exercise, includes the renewal or termination option in our lease term. The Company has one sublease of currently unused floorspace that is month-to-month.

The discount rates used for leases accounted for under ASC 842 are based on an interest rate yield curve developed for the leases in the Company's portfolio.

On September 1st of 2024 the facility located at 1319 Marquette Drive in Romeoville was extended through January 31, 2028. Additionally, on that same day, the facility located at 453 Commerce St in Burr Ridge was extended for one year. The present value of future lease payments associated with these extensions resulted in the addition of a ROU asset and lease liability totaling $1,019.

The office leases contain variable lease payments which consist primarily of taxes, insurance, and common area or other maintenance costs, which are paid based on actual costs incurred by the lessor. The Company has elected to utilize the available practical expedient to combine lease and non-lease components for building leases.

Quantitative information regarding the Company's leases is as follows:

	Twelve Months Ended December 31, 2024	Twelve Months Ended December 31, 2023
Components of lease cost		
Operating lease cost components:		
Operating lease cost	1,944	1,881
Variable lease cost	684	581
Short-term lease cost	334	112
Sub-lease income	(511)	(786)
Total operating lease costs	2,451	1,788
Total lease cost	$ 2,451	$ 1,788

Supplemental cash flow information related to leases is as follows for the years ended December 31, 2024 and 2023:

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflow from operating leases	$ 2,115	$ 172
Lease liabilities arising from obtaining right-of-use assets	$ 1,019	$ 182
Weighted-average remaining lease term-operating leases (in years)	6.8	7.9
Weighted-average discount rate-operating leases	7.6%	7.1%

The future maturities of the Company's operating leases as of December 31, 2024 are as follows:

2025	$ 1,975
2026	1,909
2027	1,965
2028	1,587
2029	1,591
Thereafter	4,022
Total payments	$ 13,049
Less amounts representing interest	(2,752)
Total minimum payments required	$ 10,297

The Company subleases a portion of a leased industrial building that is used primarily for the storage of furniture, equipment and displays used for retail sales. The arrangement is not with a related party.

Payments received by the Company for this sublease are comprised of two components, which include base rent and Common Area Maintenance (CAM) charges. While the base rent is fixed, the CAM charges are indexed directly to the Master Lease and are expected to be adjusted periodically as actual costs are incurred. However, the executed sublease agreement specifically itemizes these costs with a provision that informs the sublessee that the CAM charges will be adjusted (up or down) based on actual amounts once this information becomes known. As such, the nature of the charges is more closely representative of a fixed payment (an "in-substance fixed" charge) with the adjustments occurring simply to "true up" the listed CAM charges once actual charges from the head lessor become known. As sublessor, the Company has elected the practical expedient to not separate lease and non-lease components in disclosing future undiscounted cashflows and treats the combined components as a single lease component.

As sublessor, the Company is subletting to one tenant on a month-to-month arrangement.

(8) Accrued Expenses

Accrued expenses consist of the following:

	As of December 31,	
	2024	2023
Accrued payroll and related expenses	$ 1,824	$ 255
Accrued accounts payable	1,597	128
Other	1,428	486
Total	$ 4,849	$ 869

(9) Income Taxes as Restated

Our net income tax provision, including both current and deferred, related to U.S. federal and state income taxes, is $227. Our current federal and deferred tax expenses are zero.

A reconciliation of the income tax provision (benefit) to the amount computed by applying the federal statutory income tax rate to income (loss) before income taxes for the years ended December 31, 2024 and 2023 is as follows:

	2024 (As restated)	2023 (As restated)
Income tax provision (benefit) at statutory rate	$ 278	$ (1,037)
Over/under accrual of income taxes	(9)	(3)
Nondeductible expenses	5	23
Record tax credits	(116)	(118)
Permanent tax deduction stock options exercised	(27)	(63)
State income tax, net of federal benefits	179	(187)
Expiration of net operating losses and credits	990	1,468
Effect of change in deferred tax rate	49	45
Expiration of stock options	46	60
Other	(3)	21
Change in valuation allowance	(1,165)	(203)
	$ 227	$ 6

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 for income tax purposes. Significant components of our deferred income taxes consist of the following:

	As of December 31,	
	2024 (As restated)	2023 (As restated)
Deferred tax liabilities:		
Excess tax depreciation	$ (496)	$ (477)
ASC 842 operating lease asset	(1,938)	(1,975)
Total deferred tax liabilities	(2,434)	(2,452)
Deferred tax assets:		
Net operating loss carryforwards	$ 10,565	$ 12,371
179 Carryforwards	—	245
163(j) Business interest limitation carryforwards	90	302
Inventory and other allowances	639	229
Excess book amortization	60	60
174 research and experimental expenditures	1,053	902
Share-based compensation	788	530
Tax credits	189	118
ASC 842 Operating Lease Liability	2,520	2,610
Other accrued costs	293	13
Total deferred tax assets	16,197	17,380
Less: valuation allowance	(13,763)	(14,928)
Deferred income taxes	$ —	$ —

The valuation allowance decreased approximately $1.2 million and $0.2 million for the years ended December 31, 2024 and 2023, respectively (net of approximately $8.1 million and $7.1 million for the years ended December 31, 2024 and 2023, respectively, for expiring net operating loss carryforwards and credits) due principally to the change in the net operating loss carryforward and uncertainty as to whether future taxable income will be generated prior to the expiration of the carryforward period. Under the Internal Revenue Code, certain ownership changes, including the prior issuance of preferred stock and our public offering of common stock, may subject us to annual limitations on the utilization of our net operating loss carryforward. As of December 31, 2024, it has been determined that we are not subject to annual limitations on the utilization of our net operating loss carryforward.

We have federal net operating loss carryforwards for tax purposes of approximately $44 million on December 31, 2024. $36 million expire between 2024 and 2037. All net operating loss carryforwards generated after January 1, 2018 do not expire. Therefore, $7.7 million in net operating losses generated since January 1, 2018 do not expire. We have Illinois net loss deduction carryforwards for tax purposes of approximately $18.5 million on December 31, 2024. Due to the provisions of Illinois Public Act 102-0669 signed November 16, 2021, Illinois net loss deductions expire between 2029 and 2039.

(10) **Capital Stock**

As of December 31, 2024, and 2023, we had 24,088 authorized but unissued shares of preferred stock.

Pursuant to the Securities Purchase Agreement executed on March 1, 2024, the Company issued to Strandler 15,000 shares of the Company's Series X Preferred Stock (the "Series X Preferred Stock") at a purchase price per share of $400, for total consideration of $6,000,000, in a transaction exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 4(a)(2) thereof. The terms of the Preferred Stock are set forth in the Company's Certificate of Designations to its Certificate of Incorporation, filed with the Secretary of State of the State of Delaware on March 4, 2024 (the "Certificate of Designations"). Under the Purchase Agreement, the Company granted Strandler customary registration rights with respect to shares of the Company's common stock, par value $0.01 per share (the "Common Stock"), it may receive in connection with any conversion of Series X Preferred Stock into Common Stock, as described below. For so long as any amount of Preferred Stock was outstanding, the Purchase Agreement also (i) prevented the Company from paying any dividend on any shares of the Company's capital stock (other than dividends consisting solely of Common Stock or rights to purchase Common Stock), (ii) prevented the Company from repurchasing any Common Stock, and (iii) subject to certain permitted exceptions, restricted the Company's ability to permit any lien or other encumbrance on Company assets.

At any time and from time to time, in whole or in part, following the Company properly filing an amendment (the "Certificate Amendment") to its Certificate of Incorporation to increase the number of authorized shares of its Common Stock from 60,000,000 to 95,000,000, each share of Series X Preferred Stock was convertible, at the option of the holder, into 1,000 shares of Common Stock at no additional cost. If the Company had not properly filed, upon shareholder approval, the Certificate Amendment on or before August 1, 2024, then each share of Series X Preferred Stock would have been redeemable at the holder's option, in whole or in part, without penalty or premium, at a redemption price equal to $420 per share (each, a "Redemption"). If the Company failed to fully pay any Redemption within five days of receiving notice, all unpaid amounts would bear interest at a rate of 10% per annum. In addition, in the event of a Change in Control (as defined in the Certificate of Designations) of the Company, each share of the Series X Preferred Stock would have been redeemable at the option of the holder, without penalty or premium, at a redemption price equal to $420 per share. Upon any conversion of Preferred Stock into Common Stock by Strandler, Strandler is required to hold the Common Stock received in the conversion for a period of 12 months.

Holders of Series X Preferred Stock (i) were not entitled to receive dividends, subject to customary anti-dilution protections, (ii) had no voting rights, and (iii) would have received a liquidation preference of $400 per share. The Series X Preferred Stock ranked senior in right of payment to all securities designated as junior securities, including Common Stock.

ASC 815-15-25-17D provides guidance for assessing host contracts in the form of preferred shares, in which 25-17D(b) states that an investor's ability to "convert a preferred share into a fixed number of common shares generally is viewed as an equity-like characteristic". Because conversion of the Series X Preferred Shares were at the discretion of the Holder, conversion was in a fixed number of shares, dividends are not typically paid and cash settlement would only occur in the unlikely event of change in control, the host contract had the characteristics of, and was classified as, an equity instrument, and the embedded derivatives and host contract were considered clearly and closely related. As such, the embedded derivative did not require bifurcation and the Series X Preferred Shares were reported as mezzanine equity on the balance sheet during the period when these instruments were issued and outstanding.

Issuance costs associated with issuance of the Series X Preferred Stock were immaterial.

On June 18, 2024, the Company held a special meeting of stockholders where the Certificate Amendment was approved. The Certificate Amendment was filed with the State of Delaware on June 19, 2024. On June 20, 2024, Strandler converted its 15,000 shares of Series X Preferred Stock to 15,000,000 shares of Common Stock.

(11) Stock Options and Stock Grants

We have entered into stock option agreements with certain officers, employees and directors. The stock options granted prior to the adoption of the 2019 Equity Compensation Plan (the "2019 Plan") on November 19, 2019 expire seven years from the date of grant. Future options to be granted under the 2019 Plan will expire seven years from the date of grant.

Employee Stock Options

We follow ASC Topic 718, Share-Based Payments, in which compensation expense is recognized only for share-based payments expected to vest.

	Years ended December 31,	
	2024	2023
Share-based compensation expense	$ 725	$ 773
Remaining unrecognized compensation expense	1,057	1,118
Remaining weighted average-period, expense recognition (years)	2.4	1.8

We use the Black-Scholes option pricing model to determine the fair value of stock-based compensation. The Black-Scholes model requires us to make several assumptions, including the estimated length of time employees will retain their vested stock options before exercising them ("expected term"), the estimated volatility of our common stock price over the expected term, and estimated forfeitures. Expected price volatility is based on the daily market rate changes of our stock. The active shares granted prior to fiscal 2020 had a contractual life of 10 years as dictated by the 2010 Plan. The Black-Scholes model also requires a risk-free interest rate, which is based on the U.S. Treasury yield curve in effect at the time of the grant, and the dividend yield on our common stock, which is assumed to be zero since we do not pay dividends and have no current plans to do so in the future. Changes in these assumptions can materially affect the estimate of fair value of stock-based compensation and consequently, the related expense recognized on the statement of operations. We recognize stock-based compensation expense on a straight-line basis over the requisite service period.

The following table illustrates the various assumptions used to calculate the Black-Scholes option pricing model for options granted for all years presented:

Years Ended December 31,		
	2024	2023
Weighted-average risk-free interest rates:	4.3%	3.8%
Dividend yield:	0%	0%
Weighted-average expected life (years) of the option:	4	4
Weighted-average expected stock price volatility:	91%	93%
Weighted-average fair value of the options granted:	$ 1.74	$ 0.50

Additional disclosures for options granted for all years presented:

	Years Ended December 31,	
	2024	2023
Vesting period (years) of shares granted in period	3	3
Contractual life (years) of shares granted in period	7	7
Estimated forfeitures	8%	8%

The following table summarizes the option activity for our employees and directors during the year ended December 31, 2024:

Options	Shares (Rounded)	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (000s)
Outstanding on January 1, 2024	3,525,966	$ 1.22	4.2	$ 160
Granted	388,000	$ 2.40		
Exercised	(455,995)	$ 0.52		
Forfeited or expired	(246,232)	$ 1.13		
Outstanding on December 31, 2024	3,211,739	$ 1.47	4.4	$ 3,961
Exercisable on December 31, 2024	2,206,666	$ 1.46	3.6	$ 2,984
Shares available for grant	62,900			

The aggregate intrinsic value in the table above is based on our closing stock price of $2.26 on the last business day for the year ended December 31, 2024.

	Years Ended December 31,	
	2024	2023
Shares exercised	455,995	294,074
Total intrinsic value	$ 370	$ 195
Cash received	$ 239	$ 154

Based on our election of the "with and without" approach, no realized tax benefits from stock options were recognized for the years ended December 31, 2024 and 2023.

(12) 401(k) Profit-Sharing Plan

We have a 401(k) profit-sharing plan covering substantially all employees who meet defined service requirements. Contributions made in 2024 and 2023 aggregated to $206 and $191, respectively.

(13) Significant Customers

We had three significant customers for the year ended December 31, 2024.

Revenues from these three customers, as a percentage of total Company revenue, was approximately:

Customer #	Product Category	For the years ended December 31, 2024	2023
1	Consumer Products	32%	17%
2	Personal Care Ingredients	13%	25%
3	Consumer Products	7%	15%
	Total	52%	57%

Accounts receivable balances for these three customers were approximately as follows (in thousands):

Customer #	Product Category	December 31, 2024	December 31, 2023
1	Consumer Products	$ 2,366	$ 1,288
2	Personal Care Ingredients	160	—
3	Consumer Products	309	864
	Total	$ 2,835	$ 2,152

We currently have exclusive supply agreements with BASF Corporation ("BASF"), our second largest customer, that have contingencies outlined which could potentially result in the sale of production equipment from the Company to the customer intended to provide capacity sufficient to meet the customer's production needs. This outcome may occur if we fail to meet certain performance requirements. In the event of an equipment sale, upon incurring a triggering event, the equipment would be sold to the customer at either 115% of the equipment's net book value or the greater of 30% of the original book value of such equipment, and any associated upgrades to it, or 115% of the equipment's net book value, depending on the equipment and related products.

If a triggering event were to occur and BASF elected to proceed with the equipment sale mentioned above, we would lose both significant revenue and the ability to generate significant revenue to replace that which was lost in the near term. Replacement of necessary equipment that could be purchased and removed by the customer pursuant to this triggering event could take in excess of twelve months. Any additional capital outlays required to rebuild capacity would probably be greater than the proceeds from the purchase of the assets as dictated by our agreement with the customer. Similar consequences would occur if we were determined to have materially breached certain other provisions of the supply agreement with BASF. Any such event could result in the loss of some of our key staff and line employees due to economic realities. We believe that our employees are a critical component of our success, and it could be difficult to replace them quickly. Given the occurrence of any such event, we might not be able to hire and retain skilled employees given the stigma relating to such an event and its impact on us.

(14) Business Segmentation and Geographical Distribution

The Company operates as a single business segment, in which the factors used to make this determination include differences in products, services, geographical areas, regulatory environment, and other such criteria considered for the appropriateness of aggregation. The types of products and services for which the sole reportable segment, which is the same as the Company as a whole, offered by the company is discussed in Note 1. Since the Company operates as a single segment, there were no intra-entity sales or transfers.

The role of Chief Operating Decision Maker for the Company is comprised of a committee that includes the Chief Executive and Chief Operating Officers. The Chief Operating Decision Maker assesses performance for the single segment and decides how to allocate resources based on net income that also is reported on the income statement as net income. The measure of segment assets is reported on the balance sheet as total assets. The accounting policies of the sole segment are the same as those described in the summary of significant accounting policies in Note 2.

The Chief Operating Decision Maker uses gross profit and net income to evaluate Company performance and in what way to allocate resources. Significant segment expenses, which are the same as the entity as a whole, are as follows:

Years Ended December 31,	2024 (As Restated)	2023 (As Restated)
Total revenue	$ 52,347	$ 37,297
Employee costs	12,933	10,811
Contractors and professional services	7,815	6,588
Materials and supplies	18,695	15,216
Depreciation	928	742
Interest expense	670	838
Other income	(2)	(4)
Tax expense	318	101
Facilities	3,413	2,870
Shipping	1,193	760
Testing	917	1,078
IT services	1,091	1,060
Insurance	785	721
Manufacturing other expense	992	604
Selling, general and administrative Other expense	1,500	849
Total expenses	51,248	42,234
Net income (loss)	1,099	(4,937)

Revenue from international sources approximated $1,825 and $2,918 for the years ended December 31, 2024 and 2023, respectively. As part of our revenue from international sources, we recognized approximately $366 and $1,664 in product revenue from German companies, in the aggregate, for the years ended December 31, 2024 and 2023, respectively.

Our operations comprise a single business segment and all of our long-lived assets are located within the United States. We categorize our revenue stream into three main product categories, personal care ingredients, advanced materials and consumer products. The revenues for 2024 and 2023 by category are as follows:

	For the years ended December 31	
Product Category	**2024**	**2023**
Consumer Products	$ 44,373	$ 25,211
Personal Care Ingredients	6,827	9,277
Advanced Materials	1,147	2,809
Total Sales	$ 52,347	$ 37,297

(15) Subsequent Event

On March 7, 2025, the Company announced its rebranding as Solesence, Inc., marking a new chapter in its commitment to innovation, self-expression, and inclusivity in skin health. The company's stock will continue to trade under the NANX ticker symbol. Its corporate website transitioned to solesence.com, historic Company financials and disclosures are now available at ir.solesence.com. Nanophase Technologies Corporation changed its legal name to Solesence, Inc. by amending its certificate of incorporation with the state of Delaware on March 10, 2025.

As explained in Note 4, the Company's debt has been refinanced to extend maturity to May 31, 2028. See Note 4 for additional information.

EXHIBIT INDEX

Exhibit Number	
23.1	Consent of RSM US LLP. (filed herewith)
31.1	Certification of the Chief Executive Officer (principal executive officer) pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act. (filed herewith)
31.2	Certification of the Chief Financial Officer (principal financial officer) pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act. (filed herewith)
32.1	Certification of the Chief Executive Officer (principal executive officer) pursuant to 18 U.S.C. Section 1350. (filed herewith)
32.2	Certification of the Chief Financial Officer (principal financial officer) pursuant to 18 U.S.C. Section 1350. (filed herewith)
101	The following materials from the Company's Annual Report on Form 10-K/A for the year ended December 31, 2024, formatted in XBRL (Extensible Business Reporting Language): (1) the Balance Sheets, (2) the Statements of Operations, (3) the Statements of Cash Flows, (4) the Statements of Stockholders' Equity, and (5) the Notes to the Financial Statements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 10th day of November 2026.

SOLÉSENCE, INC.

By: /s/ Kevin Cureton
Kevin Cureton
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the 10th day of November, 2026.

Signature	Title
/s/ Kevin Cureton Kevin Cureton	President, Chief Executive Officer (principal executive officer), and Director
/s/ Laura Riffner Laura Riffner	Chief Financial Officer (principal financial and accounting officer)
/s/ R. Janet Whitmore R. Janet Whitmore	Chair of the Board of Directors
/s/ Laura Beres Laura Beres	Director
/s/ Mark E. Miller Mark E. Miller	Director
/s/ Marc James Marc James	Director

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (No. 333-53445, No. 333-74170, No. 333-119466, No. 333-150765, No. 333-187649, and No. 333-255357) on Form S-8 and Registration Statements (No. 333-90326, No. 333-116224, No. 333-140461, and No. 333-163363) on Form S-3 of Solesence, Inc. (formerly known as Nanophase Technologies Corporation), of our report dated March 31, 2025, except for the correction of a misstatement described in Note 3 and financing matters described in Note 4, as to which the date is November 10, 2026, relating to the consolidated financial statements of Solesence, Inc., appearing in this Annual Report on Form 10-K/A (Amendment No. 1) of Solesence, Inc. for the year ended December 31, 2024.

/s/ RSM US LLP

Milwaukee, Wisconsin
November 10, 2026

Exhibit 31.1

Certification of the Chief Executive Officer
Pursuant to
Rules 13a-14(a) and 15d-14(a) under the Exchange Act

I, Kevin Cureton, certify that:

1. I have reviewed this annual report on Form 10-K/A of Solésence, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2026

/s/ KEVIN CURETON
Kevin Cureton
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certification of the Chief Financial Officer
Pursuant to
Rules 13a-14(a) and 15d-14(a) under the Exchange Act

I, Laura Riffner, certify that:

1. I have reviewed this annual report on Form 10-K/A of Solésence, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2026

/s/ LAURA RIFFNER
Laura Riffner
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification Pursuant to 18 U.S.C. Section 1350
(as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with this annual report of Solesence, Inc. (the "Company") on Form 10-K/A for the year ending December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kevin Cureton, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 10, 2026

/s/ KEVIN CURETON
Kevin Cureton
President, Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

Certification Pursuant to 18 U.S.C. Section 1350
(as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with this annual report of Solesence, Inc. (the "Company") on Form 10-K/A for the year ending December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Laura Riffner, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 10, 2026

/s/ LAURA RIFFNER
Laura Riffner
Chief Financial Officer
(Principal Financial Officer)