PROGRESSIVE CARE, INC.

State of Incorporation: Delaware

901 N. Miami Beach Blvd., Ste. 1-2
North Miami Beach, FL 33162
(305) 760-2053
www.progressivecareus.com

SIC Code: 5912

ANNUAL REPORT
For Fiscal Year Ended December 31, 2018
(the "Reporting Period")

The number of shares outstanding of our common stock, par value $0.0001 per share ("common stock"), is 425,630,944 shares as of December 31, 2018.

The number of shares outstanding of our Common Stock was 352,315,147 shares as of December 31, 2017.

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes: □ No: X

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: □ No: X

Indicate by check mark whether a change in control of the company has occurred over this reporting period:

Yes: □ No: X

For more information:
www.OTCQB.com Ticker: RXMD
or
www.progressivecareus.com

Disclosure Regarding Forward-Looking Statements

Any reference to "Progressive Care" (which also may be referred to as the "Company", "we", "us" or "our") means Progressive Care, Inc. and its wholly owned subsidiaries, PharmCo, LLC, and Touchpoint RX, LLC. You should read the following discussion of our consolidated financial condition and consolidated results of operations together with the audited consolidated financial statements and notes to the consolidated financial statements included elsewhere in this Annual Report.

This Annual Report and certain other communications made by us contain "forward-looking statements." Forward-looking statements include, but are not limited to, statements about our financial position, business strategy, competitive position, potential growth opportunities, future operating performance, effects of competition, the effects of future legislation or regulations and plans and objectives of our management for future operations. Any statement made herein that is not a statement of historical fact should be considered a forward-looking statement. We have based our forward-looking statements on our management's beliefs and assumptions based on information available to our management at the time the statements are made. Use of the words "may," "should," "continue," "plan," "potential," "anticipate," "believe," "estimate," "expect," "intend," "could," "project," "predict" or variations of such words and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the applicable cautionary statements.

These forward-looking statements rely on assumptions, estimates and predictions that could be inaccurate and that are subject to risks and uncertainties that could cause actual results to differ materially from expected results. Forward-looking statements speak only as of the date of this Annual Report. Except as required by applicable law, we undertake no obligation to publicly update or revise any forward-looking statements, whether because of new information, future events or otherwise.

Available Information

The Company's common stock is currently quoted on the OTCQB under the trading symbol "RXMD." As part of the OTCQB listing requirements, the Company is required to prepare and post material news, quarterly financial reports and annual audited financial reports on the OTCQB's website. This annual report also summarizes various documents and other information. These summaries are qualified in their entirety by reference to the documents and information to which they relate.

TABLE OF CONTENTS

PART A - GENERAL COMPANY INFORMATION

Item 1. The Exact Name of the Issuer and its Predecessor (if any)

Exact name of the issuer: Progressive Care, Inc.

Exact names of predecessor entities in the past five years and dates of name changes: N/A

Item 2. The Address of the Issuer's Principal Executive Offices

Principal Executive Offices:	901 N. Miami Beach Blvd., Ste. 1-2 North Miami Beach, FL 33162 Telephone: (305) 760-2053 Facsimile: (786) 657-2904 Website: www.progressivecareus.com
Investor Relations Officer:	Armen Karapetyan, Senior Adviser, Business Development 901 N. Miami Beach Blvd., Ste. 1-2 North Miami Beach, FL 33162 Telephone: (305) 760-2053 Email Address: investors@progressivecareus.com

Item 3. The Jurisdiction and Date of the Issuer's Incorporation or Organization

Progressive Care was incorporated in Delaware in 2006 and is currently active and in good standing with the State of Delaware.

PART B – SHARE STRUCTURE

Item 4. The Exact Title and Class of Securities Outstanding

Progressive Care has two classes of outstanding stock:

Title: Common Stock Class 1,
Par Value $0.0001
CUSIP: 60741C101
OTC Trading Symbol: RXMD

Title: Series A Preferred Stock, Par Value $0.001
CUSIP: N/A
OTC Trading Symbol: N/A

Item 5. Par or Stated Value and Description of the Security

The Company's outstanding securities consist of shares of common stock, par value $0.0001 per share, and shares of Series A Preferred Stock, par value $0.001 per share. The Company's Certificate of Incorporation (the "Certificate of Incorporation") authorizes 500,000,000 shares of common stock and 51 shares of Series A Preferred Stock.

The holders of common stock are entitled to one vote per share on all matters submitted to a vote of the stockholders. Holders of common stock do not have cumulative voting rights. The holders of common stock are entitled to dividends if declared by the Board of Directors. There are no redemption or sinking fund provisions applicable to the common stock, and holders of common stock are not entitled to any preemptive rights with respect to additional issuances of common stock by the Company.

On July 3, 2014, the Company's shareholders and board of directors authorized the creation of 51 shares of Series A Super-Voting Preferred Stock at par value of $0.001 per share. The series is a non-dividend producing instrument that ranks superior to the Company's common stock.

Each one (1) share of the Series A Super-Voting Preferred Stock shall have voting rights equal to (x) 0.019607 multiplied by the total issued and outstanding Common Stock and Preferred Stock eligible to vote at the time of the respective vote (the "Numerator"), divided by (y) 0.49, minus (z) the Numerator.

With respect to all matters upon which stockholders are entitled to vote or to which stockholders are entitled to give consent, the holders of the outstanding shares of Series A Preferred Stock shall vote together with the holders of Common Stock without regard to class, except as to those matters on which separate class voting is required by applicable law or the Certificate of Incorporation or By-laws.

On July 11, 2014, the board of directors approved the issuance of 51 shares of the Company's Series A Preferred Stock to a certain employee of the Company, which is equal to 50.99% of the total voting power of all issued and outstanding voting capital of the Company in satisfaction of $20,000 in past due debt. These issued shares of preferred stock are outstanding as of December 31, 2018 and 2017. As of December 31, 2018 and 2017, the individual is employed by the Company.

Item 6. The Number of Shares or Total Amount of the Securities Outstanding for Each Class of Securities Authorized

The following table sets forth the number of shares outstanding for each class of securities authorized as of the dates set forth below:

As of December 31, 2018					
Class	Number of Shares Authorized	Number of Shares Outstanding	Freely Tradable Shares (Public Float)	Total Number of Beneficial Stockholders	Total Number of Stockholders of Record
Common Stock	500,000,000	425,630,944*	334,506,590	3,755	214
Preferred Stock	51	51	-	1	1
As of December 31, 2017					
Class	Number of Shares Authorized	Number of Shares Outstanding	Freely Tradable Shares (Public Float)	Total Number of Beneficial Stockholders	Total Number of Stockholders of Record
Common Stock	500,000,000	352,315,147*	317,774,168	1,785	185
Preferred Stock	51	51	-	1	1

As of December 31, 2016					
Class	Number of Shares Authorized	Number of Shares Outstanding	Freely Tradable Shares (Public Float)	Total Number of Beneficial Stockholders	Total Number of Stockholders of Record
Common Stock	500,000,000	344,107,607*	306,470,784	1,600	185
Preferred Stock	51	51	-	1	1

*This amount is net of 5,590,432 shares of common stock, which is the number of shares beneficially owned by Progressive Care. Total number of shares of common stock issued and outstanding per the transfer agent is 431,221,376 as of March 26, 2019.

Item 7. The Name and Address of the Transfer Agent

Transfer Agent: ClearTrust, LLC
16540 Pointe Village Dr., Suite 210
Lutz, FL 33558
Telephone: (813) 235-4490

ClearTrust, LLC is currently registered under the Securities Exchange Act of 1934, as amended, and is an authorized transfer agent subject to regulation by the SEC.

PART C – BUSINESS INFORMATION

Item 8. The Nature of the Issuer's Business

Progressive Care, Inc. ("Progressive") was incorporated under the laws of the state of Delaware on October 31, 2006.

Progressive, through its wholly-owned subsidiaries, PharmCo, LLC ("PharmCo 901") and Touchpoint RX, LLC doing business as PharmCo 1002, LLC ("PharmCo 1002"), (collectively, "the Company"), is a South Florida health services organization and provider of prescription pharmaceuticals, compounded medications, provider of tele-pharmacy services, the sale of anti-retroviral medications, medication therapy management, the supply of prescription medications to long term care facilities, 340B services to charitable organizations, and health practice risk management. The Company is focused on developing the PharmCo brand and adding business elements that cater to specific under-served markets and demographics. This effort includes community and network-based marketing strategies, the introduction of new locations, acquisitions and the strategic collaboration(s) with community, government and charitable organizations.

PharmCo 901, headquartered in North Miami Beach, Florida, was formed on November 29, 2005 as a Florida Limited Liability Company and is a 100% subsidiary of Progressive. PharmCo was acquired by Progressive on October 21, 2010.

PharmCo 1002 is a pharmacy located in Palm Springs, Florida that provides PharmCo's pharmacy services to Palm Beach, Martin Counties, and St. Lucie Florida. Progressive acquired all of the ownership interests in PharmCo 1002 in a purchase agreement entered into on July 1, 2018 (Note 4).

Smart Medical Alliance, Inc. ("Smart Medical"), a wholly owned subsidiary of Progressive, was incorporated on August 17, 2016 to provide management services to healthcare organizations. Smart Medical was headquartered in North Miami Beach, Florida and commenced operations on October 1, 2016. Smart Medical operations were discontinued in the fourth quarter of 2017 as Smart Medical was not successful in its sales and marketing efforts, and therefore revenues were not sufficient to meet operating costs.

PharmCo 901 and PharmCo 1002 (collectively, "PharmCo) currently deliver prescriptions to South Florida's diverse population as its customers predominantly reside in Miami-Dade, Broward, Palm Beach, Martin Counties, and St. Lucie. PharmCo 901 currently ships compounded medications to Florida, New York, and Texas residents. PharmCo 901 is currently licensed to conduct business in the following states: Arizona, Colorado, Connecticut, Florida, Georgia, Illinois, Massachusetts, Minnesota, Nevada, New Jersey, New York, Pennsylvania, Texas, and Utah. The Company currently offers services in a variety of languages, including English, Spanish, French, Creole, Portuguese, and Russian.

Our fiscal year end is December 31 of each year. Progressive's common stock trades on the OTCQB U.S. tier under the symbol "RXMD." Trading in the common shares of the Company commenced on March 16, 2010 and OTC QB Markets, Inc. provides quotes and other information at www.otcmarkets.com. The Company has not been in bankruptcy, receivership, or any similar proceeding.

Progressive's primary SIC code is 5912 (drugstores and proprietary stores). Progressive has never been a "shell company" as defined under the Securities Act of 1933, as amended.

Employees

The Company currently employs 72 persons.

Legal Proceedings

We are currently not involved in any other litigation that we believe could have a material adverse effect on our financial condition or results of operations. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our company or any of our subsidiaries, threatened against or affecting our company, our common stock, any of our subsidiaries or of our companies or our subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

Item 9. The Nature of Products or Services Offered Products and Services

The information in Item 13 is incorporated herein by reference.

PharmCo 901 and PharmCo 1002 ("PharmCo")

PharmCo provides prescription pharmaceuticals, compounded medications, tele-pharmacy services, anti-retroviral medications, medication therapy management, the supply of prescription medications to long term care facilities, 340B services to charitable organizations, and health practice risk management. The Company also provides patient health risk reviews, free same-day delivery and serves as a case management access point.

As a specialty pharmacy catering to the needs of patients in need of anti-retroviral medications, and to increase the quality and credibility of the services we provide to these patients, PharmCo has a staff that is well trained in acute illnesses. Further, the Company provides confidential prescription packaging that suits the patient's needs and lifestyle.

Pharmco's compounding department specializes in formularies such as non-narcotic topical pain creams, wound care creams, scar gels and hormone replacement therapies. The company also offers EnovaRx, which are FDA approved manufactured pain creams that are readily available with a prescription. In addition to these medications, PharmCo prepares psoriasis creams, wellness vitamins, weight loss formulations and holistic capsules which are 100% Kosher and Halal certified. Compounded medications require strict compliance procedures and are highly labor intensive.

For its long-term care customers, PharmCo provides purchasing, repackaging and dispensing of both prescription and non-prescription pharmaceutical products. PharmCo utilizes a unit-of-dose packaging system as opposed to the traditional vials used for its retail customers. This method of distribution improves control and patient compliance with recommended drug therapy by increasing the timeliness and accuracy of medication dispensing. PharmCo also provides computerized maintenance of patient prescription histories, third party billing and consultant pharmacist services. Its consulting services consist primarily of evaluation of monthly patient drug therapy and monitoring the institution's drug distribution system.

The Company also receives revenue from its work in Medication Therapy Management (MTM). MTM involves review and adjustment of prescribed drug therapies to improve patient health outcomes. This process includes several activities such as performing patient assessments, creating medication treatment plans, monitoring the effectiveness of and adherence to prescribed therapies and delivering documentation of these services to the patient's physician to coordinate comprehensive care.

The Company receives revenue from its work providing prescription services to non-profit and charitable organizations covered by the federal 340B Drug Discount Program. Under the terms of these agreements, the Company acts as a pass through for revenue and prescription costs in exchange for a dispensing fee per prescription. These fees vary by the covered entity and the level of service provided by the Company which can include inventory management, reporting, and analysis.

On July 1, 2018, the Company completed the acquisition of 100% of the ownership interests in Touchpoint RX, LLC, a pharmacy located in Palm Springs, Florida. As a result of the acquisition, the Company has expanded the delivery radius of its pharmacy operations to include Miami-Dade, Broward, Palm Beach, Martin, and St. Lucie Counties, Florida. The acquisition has led to increased prescription dispensing efficiency over its service area. The new pharmacy facility is located close to major highways and has adequate space to provide the opportunity to develop new processes for long term care services, compounded medications, medication therapy management, and tele-pharmacy services. Touchpoint RX, LLC is now doing business as PharmCo 1002, LLC.

Smart Medical Alliance, Inc.

On September 1, 2016, Progressive Care opened Smart Medical Alliance Inc. ("Smart Medical") to assist healthcare providers with navigating the complex risk management environment of their insurance network contracts. Smart Medical provided management and support services to doctors and administrators under both capitated and fee-for-services insurance contracts. These services included billing & coding, data management and evaluation, compliance & adherence monitoring, recruiting, staffing, training, best practices and supervisory procedures. Smart Medical discontinued operations in the fourth quarter of 2017 as the Company was not successful in its sales and marketing efforts, and therefore revenues were not sufficient to meet operating costs.

Distribution Method of Products and Services

PharmCo sales and marketing efforts are focused primarily on physicians, clinics, Accountable Care Organizations (ACOs), Managed Care Organizations (MCOs), and hospitals who service patients with acute and chronic care conditions, pain management, and special pharmaceutical needs through fee-for-service, semi-risk and full risk insurance carrier contracts. Though there is great competition in this market and the landscape of the industry is complicated, the Company believes it can capitalize on providing for unmet needs within this market base. The

Company is working with influential members of the community to reach out to this sensitive demographic through event sponsorship and participation, one-on-one meetings, and charitable outreach. Also, the Company has assembled an experienced and dedicated sales team to promote PharmCo's specialty services and establish a loyal customer base. The addition of contracts with healthcare payors like Medicare, Medicaid and other managed care organizations has become an integral component for sales success.

Competitive Business Conditions, Competitive Position and Methods of Competition

The Company competes with national and independent retail drug stores, supermarkets, convenience stores, mail order prescription providers, discount merchandisers, membership clubs, health clinics, provider dispensaries, and internet pharmacies. Competition is based on several factors including store location and convenience, customer service and satisfaction, product selection and variety, and price. The Company's competitive advantage lies in providing superior personalized service to the patients and facility operators, selectively adding labor saving and compliance enhancing technologies and carrying inventory to provide rapid delivery of all pharmaceutical needs.

We face substantial competition within the pharmaceutical healthcare services industry and in the past year have seen even more consolidation. We expect to see this trend continue in the coming year and it is uncertain what effect, if any, these consolidations will have on us or the industry. The industry also includes several large, well- capitalized companies with nationwide operations and capabilities in the specialty services and PBM services arenas, such as CVS Caremark, Express Scripts, Humana, Walgreens, MedImpact Healthcare Systems and many smaller organizations that typically operate on a local or regional basis. In the Specialty Pharmacy Services segment, we compete with several national and regional specialties pharmaceutical distribution companies that have substantial financial resources, and which also provide products and services to the chronically ill such as CVS Caremark, Express Scripts, Humana, and Walgreens.

Some of our Specialty Pharmacy Services competitors are under common control with, or are owned by, pharmaceutical wholesalers and distributors or retail pharmacy chains and may be better positioned with respect to the cost-effective distribution of pharmaceuticals. Some of our primary competitors, such as Omnicare and Walgreens, have a substantially larger market share than our existing market share. Moreover, some of our competitors may have secured long-term supply or distribution arrangements for prescription pharmaceuticals necessary to treat certain chronic disease states on price terms substantially more favorable than the terms currently available to us. Because of such advantageous pricing, we may be less price competitive than some of these competitors with respect to certain pharmaceutical products. However, we do not believe that we compete strictly on the selling price of products or services in either business segment; rather, we offer customers the opportunity to receive high quality care.

Suppliers

We obtain pharmaceutical and other products from manufacturers. We maintained relationships with a primary supplier which accounted for 85% and 70% of pharmaceutical purchases in 2018 and 2017, respectively and several supplementary suppliers. The loss of a supplier could adversely affect our business if alternate sources of supply are unavailable. We believe that our relationships with our suppliers, overall, are good.

Dependence on One or Few Major Customers

The Company sells to numerous customers including various managed care organizations within both the private and public sectors. Certain healthcare payors account for more than ten percent or more of the Company's consolidated net sales in fiscal 2018 and 2017, the concentrations of which are presented under NOTE 3, "Billing Concentrations", to the accompanying consolidated financial statements. Medicare Part D and the State of Florida Medicaid public assistance program are major customers of the Company. However, both government programs function under several different healthcare payors, the concentration of which varies throughout the course of the year. The Company does depend on these health care payors and a loss of one or more would have a major impact on the business.

Patents and Trademarks

The Company does not currently own, either legally or beneficially, any patents or trademarks.

Need for Governmental Approval of Principal Products or Services

Government approval is necessary to open any new pharmacy or other health services location.

Government contracts

The Company fills prescriptions for Medicare Part D and the State of Florida Medicaid public assistance program. Both government programs function under several different healthcare payors, the concentration of which varies throughout the course of the year. However, the Company does rely on maintaining active contracts with government entities and a loss of one or more would have a major impact on our business.

Effect of Existing or Probable Governmental Regulation

As a participant in the healthcare industry, our operations and relationships are subject to Federal and state laws and regulations and enforcement by Federal and state governmental agencies. Various Federal and state laws and regulations govern the purchase, dispensing or distribution, and management of prescription drugs and related services we provide and may affect us. We believe that we are in substantial compliance with all legal requirements material to our operations.

We conduct ongoing educational programs to inform employees regarding compliance with relevant laws and regulations and maintain a formal reporting procedure to disclose possible violations of these laws and regulations to the Office of Inspector General ("OIG") of the U.S. Department of Health and Human Services.

Professional Licensure. Pharmacists, pharmacy technicians and certain other health care professionals employed by us are required to be individually licensed or certified under applicable state law. We perform criminal and other background checks on employees and are required under state licensure to ensure that our employees possess all necessary licenses and certifications. We believe that our employees comply in all material respects with applicable licensure laws.

State laws require that each pharmacy location be licensed as an in-state pharmacy to dispense pharmaceuticals in that state. State controlled substance laws require registration and compliance with state pharmacy licensure, registration or permit standards promulgated by the state's pharmacy licensing authority. Such standards often address the qualification of an applicant's personnel, the adequacy of its prescription fulfillment and inventory control practices and the adequacy of its facilities. In general, pharmacy licenses are renewed annually. We believe that our pharmacy's present and future locations comply with all state licensing laws applicable to these businesses. If our pharmacy location becomes subject to additional licensure requirements, are unable to maintain their required licenses or if states place burdensome restrictions or limitations on pharmacies, our ability to operate in the state would be limited, which could have an adverse impact on our business.

Other Laws Affecting Pharmacy Operations. We are subject to Federal and state statutes and regulations governing the operation of pharmacies, repackaging of drug products, wholesale distribution, dispensing of controlled substances, medical waste disposal, and clinical trials. Federal statutes and regulations govern the labeling, packaging, advertising and adulteration of prescription drugs and the dispensing of controlled substances. Federal controlled substance laws require us to register our pharmacy with the DEA and to comply with security, record keeping, inventory control and labeling standards to dispense controlled substances.

Food, Drug and Cosmetic Act. Certain provisions of the Federal Food, Drug and Cosmetic Act govern the handling and distribution of pharmaceutical products. This law exempts many pharmaceuticals and medical devices from federal labeling and packaging requirements if they are not adulterated or misbranded and are dispensed in accordance with, and pursuant to, a valid prescription. We believe that we comply in all material respects with all applicable requirements.

Anti-Kickback Laws. Subject to certain statutory and regulatory exceptions (including exceptions relating to certain managed care, discount, bona fide employment arrangements, group purchasing and personal services arrangements), the Federal "anti-kickback" law prohibits the knowing and willful offer or payment of any remuneration to induce the referral of an individual or the purchase, lease or order (or the arranging for or recommending of the purchase, lease or order) of healthcare items or services paid for in whole or in part by Medicare, Medicaid or other government-funded healthcare programs (including both traditional Medicaid fee-for-service programs as well as Medicaid managed care programs). Violation of the Federal anti-kickback statute could subject us to criminal and/or civil penalties including suspension or exclusion from Medicare and Medicaid programs and other government-funded healthcare programs. Several states also have enacted anti-kickback laws that sometimes apply not only to state-sponsored healthcare programs but also to items or services that are paid for by private insurance and self-pay patients. State anti-kickback laws can vary considerably in their applicability and scope and sometimes have fewer statutory and regulatory exceptions than federal law. Management carefully considers the importance of such anti-kickback laws when structuring our operations and believes that we are complying therewith.

The Federal anti-kickback law has been interpreted broadly by courts, the OIG and other administrative bodies. Because of the broad scope of those statutes, Federal regulations establish certain safe harbors from liability. Safe harbors exist for certain properly reported discounts received from vendors, certain investment interests held by a person or entity, and certain properly disclosed payments made by vendors to group purchasing organizations, as well as for other transactions or relationships. Nonetheless, a practice that does not fall within a safe harbor is not necessarily unlawful but may be subject to scrutiny and challenge. In the absence of an applicable exception or safe harbor, a violation of the statute may occur even if only one purpose of a payment arrangement is to induce patient referrals or purchases. Among the practices that have been identified by the OIG as potentially improper under the statute are certain "product conversion" or "switching" programs in which benefits are given by drug manufacturers to pharmacists or physicians for changing a prescription (or recommending or requesting such a change) from one drug to another. Anti-kickback laws have been cited as a partial basis, along with state consumer protection laws discussed below, for investigations and multi-state settlements relating to financial incentives provided by drug manufacturers to retail pharmacies about such programs.

The Stark Laws. The Federal self-referral law, commonly known as the "Stark Law", prohibits physicians from referring Medicare patients for "designated health services" (which include, among other things, outpatient prescription drugs, durable medical equipment and supplies and home health services) to an entity with which the physician, or an immediate family member of the physician, has a direct or indirect financial relationship, unless the financial relationship is structured to meet an applicable exception. Possible penalties for violation of the Stark Law include denial of payment, refund of amounts collected in violation of the statute, civil monetary penalties and program exclusion. Management carefully considers the Stark Law and its accompanying regulations in structuring our relationships with physicians and believes that we are complying therewith.

State Self-Referral Laws. We are subject to state statutes and regulations that prohibit payments for the referral of patients and referrals by physicians to healthcare providers with whom the physicians have a financial relationship. Some state statutes and regulations apply to services reimbursed by governmental as well as private payors. Violation of these laws may result in prohibition of payment for services rendered, loss of pharmacy or health provider licenses, fines and criminal penalties. The laws and exceptions or safe harbors may vary from the Federal Stark Law and vary significantly from state to state. Certain of these state statutes mirror the Federal Stark Law while others may be more restrictive. The laws are often vague, and in many cases, have not been widely interpreted by courts or regulatory agencies; however, we believe we are following such laws.

Statutes Prohibiting False Claims and Fraudulent Billing Activities. A range of Federal civil and criminal laws target false claims and fraudulent billing activities. One of the most significant is the Federal False Claims Act (the "False Claims Act"), which imposes civil penalties for knowingly making or causing to be made false claims to secure a reimbursement from government-sponsored programs, such as Medicare and Medicaid. Investigations or actions commenced under the False Claims Act may be brought either by the government or by private individuals on behalf of the government, through a "whistleblower" or "qui tam" action. The False Claims Act authorizes the payment of a portion of any recovery to the individual bringing suit. Such actions are initially required to be filed under seal pending their review by the Department of Justice. If the government intervenes in the lawsuit and prevails, the whistleblower (or plaintiff filing the initial complaint) may share with the Federal government in any settlement or judgment. If the government does not intervene in the lawsuit, the whistleblower plaintiff may pursue the action independently. The False Claims Act generally provides for the imposition of civil penalties and for treble damages, resulting in the possibility of substantial financial penalties for small billing errors that are replicated in many claims, as each individual claim could be deemed to be a separate violation of the False Claims Act.

Some states also have enacted statutes like the False Claims Act which may include criminal penalties, substantial fines, and treble damages. In recent years, Federal and state governments have launched several initiatives aimed at uncovering practices that violate false claims or fraudulent billing laws. Under Section 1909 of the Social Security Act, if a state false claim act meets certain requirements as determined by the OIG in consultation with the U.S. Attorney General, the state is entitled to an increase of ten percentage points in the state medical assistance percentage with respect to any amounts recovered under a state action brought under such a law. Some of the larger states in terms of population that have had the OIG review such laws include California, Florida, Illinois, Indiana, Massachusetts, Michigan, Nevada, Tennessee and Texas. We operate in several of these states and submit claims for Medicaid reimbursement to the respective state Medicaid agency. This legislation has led to increased auditing activities by state healthcare regulators. As such, we have been the subject of an increased number of audits. While we believe that we are following Medicaid and Medicare billing rules and requirements, there can be no assurance that regulators would agree with the methodology employed by us in billing for our products and services and a material disagreement between us and these governmental agencies on the way we provide products or services could have a material adverse effect on our business and operations, our financial position and our results of operations.

The False Claims Act also has been used by the Federal government and private whistleblowers to bring enforcement actions under so-called "fraud and abuse" laws like the Federal anti-kickback statute and the Stark Law. Such actions are not based on a contention that an entity has submitted claims that are facially invalid. Instead, such actions are based on the theory that when an entity submits a claim, it either expressly or impliedly certifies that it has provided the underlying services in compliance with applicable laws, and therefore that services provided and billed for during an anti-kickback statute or Stark Law violation result in false claims, even if such claims are billed accurately for appropriate and medically necessary services. The availability of the False Claims Act to enforce alleged fraud and abuse violations has increased the potential for such actions to be brought, and which often are costly and time-consuming to defend.

Confidentiality, Privacy and HIPAA. Most of our activities involve the receipt, use and disclosure of confidential medical, pharmacy or other health-related information concerning individual members, including the disclosure of the confidential information to the member's health benefit plan.

On April 14, 2003, the final regulations issued by the United States Department of Health and Human Services ("HHS"), regarding the privacy of individually identifiable health information (the "Privacy Regulations") pursuant to the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") took effect. The Privacy Regulations are designed to protect the medical information of a healthcare patient or health plan enrollee that could be used to identify the individual.

The requirements imposed by the Privacy Regulations, the Transactions Standards, and the Security Standards are extensive and can require substantial cost and effort to assess and implement. We have taken and will continue to

take steps that we believe are reasonable to ensure that our policies and procedures are following the Privacy Regulations, the Transactions Standards and the Security Standards. The requirements imposed by HIPAA have increased our burden and costs of regulatory compliance, altered our reporting to Plan Sponsors and reduced the amount of information we can use or disclose if members do not authorize such uses or disclosures.

The healthcare industry is one of the fastest growing industries. In the United States, the provision of healthcare services of any kind is highly competitive. The Company's ability to recruit qualified personnel, attract new institutional and retail clients, expand the reach of its pharmacy operations relies on its ability to quickly adapt to changing societal attitudes, market pressure and government regulation. The Company's business model incorporates leveraging current revenue streams towards aggressive growth strategies.

Medicare Part D. The Medicare Part D program, which makes prescription drug coverage available to eligible Medicare beneficiaries, regulates various aspects of the provision of Medicare drug coverage, including enrollment, formularies, pharmacy networks, marketing and claims processing. The Centers for Medicare & Medicaid Services ("CMS") imposed restrictions and consent requirements for automatic prescription delivery programs, and further limited the circumstances under which Medicare Part D plans may recoup payments to pharmacies for claims that are subsequently determined not payable under Medicare Part D. CMS sanctions for non-compliance may include suspension of enrollment and even termination from the program.

The Medicare Part D program has undergone significant legislative and regulatory changes since its inception. Medicare Part D continues to attract a high degree of legislative and regulatory scrutiny, and applicable government rules and regulations continue to evolve. For example, CMS may issue regulations that limit the ability of Medicare Part D plans to establish preferred pharmacy networks.

Health Reform Legislation. Congress passed major health reform legislation, including the Patient Protection and Affordable Care Act, as amended by the Healthcare and Education Reconciliation Act of 2010 (the "Health Reform Laws"), which enacted a number of significant healthcare reforms. President Donald Trump has stated his intentions to support the repeal and possible replacement of the Health Reform Laws during his term of office. While Congress has not passed repeal legislation, the Tax Cuts and Jobs Act of 2017 includes a provision repealing, effective January 1, 2019, the tax-based shared responsibility payment imposed by the Health Reform Laws on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the "individual mandate." Congress may consider other legislation to repeal or replace elements of the Health Reform Laws. While not all of these reforms, or their repeal or replacement, affect our business directly, they could affect the coverage and plan designs that are or will be provided by many of our health plan clients. As a result, these reforms, or their repeal or replacement, could impact many of our services and business practices. There is considerable uncertainty as to the continuation of these reforms, their repeal, or their replacement.

21st Century Cures Act. The 21st Century Cures Act ("Cures Act"), enacted in December 2016, among other things implemented Average Sales Price pricing for Part B DME infusion drugs in January 2017 and delayed payment for the home infusion services necessary to administer these drugs until January 2021. Given our current understanding of the Cures Act, we do not believe that it will have a significant impact on our business.

Estimate of the Amount Spent on Research and Development

Research and development expenses were $0 for each of the years 2018 and 2017.

Costs and effects of environmental compliance

The costs of environmental compliance for the Company are minimal. The Company engages recycling companies for the disposal of all paper products and standard recyclable materials amounting to approximately $1,100 per month.

RISKS RELATING TO OUR BUSINESS

Our business is subject to various industry, economic, regulatory and other risks and uncertainties. In addition to the other information in this report and our other filings with the SEC and OTC Markets, you should carefully consider the risks described below, which could materially and adversely affect our business, financial condition and results of operations. *The following risk factors are not an exhaustive list of the risks associated with our business.* Our business operations could also be affected by additional factors that are not presently known to us or that we currently consider to be immaterial to our operations.

We have a history of losses and may not be able to sustain profitability.

We may incur operating losses in the foreseeable future. For the years ended December 31, 2018 and December 31, 2017 we had net sales from continuing operations of $20,935,633 and $20,110,742, respectively. For the years ended December 31, 2018 and 2017, we had net (loss) income from continuing operations of $(1,629,491) and $139,710, respectively. Our ability to maintain profitability depends on our ability to have successful operations and generate and sustain sales, while maintaining reasonable expense levels.

We derive a significant portion of our sales from prescription drug sales reimbursed by pharmacy benefit management companies.

We derive a significant portion of our sales from prescription drug sales reimbursed through prescription drug plans administered by pharmacy benefit management ("PBM") companies. PBM companies typically administer multiple prescription drug plans that expire at various times and provide for varying reimbursement rates. There can be no assurance that we will continue to participate in any pharmacy benefit manager network in any future time. If our participation in the prescription drug programs administered by one or more of the large PBM companies is restricted or terminated, we expect that our sales would be adversely affected, at least in the short-term. If we are unable to replace any such lost sales, either through an increase in other sales or through a resumption of participation in those plans, our operating results may be materially adversely affected. When we exit a pharmacy provider network and later resume network participation, there can be no assurance that we will achieve any level of business on any pace, or that all clients of the PBM sponsor of the network will choose to include us again in their pharmacy network initially or at all. In addition, in such circumstances we may incur increased marketing and other costs about initiatives to regain former patients and attract new patients covered by in-network plans.

Efforts to reduce reimbursement levels and alter health care financing practices could adversely affect our businesses.

The continued efforts of health maintenance organizations, managed care organizations, other companies, government entities, and other third-party payors to reduce prescription drug costs and pharmacy reimbursement rates may impact our profitability. Increased utilization of generic pharmaceuticals (which normally yield a higher gross profit rate than equivalent brand-named drugs), has resulted in a decrease in reimbursement payments to retail and mail order pharmacies for generic drugs through the imposition by third-party payors of generic effective rates ("GERs") that have caused a reduction in the generic profit rate. We expect pricing pressures from third-party payors to continue given the high and increasing costs of specialty drugs. As a result of this industry-wide pressure, we also may see profit margins on our contracts continue to compress, which may adversely affect our profitability.

Direct and Indirect Remuneration ("DIR") Fees applied significant downward pressure on the Company's profitability. DIR Fees are often calculated and charged several months after adjudication of a claim, which adversely impacts our profitability. These fees lack transparency and are extremely difficult to predict and accrue. DIR fees are sometimes retroactively "clawed back" by the PBMs with little or no warning at the end of a quarter, which has a significant downward effect on the Company's gross margins.

Retroactive Contractual Adjustments may be imposed on the pharmacies through execution of new contracts between Pharmacy Services Administration Organizations (PSAOs) and PBMs with retroactive effectiveness. These contractual adjustments typically impose new lowered effective rate calculations on previously dispensed medications resulting in a PBM overpayment, which is later recouped with or without notice to the pharmacy. Effective Rates, DIR fees, or other fees are generally not disclosed at adjudication and may change throughout the year. These adjustments and the resultant fees may not be predictable or avoidable and can adversely affect our revenues, cash flow, and profitability.

In addition, during the past several years, the U.S. health care industry has been subject to an increase in governmental regulation at both the federal and state levels. Efforts to control health care costs, including prescription drug costs, are underway at the federal and state government levels. Changing political, economic and regulatory influences may affect health care financing and reimbursement practices. If the current health care financing and reimbursement system changes significantly, the combined company's business, financial position and results of operations could be materially adversely affected.

Quality Measurement Networks have a significant impact on our cost of goods.

Quality Measurement Networks can be but are not always tied to DIR Fees collected by PBMs. These networks designate specific metrics through which pharmacy performance is assessed. These metrics are disclosed along with benchmark guidance for quality or superior performance. The Company has been successful in meeting quality standards set by the PBM's and as such have qualified for full or partial return of DIR fees collected in recent years. Failure to meet quality measures can result in loss of DIR Fees collected and loss of PBM relationship. There is no guarantee that the Company will continue to be successful in meeting quality review standards. Quality Measurement Networks are increasingly rigorous and can be based on comparative success against other pharmacies in the network. If other pharmacies out-perform our pharmacy or if we fail to meet quality metrics, our profitability can be adversely affected.

The frequency and rate of the introduction of new prescription drugs as well as generic alternatives to brand name prescription products.

The profitability of retail pharmacy businesses is dependent upon the utilization of prescription drug products. Utilization trends are affected by the introduction of new and successful prescription pharmaceuticals as well as lower priced generic alternatives to existing brand name products. Accordingly, a slowdown in the introduction of new and successful prescription pharmaceuticals and/or generic alternatives (the sale of which normally yield higher gross profit margins than brand name equivalents) could adversely affect our business, financial position and results of operations.

Uncertainty regarding the impact of Medicare Part D may adversely affect our business, financial position and our results of operations.

Since its inception in 2006, the Medicare Drug Benefit has resulted in increased utilization and decreased pharmacy gross margin rates as higher margin business, such as cash and state Medicaid customers, migrated to Medicare Part D coverage. To the extent this occurs, the adverse effects of the Medicare Drug Benefit may outweigh any opportunities for new business generated by the Medicare Drug Benefit. In addition, if the government alters Medicare program requirements or reduces funding because of the higher-than-anticipated cost to taxpayers of the Medicare Drug Benefit or for other reasons; or if we fail to design and maintain programs that are attractive to Medicare participants, our Medicare Part D services and the ability to expand our Medicare Part D services could be materially and adversely affected, and our business, financial position and results of operations may be adversely affected.

Changes in industry pricing benchmarks could adversely affect our business, financial position and results of operations.

Contracts in the prescription drug industry generally use certain published benchmarks to establish pricing for prescription drugs. These benchmarks include average wholesale price ("AWP"), average sales price ("ASP") and wholesale acquisition cost ("WAC").

Recent events have raised uncertainties as to whether payors, pharmacy providers, PBMs and others in the prescription drug industry will continue to utilize AWP as it has previously been calculated or whether other pricing benchmarks will be adopted for establishing prices within the industry. In some circumstances, such changes could also impact the reimbursement that we receive from Medicare or Medicaid programs for drugs covered by such programs and from MCOs that contract with government health programs to provide prescription drug benefits.

The industries in which we operate are extremely competitive and competition could adversely affect our business, financial position and results of operations.

We operate in a highly competitive environment. As a pharmacy retailer, we compete with other drugstore chains, supermarkets, discount retailers, membership clubs, Internet companies and retail health clinics, as well as other mail order pharmacies. In that regard, many pharmacy benefit plans have implemented plan designs that mandate or provide incentives to fill maintenance medications through mail order pharmacies. To the extent this trend continues, our retail pharmacy business could be adversely affected. In addition, some of these competitors may offer services and pricing terms that we may not be willing or able to offer. Competition may also come from other sources in the future. Thus, competition could have an adverse effect on our business, financial position and results of operations.

Existing and new government legislative and regulatory action could adversely affect our business, financial position and results of operations.

The retail drugstore business is subject to numerous federal, state and local laws and regulations. Changes in these regulations may require extensive system and operating changes that may be difficult to implement. Untimely compliance or noncompliance with applicable laws and regulations could adversely affect the continued operation of our business, including, but not limited to: imposition of civil or criminal penalties; suspension of payments from government programs; loss of required government certifications or approvals; loss of authorizations to participate in or exclusion from government reimbursement programs, such as the Medicare and Medicaid programs; or loss of licensure. The regulations to which we are subject include, but are not limited to: the laws and regulations; accounting standards; tax laws and regulations; laws and regulations relating to the protection of the environment and health and safety matters, including those governing exposure to, and the management and disposal of, hazardous substances; and regulations of the FDA, the U.S. Federal Trade Commission, the Drug Enforcement Administration, and the Consumer Product Safety Commission, as well as state regulatory authorities, governing the sale, advertisement and promotion of products that we sell. In that regard, our business, financial position and results of operations could be affected by one or more of the following:

- federal and state laws and regulations governing the purchase, distribution, management, dispensing and reimbursement of prescription drugs and related services, whether at retail or mail, and applicable licensing requirements;
- the effect of the expiration of patents covering brand name drugs and the introduction of generic products;
- the frequency and rate of approvals by the FDA of new brand named and generic drugs, or of over-the-counter status for brand name drugs;
- FDA regulation affecting the retail pharmacy industry;
- rules and regulations issued pursuant to the HIPAA; and other federal and state laws affecting the use, disclosure and transmission of health information, such as state security breach laws and state laws limiting the use and disclosure of prescriber information;

- administration of the Medicare Drug Benefit, including legislative changes and/or CMS rulemaking and interpretation;
- government regulation of the development, administration, review and updating of formularies and drug lists;
- state laws and regulations establishing or changing prompt payment requirements for payments to retail pharmacies;
- impact of network access (any willing provider) legislation on ability to manage pharmacy networks;
- managed care reform and plan design legislation;
- insurance licensing and other insurance regulatory requirements applicable to offering Prescription Drug Providers ("PDP") about the Medicare Drug Benefit;
- direct regulation of pharmacies by regulatory and quasi-regulatory bodies; and
- Federal government sequestration affecting Medicare Part B reimbursements.

Changes in the health care regulatory environment may adversely affect our business.

Future rulemaking could increase regulation of pharmacy services, result in changes to pharmacy reimbursement rates, and otherwise change the way we do business. We cannot predict the timing or impact of any future rulemaking, but any such rulemaking could have an adverse impact on our results of operations.

The sustainability of our current business model is also dependent on the availability, pricing and rules and regulations relating to the dispensing of controlled medications. Changes that affect any of these variables could greatly impact our current revenue streams as well as alter our business structure and future plans for growth and development.

Efforts to reform the U.S. health care system may adversely affect our financial performance.

Congress periodically considers proposals to reform the U.S. health care system. These proposals may increase government involvement in health care and regulation of pharmacy services, or otherwise change the way the combined company or its clients do business. Health plan sponsors may react to these proposals and the uncertainty surrounding them by reducing or delaying purchases of cost control mechanisms and related services that the combined company would provide. The Company cannot predict what effect, if any, these proposals may have on its retail and pharmacy services businesses. Other legislative or market-driven changes in the health care system that the Company cannot anticipate could also materially adversely affect the Company's consolidated results of operations, consolidated financial position and/or consolidated cash flow from operations.

Passed in 2010, the Affordable Care Act ("ACA") enacted a number of significant health care reforms However, there is a significant degree of uncertainty associated with the current state of active healthcare legislation such that the Company cannot adequately predict how future incarnations of healthcare reform will impact the business.

If we are found to be in violation of Medicaid and Medicare reimbursement regulations, we could become subject to retroactive adjustments and recoupment, or exclusion from the Medicaid, Medicare programs, and PBM networks.

As a Medicaid and Medicare provider, we are subject to retroactive adjustments due to prior-year audits, reviews and investigations, government fraud and abuse initiatives, and other similar actions. Federal regulations provide for withholding payments to recoup amounts payable under the programs and, in certain circumstances, allow for exclusion from Medicaid and Medicare. While we believe we are in material compliance with applicable Medicaid and Medicare reimbursement regulations, there can be no assurance that we, pursuant to such audits, reviews, investigations, or other proceedings, will be found to be complying in all respects with such reimbursement regulations. A determination that we are in violation of any such reimbursement regulations could result in retroactive adjustments and recoupment of payments and have a material adverse effect on our consolidated financial condition and consolidated results of operations. As a Medicaid and Medicare provider, we are also subject to routine,

unscheduled audits that could have a material adverse impact on our results of operations. Should an audit result in a negative finding, and we can offer no assurance that future Medicaid and Medicare audits will not result in a negative finding, we may be subject to exclusions from Medicaid, Medicare, and other PBM networks.

Our industry is subject to extensive government regulation, and noncompliance by us or our suppliers could harm our business.

The repackaging, marketing, sale, and purchase of medications are extensively regulated by federal and state governments. As a provider of pharmacy services, our operations are subject to complex and evolving federal and state laws and regulations enforced by federal and state governmental agencies, including, but not limited to, the federal Controlled Substances Act, the False Claims Act, federal and state Anti-Kickback laws, HIPAA, the Stark Law, the federal Civil Monetary Penalty Law, the PDMA, the Food, Drug and Cosmetic Act and various other state pharmacy laws and regulations. In addition, many of the HIV/AIDS medications that we sell receive greater attention from law enforcement officials than those medications that are most often dispensed by traditional pharmacies due to the high cost of HIV/AIDS medications and the potential for illegal use. If we fail to, or are accused of failing to, comply with applicable laws and regulations, we could be subject to penalties that may include exclusion from the Medicare or Medicaid programs, fines, requirements to change our practices, and civil or criminal penalties, which could harm our business, financial condition, and results of operations. Any disqualification from participating in Medicare or the state Medicaid programs would significantly reduce our net sales and our ability to maintain profitability. Our business could also be harmed if the entities with which we contract or have business relationships, such as pharmaceutical manufacturers, distributors, physicians, clinics, or home health agencies are accused of violating laws or regulations.

While we believe we are operating our business in substantial compliance with existing legal requirements material to the operation of our business, there are significant uncertainties involving the application of many of these legal requirements to our business. Changes in interpretation or enforcement policies could subject our current practices to allegation of impropriety or illegality. The applicable regulatory framework is complex and evolving, and the laws are very broad in scope. Many of the laws remain open to interpretation and have not been addressed by substantive court decisions to clarify their meaning. We are also unable to predict what additional federal or state legislation or regulatory initiatives may be enacted in the future relating to our business or the healthcare industry in general, or what effect any such legislation or regulation might have on us. Further, we cannot provide any assurance that federal or state governments will not impose additional restrictions or adopt interpretations of existing laws that could increase our cost of compliance with such laws or reduce our ability to remain profitable.

Federal and state investigations and enforcement actions continue to focus on the healthcare industry, scrutinizing a wide range of items such as referral and billing practices, product discount arrangements, dissemination of confidential patient information, clinical drug research trials, pharmaceutical marketing programs, and gifts for patients. It is difficult to predict how any of the laws implicated in these investigations and enforcement actions may be interpreted to apply to our business. Any future investigation may cause publicity, regardless of the eventual result of the investigation, or its underlying merits, that would cause potential patients to avoid us, reducing our net sales and profits and causing our stock price to decline.

The health of the economy in general and in the markets we serve could adversely affect our business and our financial results. Our business is affected by the economy in general, including changes in consumer purchasing power, preferences and/or spending patterns. These changes could affect drug utilization trends as well as the financial health and number of covered lives of our clients, resulting in an adverse effect on our business and financial results.

It is possible that the state of the economy could change, and current trends could reverse in the future. A reversal of these trends will cause a decline in drug utilization and dampen demand for pharmaceutical drugs and durable medical equipment as well as consumer demand for sundry products sold in our retail store. If this were to occur, our business and financial results could be adversely affected. Further, interest rate fluctuations and changes in capital market

conditions may affect our ability to obtain necessary financing on acceptable terms, our ability to secure suitable store locations under acceptable terms and our ability to execute sale or lease transactions under acceptable terms.

If the merchandise and services that we offer fail to meet customer needs, our sales may be affected.

Our success depends on our ability to offer a superior shopping experience, a quality assortment of available merchandise and superior customer service. We must identify, obtain supplies of, and offer to our customers, attractive, innovative and high-quality merchandise on a continuous basis. Our products and services must satisfy the needs and desires of our customers, whose preferences may change in the future. If we misjudge either the demand for products and services we sell or our customers' purchasing habits and tastes, we may be faced with excess inventories of some products and missed opportunities for products and services we chose not to offer. In addition, our sales may decline, or we may be required to sell the merchandise we have obtained at lower prices. This would have a negative effect on our business and results of operations.

Our ability to grow our business may be constrained by our inability to find suitable new store locations at acceptable prices.

Our ability to grow our business may be constrained if suitable new store locations cannot be identified with lease terms or purchase prices that are acceptable to us. We compete with other retailers and businesses for suitable locations for our stores. Local land use and other regulations applicable to the types of stores we desire to construct may impact our ability to find suitable locations and influence the cost of constructing our stores. The expiration of leases at existing store locations may adversely affect us if the renewal terms of those leases are unacceptable to us and we are forced to close or relocate stores. Further, changing local demographics at existing store locations may adversely affect revenue and profitability levels at those stores.

Our ability to grow our business may be constrained by our inability to obtain adequate permits and licensing for new locations.

Our ability to grow our business may be constrained if new locations are not permitted and licensed to conduct ordinary operations. Expansion initiatives can be delayed or even canceled due to a failure to acquire certain government agency approvals. Such delay or cancellation will have a negative impact on our business and results of operations.

Should a product liability issue, recall or personal injury issue arise, inadequate product or other liability insurance coverage or our inability to maintain such insurance may result in a material adverse effect on our business and financial condition. Products that we sell could become subject to contamination, product tampering, mislabeling, recall or other damage. In addition, errors in the dispensing and packaging of pharmaceuticals could lead to serious injury. Product liability or personal injury claims may be asserted against us with respect to any of the products or pharmaceuticals we sell or services we provide.

If we are not able to market our services effectively to clinics, their affiliated healthcare providers and prescription drug providers, we may not be able to grow our patient base as rapidly as we have anticipated.

Our success depends, in part, on our ability to develop and maintain relationships with clinics and their affiliated healthcare providers because each is an important patient referral source for our business. In addition, we also must maintain and continue to establish relationships with Prescription Drug Providers ("PDPs") so we can continue to fill prescriptions for our dual eligible customers who receive prescription drug coverage under Medicare Part D. If we are unable to market our services effectively to these clinics, healthcare providers and PDPs, or if our existing relationships with clinics and providers are terminated, our ability to grow our patient base will be harmed, which could significantly reduce our net sales and our ability to maintain profitability. Additionally, Medicare Part D regulations that strictly limit our ability to market to our current and new patients may limit our ability to maintain and grow our current patient base.

If we fail to manage our growth or implement changes to our reporting systems effectively, our business could be harmed.

If we are unable to manage our growth effectively, we could incur losses. How we manage our growth will depend, among other things, on our ability to adapt our operational, financial and management controls, reporting systems and procedures to the demands of a larger business, including the demands of integrating our acquisitions. To manage the growth and increasing complexity of our business, we may make modifications to or replace computer and other reporting systems, including those that report on our financial results and on which we are substantially dependent. We may incur significant financial and resource costs because of any such modifications or replacements, and our business may be subject to transitional difficulties. The difficulties associated with any such implementation, and any failure or delay in the system implementation, could negatively affect our internal control over financial reporting and harm our business and results of operations. In addition, we may not be able to successfully hire, train and manage additional sales, marketing, customer support and pharmacists quickly enough to support our growth. To provide this support, we may need to open additional offices, which will result in additional burdens on our systems and resources and require additional capital expenditures.

Our success in identifying and integrating synergistic acquisitions may impact our business and our ability to have effective disclosure controls.

As part of our strategy, we continually evaluate acquisition opportunities. There can be no assurance that we will complete any future acquisitions or that such transactions, if completed, will be integrated successfully or will contribute favorably to our operations and financial condition. The integration of acquisitions includes ensuring that our disclosure controls and procedures and our internal control over financial reporting effectively apply to and address the operations of newly acquired businesses. We may be required to change our disclosure controls and procedures or our internal control over financial reporting to accommodate newly acquired operations, and we may also be required to remediate historic weaknesses or deficiencies at acquired businesses.

In addition, acquisitions may expose us to unknown or contingent liabilities of the acquired businesses, including liabilities for failure to comply with healthcare or reimbursement laws. While we try to negotiate indemnification provisions that we consider to be appropriate for the acquisitions, there can be no assurance that liabilities relating to the prior operations of acquired companies will not have a material adverse effect on our business, financial condition and results of operations. Furthermore, future acquisitions may result in dilutive issuances of equity securities, incurrence of additional debt, and amortization of expenses related to intangible assets, any of which could have a material adverse effect on our business, financial condition and results of operations.

A disruption in our telephone system or our computer system could harm our business.

We receive and take most prescription orders over the telephone and by facsimile. We also rely extensively upon our computer system to confirm payor information, patient eligibility and authorizations; to check on medication interactions and patient medication history; to facilitate filling and labeling prescriptions for delivery and billing; and to help with the collection of payments. Our success depends, in part, upon our ability to promptly fill and deliver complex prescription orders as well as on our ability to provide reimbursement management services for our patients and their healthcare providers. Any continuing disruption in our telephone, facsimile or computer systems could adversely affect our ability to receive and process prescription orders, make deliveries on a timely basis and receive reimbursement from our payors. This could adversely affect our relations with the patients and healthcare providers we serve and potentially result in a partial reduction in orders from, or a complete loss of, these patients.

We may fail to retain or recruit necessary personnel, and we may be unable to secure the services of consultants.

We currently employ 72 persons. We have also engaged consultants to advise us on various aspects of our business. Our future performance will depend in part on our ability to successfully integrate newly hired executive officers into

our management team and our ability to develop an effective working relationship among senior management.

RISKS RELATED TO THE SPECIALTY PHARMACY INDUSTRY

There is substantial competition in our industry, and we may not be able to compete successfully.

The specialty pharmacy industry is highly competitive and is continuing to become more competitive. All medications, supplies and services that we provide are also available from our competitors. Our current and potential competitors may include:

- Other specialty pharmacy distributors;
- Specialty pharmacy divisions of wholesale drug distributors;
- Not for profit organizations with specialty pharmacies;
- Hospital-based pharmacies;
- Local infusion providers;
- Sterile and non-sterile compounding pharmacies;
- Other retail pharmacies;
- Provider dispensaries;
- Manufacturers that sell their products both to distributors and directly to clinics and physicians' offices; and
- Hospital-based care centers and other alternate-site healthcare providers;
- Insurance companies with proprietary pharmacy services.

Many specialty patients are currently receiving prescription benefits from federally funded programs such as Ryan White. These payors only use non-profit providers to dispense medications to their enrollees. Under this contract, the Company may be able to service Ryan White beneficiaries through becoming contracted pharmacy providers with non-profit 340B Covered Entities who provide medical services to these patients.

Many of our competitors have substantially greater resources and marketing staffs and more established operations and infrastructure than we have. A significant factor in effective competition will be our ability to maintain and expand our relationships with patients, healthcare providers and government and private payors.

If demand for our products and services is reduced, our business and ability to grow would be harmed.

A reduction in demand for specialty medications would significantly harm our business, as we would not be able to quickly shift our business to provide medications for other diseases or disorders. Reduced demand for our products and services could be caused by several circumstances, such as:

- A cure or vaccine for infectious diseases;
- The emergence of a new diseases resistant to available medications;

- Shifts to treatment regimens other than those we offer;
- New methods of delivery of existing medications or of injectable or infusible medications that do not require our specialty pharmacy and disease management services;
- Recalls of the medications we sell;
- Adverse reactions caused by the medications we sell;
- The expiration of or challenge to the drug patents on the medications we sell.

Our revenues could be adversely affected if new drugs or combination therapies are developed and prescribed to our patients that have a reimbursement rate less than that of the current drug therapies our patients receive.

If our patients switch medications to those with lower reimbursement rates or to combination therapies, which combine multiple HIV drugs into a single medication, our net sales could decline. Combination therapies reduce the number of total prescriptions received by our patients, resulting in reduced average revenues and a decrease in dispensing fees per patient.

We rely on a limited number of suppliers for the prescriptions dispensed by our pharmacies, and we could have difficulty obtaining sufficient supply of the drugs to fill those prescriptions.

A limited number of manufacturers operating under current Good Manufacturing Practices can manufacture the drugs dispensed by our pharmacies, and the supply of those drugs is limited by allocations from the manufacturers. Although we believe we have sufficient supply from such manufacturers and we maintain inventory on hand to meet our demand, if our suppliers had problems or delays with their manufacturing operations, we may have difficulty obtaining sufficient quantities of the drugs required for our business. If we do not receive sufficient quantities from our current suppliers, we may be unable to identify or obtain our required drugs from alternative manufacturers on commercially reasonable terms or on a timely basis, which would negatively impact our revenues, reputation and business strategy.

If our credit terms with vendors become unfavorable or our relationship with them is terminated, our business could be adversely affected.

We depend on existing credit terms from vendors to meet our working capital needs between the times we purchased medications from vendors and when we received reimbursement or payment from third-party payors. Our ability to grow has been limited in part by our inability to negotiate favorable credit terms from our suppliers. If our position changes and we are unable to maintain adequate credit terms or sufficient financing from third-party lenders, we may become limited in our ability to continue to increase the volume of medications we need to fill prescriptions.

There are only a few wholesale distributors from which we can purchase the medications we offer to HIV/AIDS patients. If any of our vendor agreements terminate or are not renewed, we might not be able to enter a new agreement with another wholesale distributor on a timely basis or on terms favorable to us. Our inability to enter a new supply agreement may cause a shortage of the supply of medications we keep in stock, or we may be required to accept pricing and credit terms from a vendor that are less favorable to us than those we currently have.

There are a number of additional business risks which could adversely affect our financial results.

Many other factors could adversely affect our financial results, including:

- If we are unsuccessful in establishing effective advertising, marketing and promotional programs, our sales or sales margins could be negatively affected.
- Our success depends on our continued ability to attract and retain store, management and other professional personnel, and the loss of key personnel could have an adverse effect on the results of our operations, financial condition or cash flow.
- We rely on sales and marketing personnel to bring new sales and maintain relationships with current clients. If we fail to retain these individuals or fail to recruit new sales staff, it could have a material adverse effect on sales and our ability to meet operational needs.
- We may not be able to successfully and timely implement new computer systems and technology or business processes, or may experience disruptions or delays to the computer systems we depend on to manage our ordering, pricing, point-of-sale, inventory replenishment and other processes, which could adversely impact our operations and our ability to attract and retain customers.
- Severe weather conditions, terrorist activities, health epidemics or pandemics or the prospect of these events can impact our store operations or damage our facilities in affected areas or have an adverse impact on consumer confidence levels and spending in our store.
- The long-term effects of climate change on general economic conditions and the pharmacy industry in particular are unclear, and changes in the supply, demand or available sources of energy may affect the availability or cost of goods and services, including natural resources, necessary to run our business.
- The products we sell are sourced from a wide variety of domestic and international vendors, and any future inability to find qualified vendors and access products in a timely and efficient manner could adversely impact our business.

The foregoing is not a comprehensive listing and there can be no assurance that we have correctly identified and appropriately assessed all factors affecting the business. As such, we refer you to Item 16 of this Annual Report, "Management's Discussion and Analysis or Plan of Operation".

RISKS RELATING TO OUR STOCK

We will seek to raise additional funds in the future, which may be dilutive to stockholders or impose operational restrictions.

We expect to seek to raise additional capital in the future to help fund development of our proposed expansion. If we raise additional capital through the issuance of equity or convertible debt securities, the percentage ownership of our current stockholders will be reduced. We may also enter strategic transactions and/or compensate consultants or settle outstanding payables using equity that may be dilutive. Our stockholders may experience additional dilution in net book value per share and any additional equity securities may have rights, preferences and privileges senior to those of the holders of our common stock. If we cannot raise additional funds, we will have to delay development activities of our expansion plans.

We are controlled by our current officers, directors, and principal stockholders.

Currently, our directors, executive officers, and principal stockholders beneficially own a majority of the voting control of the Company. Thus, they will be able to exert substantial influence over the election of our board of directors and the vote on issues submitted to our stockholders. As of the date of this filing, our officers, directors and principal stockholders beneficially owned 61,659,107 shares (14.49%) of our common stock and 51 shares of our Series A super voting preferred stock (100%), which number excludes shares of common stock held in street name by non-affiliated individuals.

We are subject to the penny stock rules which will make our securities more difficult to sell.

We are subject to the SEC's "penny stock" rules because our securities sell below $5.00 per share. The penny stock

rules require broker-dealers to deliver a standardized risk disclosure document prepared by the SEC which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer must also provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson, and monthly account statements showing the market value of each penny stock held in the customer's account. In addition, the bid and offer quotations, and the broker-dealer and salesperson compensation information must be given to the customer orally or in writing prior to completing the transaction and must be given to the customer in writing before or with the customer's confirmation.

Furthermore, the penny stock rules require that prior to a transaction, the broker dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. The penny stock rules are burdensome and may reduce purchases of any offerings and reduce the trading activity for our securities. If our securities are subject to the penny stock rules, the holders of such securities will find it more difficult to sell their securities.

We cannot assure you that the common stock will be liquid or that it will remain listed on a securities exchange.

We cannot assure you that we will be able to maintain the listing standards of the OTC-QB or any other national market. If we are delisted from the OTC-QB then our common stock will not trade. In addition, delisting of our common stock could further depress our stock price, substantially limit liquidity of our common stock and materially adversely affect our ability to raise capital on terms acceptable to us, or at all. Delisting could also have other negative results, including the potential loss of confidence by suppliers and employees, the loss of institutional investor interest and fewer business development opportunities.

We cannot assure you that restricted shares issued in certificate form will be cleared by clearing firms for sale.

We are subject to all rules and regulations promulgated for issuing companies. However, we cannot provide assurance that restricted shares issued in certificate form will be accepted by brokerage or clearing firms. We can provide support with legend removal subject to all rules and regulations provided by the SEC and FINRA, however we cannot guarantee that certificates with legends removed will be accepted or cleared for sale by brokerage or clearing firms.

We have never paid dividends.

We have never paid cash dividends on our common stock and do not anticipate paying any for the foreseeable future.

Item 10. The Nature and Extent of the Issuer's Facilities

The Company's operating facilities are located at 901 N Miami Beach Blvd, Ste. 1-2, North Miami Beach, FL 33162 and at 3208 2nd Avenue North, Bays 2, 3 and 4, Palm Springs, FL 33461. We currently rent approximately 5,100 square feet of retail and pharmacy space in North Miami Beach, FL for a monthly rent of approximately $17,600. The lease expires in December 2020. We also rent pharmacy space in Palm Springs, FL for a monthly rent of $4,120. The lease expires in March 2021. The Company also leases office space at 633 NE 167th St, Suite 425, North Miami Beach, FL for a monthly rent of approximately $1,600 under a lease agreement that expires in September 2019. The Company also leases space for a satellite pharmacy location in the Century Village residential community at 13460 SW 10th St, Suite 102, Pembroke Pines, FL. The Company pays monthly rent of $2,500 under a lease agreement that expires on December 31, 2019.

The Company has purchased an approximately 11,000 sq. ft facility at 400 Ansin Blvd, Bay A & B, Hallandale, FL valued a $1.8 million. The monthly mortgage payment is approximately $12,000.

PART D - MANAGEMENT STRUCTURE AND FINANCIAL INFORMATION

Item 11. The Name of the Chief Executive Officer, Members of the Board of Directors, as well as Control Persons

A. Names of Officers, Directors, and Control Persons.

As of March 26, 2019:

Shital Parikh Mars
Chief Executive Officer
Common Shares Beneficially Owned: 12,000,000 – 2.82%

Alan Jay Weisberg
Chief Financial Officer
Common Shares Beneficially Owned: 6,127,091 – 1.44%

Armen Karapetyan
Control Person
Common Shares Beneficially Owned: 41,532,016 – 9.76%
Preferred Shares Beneficially Owned: 51 – 100%

Oleg Firer
Director
Common Shares Beneficially Owned: 1,000,000 – 0.23%

Jervis Bennett Hough
Director
Common Shares Beneficially Owned: 1,000,000 – 0.23%

B. Legal/Disciplinary History.

On September 28, 2012, Armen Karapetyan agreed to an offer of settlement from FINRA, an SRO, without admission of any wrongdoing to voluntarily forfeit his securities licensure and accept permanent bar from engaging in securities activities at a broker dealer. This agreement was made after allegations of violations of various securities rules and laws. However, FINRA did agree that no willful violations occurred.

C. Disclosure of Family Relationships.

None.

D. Disclosure of Related Party Transactions.

During the years ended December 31, 2018 and 2017, the Company had a verbal consulting arrangement with Spark Financial Consulting ("Spark"), which is a consulting company owned by an employee and preferred stock controlling shareholder of the Company. Spark provides business development services including but not limited to recruiting, targeting and evaluation of potential mergers and acquisitions, finding third party contractors and assisting with related negotiations in exchange for a monthly fee of $16,000 in 2018 and 2017. Additionally, Spark may be entitled to additional fees for additional consulting services. During the years ended December 31, 2018 and 2017, the Company paid Spark $238,275 and $220,580, respectively.

The Company has an employment agreement (the "Agreement") with a certain pharmacist, Head of the Compounding Department, who is the first paternal cousin to the preferred stock controlling shareholder and employee of the Company. In consideration for duties performed including but not limited to marketing, patient consultation, formulary development, patient and physician education, training, recruitment, sales management, as well as pharmacist responsibilities, the Company had agreed to provide monthly compensation of $25,000 or $15,000 per month plus 5% commission on monthly gross profits generated by the Compounding Department, whichever is greater. This agreement was amended on August 1, 2018 wherein the Company agreed to provide monthly compensation of $15,000 or $10,000 per month plus 5% commission on monthly gross profits generated by the Compounding Department, whichever is greater. During the year ended December 31, 2018, payments to the pharmacist were approximately $313,000. During the year ended December 31, 2017, payments to the pharmacist were approximately $821,000, of which approximately $303,000 was attributable to 2016 accrued compensation.

E. Disclosure of Conflicts of Interest.

None.

Item 12. Financial Information for the Issuer's Most Recent Fiscal Period

The following documents are filed as a part of this Annual Report:

1. Consolidated Financial Statements – The consolidated financial statements listed on the "Index to Consolidated Financial Statements" set forth on page 39.

2. Exhibits – Certain of the exhibits to this Annual Report are hereby incorporated by reference, as summarized in Part F below.

Item 13. Similar Financial Information for Such Part of the Two Preceding Fiscal Years as the Issuer or its Predecessor Has Been in Existence

The Company's consolidated financial statements for the two preceding fiscal periods are included in the Company's Annual Report for the fiscal years ended December 31, 2017 and 2016, which are separately posted on the OTCQB website and can be accessed at www.otcmarkets.com and are incorporated by reference in this Annual Report. The consolidated financial statements include the following reports: (i) consolidated balance sheets; (ii) consolidated statements of operations; (iii) consolidated statements of cash flows; (iv) consolidated statements of stockholders' equity (deficit); and (v) notes to consolidated financial statements.

Item 14. Beneficial Owners

As of the date of this filing, our officers, directors and principal stockholders beneficially owned 61,659,107 shares (14.49%) of our common stock and 51 shares of our Series A super voting preferred stock (100%), which number excludes shares of common stock held in street name by non-affiliated individuals. The names and numbers of shares held are listed in Item 11 of this Annual Report.

The Company is not aware of any additional beneficial shareholders owning 5% or more of our common stock. It is possible that there are additional beneficial holders of a significant percentage of our common stock; however, federal securities laws do not require a beneficial shareholder of 5% or more of our common stock to disclose that information publicly or to the Company. The information in the preceding paragraph and in Item 11 is based on the best information available to the Company as of the date of this Annual Report.

Item 15. The Name, Address, Telephone Number, and Email Address of Each of the Advisors to the Issuer on Matters Relating to Operations, Business Development and Disclosure

Legal Counsel

Name: Joseph Lucosky
Firm: Lucosky Brookman, LLP
Address 1: 101 Wood Avenue South, 5th Floor
Address 2: Woodbridge, New Jersey 08830
Phone: (732) 395-4400
Email: jlucosky@lucbro.com

Auditor

Firm: Berkowitz Pollack Brant
Address 1: 200 S. Biscayne Boulevard
Address 2: Seventh Floor
Address 3: Miami, Florida 33131-5351
Phone: (305) 379-7000
Email: info@bpbcpa.com

Tax Accountant:

Name: Alan Jay Weisberg, CPA
Firm: Weisberg and Company, P.A.
Address 1: 6001 Broken Sound Parkway NW
Address 2: Suite 424
Address 3: Boca Raton, FL 33431
Phone: (561) 443-3700
Email: jay@wbcpa.net

Item 16. Management's Discussion and Analysis or Plan of Operation

The following discussion should be read in conjunction with the attached audited consolidated financial statements and notes thereto. In addition to historical information, the following discussion contains forward-looking statements that involve risks, uncertainties and assumptions. Where possible, we have tried to identify these forward-looking statements by using words such as "anticipate," "believe," "intends" or similar expressions. Our actual results may differ materially from those anticipated by the forward-looking statements due to important factors and risks including, but not limited to, those set forth under "Risk Related to our Business" beginning on page 14 of this Annual Report.

OVERVIEW

PharmCo provides prescription pharmaceuticals, compounded medications, tele-pharmacy services, anti-retroviral medications, medication therapy management, the supply of prescription medications to long-term care facilities, 340B services to charitable organizations, and health practice risk management. Our patient-centered approach positions us at the center of the healthcare system for the treatment of complex chronic diseases.

Our revenue is derived from customized care management programs we deliver to our patients, including the dispensing of their medications. Our focus is on complex chronic diseases, which generally require multiyear or lifelong therapy and helps drive recurring revenue and sustainable growth. Our pharmacy services revenue growth is caused by our expanding breadth of services, new drugs coming to market, new indications for existing drugs, volume growth with

current clients, and addition of new customers due to our focus on higher patient engagement and clinical expertise. We also expect expanded revenue growth through the signing of two new 340b contracts that will bring discounted prescription programs to non-profit healthcare institutions.

On July 1, 2018, Progressive completed the acquisition of 100% of the ownership interests in Touchpoint RX, LLC, a pharmacy located in Palm Springs, Florida. As a result of the acquisition, the Company has expanded the delivery radius of its pharmacy operations to now include Miami-Dade, Broward, Palm Beach, Martin, and St. Lucie Counties, Florida. The acquisition is also expected to decrease costs of expansion of products and services and increase prescription dispensing efficiency. The new pharmacy facility is located close to major highways and has adequate space to provide the opportunity to develop new processes for long term care services, compounded medications, medication therapy management, and tele-pharmacy services. Touchpoint RX, LLC is now doing business as PharmCo 1002, LLC.

The Company provides services to approximately 15,000 patients of diverse demographics across South Florida. Patient growth trends were also due to expanded marketing efforts, directed advertising, and word-of-mouth of PharmCo's 5 star performance rating and the ability of the pharmacy to improve the performance ratings of the physicians it serves. The Company has increased its attention to key Pharmacy Benefit Manager ("PBM") performance metrics including adherence, brand to generic ratios, high risk medication, statin therapy compliance, therapy gaps, safety, and retention. As a result of these efforts, PharmCo maintains a 5-Star Rating based on the ratings provided by various insurance carriers. As of December 31, 2018, the Company's performance ranks in the 90th percentile based on a 12-month average between comparative rankings in certain PBM networks. Quality Network Performance in 2018 resulted in approximately $450,000 of collected DIR fees to be returned.

During the year ended December 31, 2018, the Company's focus was to continue the growth and development of its pharmacy services, as well as to expand its service options and market territory. Pharmacy revenue for the year ended December 31, 2018 was approximately $20.9 million, the largest annual period in the Company's history. We accomplished these achievements by filling over 300,000 prescriptions during the year, a 35% increase over the number of prescriptions filled in 2017.

Our revenue growth has been dampened through the continued efforts of health maintenance organizations, managed care organizations, PBMs, government programs (such as Medicare, Medicaid and other federal and state funded programs), and other third-party payers to limit pharmacy reimbursements, which has adversely impacted our profitability. While manufacturers have increased the price of drugs, payers have generally decreased reimbursement rates as a percentage of drug cost. We have experienced an overall reduction in the gross profit per prescription prescribed, particularly in the compounding segment, where compounding revenue decreased from approximately $5,235,000 from 6,294 claims during the year ended December 31, 2017 to approximately $2,560,000 from 5,877 claims during the year ended December 31, 2018.

Additionally, pharmacy benefits contraction across all insurance carriers has limited patient access to compounded medications as claims for compounds began receiving rejections or authorizations for significantly reduced doses starting in the second quarter of 2018. We have anticipated these evolving industry conditions, none of which are within our control, through our efforts to expand our service options and market territory. We expect pricing pressures from third-party payers to continue given the high and increasing costs of specialty drugs. As a result of this industry-wide pressure, we have experienced compression in profit margins on our contracts, particularly with HIV related medications, which has adversely affected our profitability. Despite these pressures, the Company was successful in maintaining comparable quarter-over-quarter revenue levels through increases in non-compounded prescriptions which have more reimbursement stability. We believe that our continued expansion efforts, diversification of our revenue streams, technological development, and focus on performance and reliability has prepared the company to withstand insurance related revenue compression.

In addition, Direct and Indirect Remuneration ("DIR") Fees continued to apply significant downward pressure on the Company's profitability. DIR Fees are PBM clawbacks of reimbursements based on factors that vary from plan to plan.

DIR fees are often applied retroactively, which has caused the fees charged in the year ended December 31, 2018 to be over 45% higher than those charged in 2017 ($297,886 in 2018; $205,188 in 2017). The Company has shifted pharmacy policy to account for anticipated DIR clawbacks, and we expect to limit our exposure to DIR fees in 2019. Part of the mitigation policy includes our focus on performance as some PBMs may reduce or return DIR Fees based on the performance of the pharmacy within their network.

Retroactive Contractual Adjustments were imposed through execution of new contracts between our Pharmacy Services Administration Organizations (PSAO) and PBMs with retroactive effectiveness. These contractual adjustments imposed new lowered effective rate calculations on previously dispensed medications resulting in a PBM overpayment, which was recouped in November 2018. These changes were not communicated to pharmacies contracted with the PSAO and the new contractual rates were not disclosed during the adjudication process which prevented the pharmacy from anticipating the recoupment or altering its dispensing practices to account for a potential recoupment. These adjustments and the resultant fees amounted to approximately $118,000 in recouped revenue in 2018.

The Company experienced a loss from continuing operations of approximately $1,629,000 in the year ended December 31, 2018, primarily because of decreased profitability in pharmacy reimbursements, which led to a decrease in the Company's gross profit of $763,000, and charges to operations for share-based compensation related to one-time stock bonus awards made to employees and directors of the Company in January 2018 as amortized over the 12 month vesting period ($578,000).

In December 2018, the Company purchased an 11,000 sq. ft. facility in Hallandale, FL. The facility is set to accommodate the continued growth and development of traditional pharmacy services as well as expanded long term care services, tele-pharmacy services, and medication therapy management. The Company anticipates moving current pharmacy operations from North Miami Beach in 2020 prior the expiration of the current lease. Relocation of corporate offices and administrative staff to the facility will be complete in April 2019. As the Company's current flagship pharmacy, the Company intends to build-out the facility for technological development and pharmacy accreditations. The Company is currently preparing architectural plans.

Management expects that future growth will be driven by future pharmacy acquisitions, which will provide continued expansion into new market territories; concentrated efforts toward developing our compliance and adherence services provided to medical providers; and enhancement of technological opportunities that boost loyalty and customer satisfaction. Areas of current development include market penetration of the Orlando-Tampa corridor and Treasure Coast region of Florida through a pending pharmacy acquisition expected to close in the 2nd quarter of 2019; the deployment of PharmCo's tele-pharmacy platform for live streaming of pharmacy information services; the deployment of our online prescription management solution; continued expansion of our DischargeRX program with hospitals and healthcare providers; and continued implementation of MTM protocols. The Company is also working towards the development of a line of exclusive hemp-based CBD products. The Company is currently in discussions with manufacturers and is currently researching the regulatory requirements for successful production. We believe that our expanding breadth of services and our growing penetration with new customers will help us achieve sustainable revenue growth in the future. Additionally, profitability and cash flow will be positively impacted by the elimination of non-recurring expenses and reductions in PBM fees associated with maintained and improved adherence and compliance performance rating.

2018 Key Highlights

- Completion of 2017 Audited Financial Statements (2nd year of unmodified auditor reports)
- Secured first acquisition: PharmCo 1002 (Palm Beach County)
- Paid off all Chicago Ventures Partners notes
- Introduced Bitcoin and cryptocurrency functionality
- Launched Newly Designed Websites, New Prescription Platform, DischargeRX Program, Tele-PharmCo, 340B Backoffice Support, and Program to Raise Awareness of Opioid Abuse

- LegitScript Certification
- Pilot Program: Westchester Hospital
- Over 300,000 prescriptions filled, an increase of 35% over 2017
- Over 30,000 prescriptions filled in a single month
- Approx. $21 million in net revenues
- 5-star rating
- Top 20% Pharmacy in the nation
- Highest Humana Scores in Company history
- 4 active 340B contracts, along with acquisition of 5th 340B contract to commence in 2019
- Increased 340B revenue by over 150%
- Processed over $6 million in claims on behalf of 340B entities
- Reached over 70 employees
- Licensed in the following states: Colorado, Connecticut, Florida, Georgia, Illinois, Nevada, New Jersey, New York, Pennsylvania, Texas, Utah, Arizona, Massachusetts, Minnesota
- New PR Partner: CMW Media
- New Investment Bank: The Benchmark Company
- Speaking Engagements included FlyPharma and Florida Tele-health Summit
- Contributed Articles published in prestigious industry trade magazines: Pharmacy Times, Pharmacy Business, World Pharma Today, Drug Topics, Authority
- Purchased PharmCo's first building: 400 Ansin Blvd

RESULTS OF OPERATIONS

The following table summarizes our results of operations for the years ended December 31, 2018 and 2017:

	Years Ended					
	December 31, 2018		December 31, 2017			
	Dollars	% of Revenue	Dollars	% of Revenue	$ Change	% Change
Total revenues, net	$ 20,935,633	100%	$ 20,110,742	100%	$ 824,891	4%
Total cost of revenue	16,247,943	78%	14,644,625	73%	1,603,318	11%
Total gross profit	4,687,690	22%	5,466,117	27%	(778,427)	-14%
Operating expenses	6,230,688	29%	5,274,992	26%	955,696	18%
(Loss) income from operations	(1,542,998)	-7%	191,125	1%	(1,734,123)	-907%
Other income (expense)	(84,843)	-1%	(49,817)	0%	(35,026)	-70%
(Loss) income before provision for income taxes	(1,627,841)	-8%	141,308	1%	(1,769,149)	-1252%
Provision for income taxes	(1,650)	0%	(1,598)	0%	(52)	-3%
(Loss) income from continuing operations	(1,629,491)	-8%	139,710	1%	(1,769,201)	-1266%
Loss from discontinued operations, net of tax	(276)	0%	(90,459)	-1%	90,183	100%
Net (loss) income	$ (1,629,767)	-8%	$ 49,251	0%	$ (1,679,018)	-3409%

For the year ended December 31, 2018, the Company increased overall revenue from continuing operations to approximately $20.9 million, which resulted from the PharmCo 1002 acquisition as well as organic revenue growth over the year ended December 31, 2017. Total revenues included approximately $299,000 of fees earned on dispensing prescription medications to patients under 340B programs managed by four non-profit healthcare

organizations in Florida. This was an increase of approximately $186,000 over 340B fees earned in 2017. Total billings collected on behalf of and remitted to these organizations was $6.0 million and $1.7 million for the years ended December 31, 2018 and 2017, respectively.

Gross profit margins decreased from 27% in 2017 to 22% in 2018, a 14% decrease when compared to 2017. Loss (income) from operations decreased by approximately $1,734,000 in 2018 as compared to 2017. Annual gross margin was negatively impacted by continued patient drug coverage contraction, which is exemplified by increased prescription drug costs from manufacturers coupled with decreased reimbursement rates from third party payors, as well as increased DIR fees of approximately $260,000 that were reported as part of cost of sales in 2018 and 2017. Loss (income) from operations for 2018 was negatively impacted by the contraction in prescription drug profit margins; an amortized charge to operations of approximately $578,000 related to share-based compensation paid to officers, directors and employees; and increased personnel costs related to new hires in pharmacy operations (approximately 9) associated with the continued growth and development of the Company. These increased costs were partially offset by decreased compensation costs for Compounding Pharmacy operations due to lower Compounding drug reimbursement rates per claim.

Revenue

Our pharmacy revenues were as follows:

	Years Ended					
	December 31, 2018		December 31, 2017			
	Revenue	% of Dollars	Dollars	% of Revenue	$ Change	% Change
Pharmacy	$20,761,363	99.2%	$20,040,100	99.6%	$721,263	4%
Total Revenues, net	$20,935,633	100%	$20,110,742	100%	$824,891	4%

Pharmacy revenues continue to be over 99% of all revenue for the Company. Medication Therapy Management (MTM) and 340B sales continue to grow but remain a small fraction of overall revenue. Total prescriptions dispensed increased from 225,000 in 2017 to 304,000 in 2018, a 35% increase. Our increase in pharmacy revenue is the result of the acquisition of PharmCo 1002 in July 2018, concentrated marketing efforts to doctor's offices, clinics, and long-term care facilities, ACOs and MCOs, as well as from manufacturer price increases. However, revenues were adversely affected by decreases in compounding reimbursements per claim by third party payors, as compounding revenue decreased from approximately $5,235,000 from 6,294 claims in the year ended December 31, 2017 to approximately $2,560,000 from 5,877 claims in the year ended December 31, 2018.

Gross Margin

For the year ended December 31, 2018, gross profit decreased 14% as compared to the same period in 2017 because of the contraction in prescription drug profit margins described on the previous page; increased DIR fees assessed by PBMs in 2018; and a decrease in compounding revenues of approximately $2,675,000 despite a decrease of only 417 claims from 2017 to 2018. Total gross profit from compounding claims decreased from approximately $2,599,000 in the year ended December 31, 2017 to $1,227,000 in the year ended December 31, 2018, a 53% decrease as compared to the year ended December 31, 2017.

Operating Expenses

Our operating expenses increased by approximately $956,000, or 18% in 2018 as compared to 2017**.** The increase was attributable to an amortized charge to operations of approximately $578,000 related to share-based compensation paid to officers, directors and employees; an increase in advertising and marketing costs of approximately $68,000 related to social media, web-based, and radio and television advertising; an increase in delivery costs of approximately $115,000 related to the higher volume of prescriptions filled in 2018 compared to 2017; and an increase of approximately $431,000 in personnel costs related to new hires in pharmacy operations (approximately 9) associated with the continued growth and development of the Company. These increased costs were partially offset by a decrease of approximately $570,000 in compensation costs for Compounding Pharmacy operations due to lower Compounding drug reimbursement rates per claim.

Non-GAAP Financial Measures

The following table reconciles GAAP loss (income) from continuing operations, net of income taxes, to Consolidated Adjusted EBITDA, which we define as loss (income) from continuing operations adjusted for interest expense, changes in fair value of derivative liability, income tax expense, depreciation and amortization, and share-based compensation. Consolidated Adjusted EBITDA is a measure of earnings that management monitors as an important indicator of financial performance, particularly recurring cash flow. Inclusion of Consolidated Adjusted EBITDA is intended to provide investors insight into the manner in which management views the performance of the Company.

Non-GAAP financial measures have limitations as analytical tools and should not be considered in isolation or as a substitute for our financial results prepared in accordance with U.S. GAAP. Our calculation of Non-GAAP Consolidated Adjusted EBITDA, as presented, may differ from similarly titled measures reported by other companies. We encourage investors to review these reconciliations and we qualify our use of non-GAAP financial measures with cautionary statements as to their limitations.

	Years Ended	
	December 31, 2018	December 31, 2017
(Loss) income from continuing operations, before provision for income taxes	$ (1,627,841)	$ 141,308
Interest expense	(302,839)	(104,325)
Change in fair value of derivative liability	217,718	54,284
Depreciation and amortization expense	(159,173)	(89,343)
Share-based compensation expense	(591,879)	(42,350)
Consolidated Adjusted EBITDA	$ (791,668)	$ 323,042

Cash Flows

The following table summarizes our cash flows for the years ended December 31, 2018 and 2017:

	Years Ended	
	December 31, 2018	December 31, 2017
Net change in cash from:		
Operating activities	$ (253,226)	$ (220,146)
Investing activities	(572,402)	(25,816)
Financing activities	493,146	(150,945)
Change in cash	$ (332,482)	$ (396,907)
Cash at end of year	$ 86,831	$ 419,313

Net cash used by operating activities totaled $253,226 during the year ended December 31, 2018 compared to net cash used by operating activities of $220,146 for the year ended December 31, 2017. Operational cash flow was negatively affected by the decreased profitability on prescription insurance reimbursements offset by improved collection efforts. Other factors affecting operational cash flow in 2018 included the increase in accounts receivable of approximately $93,000, the decrease in inventory of approximately $201,000, and the increase in accounts payable and accrued liabilities of approximately $367,000.

Net cash used by investing activities was $572,402 for the year ended December 31, 2018 attributable to the PharmCo 1002 pharmacy acquisition as well as prescription dispensing and other equipment purchases during the year.

Net cash provided by financing activities was $493,146 for the year ended December 31, 2018 as a result of proceeds received from the second tranche of the Chicago Venture Partners financing agreement, reduced by payments on notes payable and the capital lease obligations.

Current and Future Financing Needs

We have an accumulated deficit of $4,791,093 through December 31, 2018. We have spent, and expect to continue to spend, additional amounts in connection with implementing our business strategy.

The Company believes that it has adequate capital to operate over the next 12 months. However, additional funding will be necessary to complete planned expansion initiatives. The actual amount of funds we will need to operate and expand is subject to many factors, some of which are beyond our control. We have based our estimate on assumptions that may prove to be wrong. We may need to obtain additional funds sooner or in greater amounts than we currently anticipate. Potential sources of financing include public or private sales of our shares or debt and other sources. We may seek to access the public or private equity markets when conditions are favorable due to our long-term capital requirements.

On July 22, 2016, the Company entered in to a securities purchase agreement with Chicago Venture Partners L.P. (“Chicago Venture”) in the amount of $2,205,000 which included $200,000 Original Interest Discount and $5,000 in debt issuance costs for the transaction. On February 15, 2018, the Company drew down a second tranche against the Chicago Venture note in the amount of $636,304. The notes were convertible into common shares (See Note 7, “Notes Payable”, to the consolidated financial statements). The Company paid off all outstanding advances on the second tranche in the third quarter 2018.

On June 25, 2018, the Company entered into a placement agent service agreement with Benchmark Company LLC ("Benchmark"), under which Benchmark will act as placement agent for the proposed private placement of securities by the Company. Benchmark will also serve as the managing underwriter on a firm commitment basis in connection with a proposed public offering of the Company's common stock. The term of the agreement is twelve (12) months.

On January 2, 2019, the Company entered into a securities purchase agreement with Chicago Venture in the amount of $2,710,000 which included $200,000 Original Interest Discount ("OID") and $10,000 in debt issuance costs for the transaction. The notes are convertible into common shares of the Company. On January 2, 2019, the Company drew down the first tranche against the Chicago Venture note in the amount of $1,090,000, which included $80,000 of the OID and the $10,000 debt issuance costs.

On March 6, 2019, the Company entered into a securities purchase agreement with Iliad Research and Trading, L.P. in the amount of $3,310,000, which included $300,000 Original Interest Discount ("OID") and $10,000 in debt issuance costs for the transaction. The notes are convertible into common shares of the Company. On March 11, 2019, the Company drew down the initial tranche against the Iliad Research and Trading note in the amount of $2,300,000, which included $115,000 of the OID.

Critical Accounting Policies

Revenue Recognition

The Company records revenue when all of the following have occurred: (1) pervasive evidence of an arrangement exists, (2) the asset is transferred to the customer without further obligation, (3) the sales price to the customer is fixed or determinable, and (4) collectability is reasonably assured.

The Company recognizes its pharmacy revenue when a customer picks up or is delivered their prescription or purchases merchandise at the store. The Company records unearned revenue for prescriptions that are filled but not yet delivered at period-end. Billings for most prescription orders are with third-party payers, including Medicare, Medicaid and insurance carriers. Customer returns are nominal.

Deferred Taxes

In assessing the need for a valuation allowance, we estimate future taxable income, considering the feasibility of ongoing tax planning strategies and the realizability of tax loss carry-forwards. Valuation allowances related to deferred tax assets can be affected by changes to tax laws, changes to statutory tax rates and future taxable income levels. Based on current estimates of future taxable income, the Company believes that it will not be able to realize the full value of deferred tax assets and has increased its allowance valuation to offset completely its deferred tax assets primarily resulting from Company net operating losses ("NOL").

Off-Balance Sheet Arrangements

We do not have any unconsolidated special purpose entities and, we do not have significant exposure to any off-balance sheet arrangements. The term "off-balance sheet arrangement" generally means any transaction, agreement or other contractual arrangement to which an entity unconsolidated with us is a party, under which we have: (i) any obligation arising under a guarantee contract, derivative instrument or variable interest; or (ii) a retained or contingent interest in assets transferred to such entity or similar arrangement that serves as credit, liquidity or market risk support for such assets.

Recent Accounting Pronouncements

See Note 3 to our consolidated financial statements, which begins on page 39 of this report.

PART E - ISSUANCE HISTORY

Item 17. List of Securities Offerings and Shares Issued for Services in the Past Two Years

On January 15, 2017, the Company issued 937,500 shares of its Common Stock to outside consultants as stock-based compensation. The shares were issued in consideration of website development and investor and public relations services provided to the Company and initially value at $32,500.

On March 8, 2017, the Company issued 500,000 shares of its Common Stock to outside consultants as stock-based compensation. The shares were issued in consideration of investor and public relations services provided to the Company and initially valued at $9,850.

On October 24, 2017, the Company issued 3,313,819 shares of its Common Stock pursuant to the conversion terms in the related secured convertible promissory note.

On December 1, 2017, the Company issued 3,456,221 shares of its Common Stock pursuant to the conversion terms in the related secured convertible promissory note.

On January 3, 2018, the Company issued 3,090,553 shares of its Common Stock pursuant to the conversion terms in the related secured convertible promissory note.

On January 5, 2018, the Company issued 41,843,571 shares of its Common Stock to its officers, directors and employees as stock-based compensation. The shares were issued in consideration of services to be provided to the Company and were initially valued on the grant date at $577,629. The requisite service period for the stock grants was one year based on the vesting period of each stock grant. The Company has elected to estimate forfeitures with subsequent true-up to actual experience. The compensation cost was recognized as expense ratably over the requisite service period. Total share-based compensation expense related to the stock grants was $577,629 for the year ended December 31, 2018.

On January 24, 2018, the Company issued 3,113,002 shares of its Common Stock pursuant to the conversion terms in the related secured convertible promissory note.

On January 29, 2018, the Company issued 4,150,669 shares of its Common Stock pursuant to the conversion terms in the related secured convertible promissory note.

On February 8, 2018, the Company issued 2,739,398 shares of its Common Stock pursuant to the conversion terms in the related secured convertible promissory note.

On March 7, 2018, the Company issued 2,488,800 shares of its Common Stock pursuant to the conversion terms in the related secured convertible promissory note.

On March 15, 2018, the Company issued 1,000,000 shares of its Common Stock to its Directors in satisfaction of an accrued compensation liability from 2017. The shares were issued in consideration of director services provided to the Company in 2017 and initially valued at $14,000.

On March 15, 2018, the Company issued 1,625,000 shares of its Common Stock to an outside consultant in satisfaction of an accrued compensation liability from 2017. The shares were issued in consideration of investor and public relations services provided to the Company in 2017 and initially valued at $22,750.

On April 2, 2018, the Company issued 2,000,000 shares of its Common Stock pursuant to the conversion terms in the related secured convertible promissory note.

On April 11, 2018, the Company issued 2,000,000 shares of its Common Stock pursuant to the conversion terms in the related secured convertible promissory note.

On April 18, 2018, the Company issued 2,000,000 shares of its Common Stock pursuant to the conversion terms in the related secured convertible promissory note.

On May 10, 2018, the Company issued 2,184,360 shares of its Common Stock pursuant to the conversion terms in the related secured convertible promissory note.

On June 5, 2018, the Company issued 1,077,354 shares of its Common Stock pursuant to the conversion terms in the related secured convertible promissory note.

On July 2, 2018, the Company issued 1,778,811 shares of its Common Stock pursuant to the conversion terms in the related secured convertible promissory note.

On August 2, 2018, the Company issued 1,974,279 shares of its Common Stock pursuant to the conversion terms in the related secured convertible promissory note.

On August 16, 2018, the Company issued 250,000 shares of its Common Stock to an outside consultant for website development services performed during the third quarter 2018. The shares were valued at $14,250.

PART F – EXHIBITS

Item 18. Material Contracts

The following is a list of all contracts which the Company is a party to, and which currently can reasonably be regarded as material to a security holder of the Company as of the date of this Annual Report:

- Lease Agreement for 901 N Miami Beach Blvd, Ste 1-2, North Miami Beach, FL 33162, dated as of December 16, 2011, between Value Store It North Miami Beach, LLC and the Company.
- Lease Agreement for 633 NE 167th St, Suite 425, North Miami Beach, FL, dated as of October 1, 2016 between Migal 669, LLC and the Company.
- Lease agreement for 13460 SW 10th St, Suite 102, Pembroke Pines, FL, dated as of November 6, 2017 between Deveaux Group Inc. and the Company.
- Amended and Restated Certificate of Incorporation of the Company.
- Amended and Restated Bylaws of the Company.
- Certificate of Designation of Rights, Preferences and Privileges of Series A Super-Voting Preferred Stock of the Company.
- Preferred Stock Rights Agreement, dated as of July 11, 2014, between the Company and Armen Karapetyan, including the Certificate of Designation, the form of Rights Certificate and the Summary of Rights attached thereto.
- Executive Employment Agreement by and between Shital Parikh Mars and the Company, dated as of January 4, 2016.
- Digital presence and technology solutions agreement between Mass Ventures Corp. and the Company, dated as of January 25, 2018.
- Equipment financing agreement between Americorp Financial, LLC and the Company, dated as of May 23, 2018.
- 340B Pharmacy services agreement between Empower U and the Company, dated as of October 1, 2017.

- 340B Pharmacy services agreement between CAN Community Health and the Company, dated as of January 9, 2017.
- 340B Pharmacy services agreement between Hope and Help Center of Central Florida, Inc. and the Company, dated as of July 1, 2018.
- 340B Pharmacy services agreement between Care 4 U Management, Inc. and the Company, dated as of July 1, 2018.
- 340B Pharmacy services agreement between Midway Specialty Centers and the Company, dated as of October 12, 2018.
- Promissory note and mortgage agreement between Regions Bank and the Company, dated as of December 14, 2018.

Copies of these agreements will be available for inspection at the office of the Company located at 633 NE 167th St, Suite 425, North Miami Beach, FL, 33162 during ordinary business hours.

Item 19. Articles of Incorporation and Bylaws

The information required by this Item 19 has been included in the Company's previous filings with the SEC and is herein incorporated by reference. There have been no amendments to the Certificate of Incorporation or the Bylaws since those previously filed with the SEC.

Item 20. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

There were no purchases of equity securities by the Company or Affiliated Purchasers as defined in Item 20 of the OTC Disclosure Guidelines during 2018.

Item 21. Issuer's Certifications

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Shital Parikh Mars, certify that:

1. I have reviewed this annual disclosure statement of Progressive Care, Inc.;

2. Based on my knowledge, this disclosure statement 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 disclosure statement; and

3. Based on my knowledge, the consolidated financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: March 26, 2019
/s/ Shital Parikh Mars
Shital Parikh Mars
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Alan Jay Weisberg, certify that:

4. I have reviewed this annual disclosure statement of Progressive Care, Inc.;

5. Based on my knowledge, this disclosure statement 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 disclosure statement; and

6. Based on my knowledge, the consolidated financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: March 26, 2019
/s/ Alan Jay Weisberg
Alan Jay Weisberg
Chief Financial Officer

PROGRESSIVE CARE, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

The following consolidated financial statements are filed as part of this report:

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
of Progressive Care, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Progressive Care, Inc. (a Florida corporation) and subsidiaries as of December 31, 2018 and 2017, and 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. In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Progressive Care Inc. and subsidiaries as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated 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 the 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 audits to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made my management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2016.

Miami, Florida
March 26, 2019

Progressive Care Inc. and Subsidiaries

Consolidated Balance Sheets

	December 31, 2018	December 31, 2017
Assets		
Current Assets		
Cash	$ 86,831	$ 419,313
Accounts receivable – trade, net	1,208,175	1,270,114
Accounts receivable - other	351,485	-
Inventory, net	512,514	611,116
Prepaid expenses	72,164	51,394
Total Current Assets	2,231,169	2,351,937
Property and equipment, net	2,371,663	287,097
Other Assets		
Goodwill	290,814	-
Deposits	26,366	26,366
Other assets, discontinued operations	1,480	1,480
Total Other Assets	318,660	27,846
Total Assets	**$ 4,921,492**	**$ 2,666,880**
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 2,226,554	$ 1,694,548
Notes payable, net of unamortized debt discount and debt issuance costs	405,611	164,187
Capital lease obligations - current portion	176,978	17,287
Unearned revenue	232,605	177,877
Derivative liability	-	3,920
Total Current Liabilities	3,041,748	2,057,819
Long-term Liabilities		
Notes payable, net of current portion	1,458,318	-
Deferred rent liability	63,098	80,732
Capital lease obligations, net of current portion	148,238	98,325
Total Liabilities	4,711,402	2,236,876
Commitments and Contingencies		
Stockholders' Equity		
Preferred Stock, Series A par value $0.001; 51 shares authorized, issued and outstanding as of December 31, 2018 and 2017	-	-
Common stock, par value $0.0001; 500,000,000 shares authorized, 425,630,944 and 352,315,147 issued and outstanding as of December 31, 2018 and 2017, respectively	42,563	35,232
Additional paid-in capital	4,958,620	3,556,098
Accumulated Deficit	(4,791,093)	(3,161,326)
Total Stockholders' Equity	210,090	430,004
Total Liabilities and Stockholders' Equity	**$ 4,921,492**	**$ 2,666,880**

See Accompanying Notes to Consolidated Financial Statements

Progressive Care Inc. and Subsidiaries
Consolidated Statements of Operations
Years Ended December 31, 2018 and 2017

	2018	2017
Revenues, net	$ 20,935,633	$ 20,110,742
Cost of revenue	16,247,943	14,644,625
Gross profit	4,687,690	5,466,117
Selling, general and administrative expenses		
Bad debt expense	43,163	28,097
Share-based compensation	591,879	-
Other selling, general and administrative expense	5,595,646	5,246,895
Total Selling, general and administrative expenses	6,230,688	5,274,992
(Loss) income from operations	(1,542,998)	191,125
Other Income (Expense)		
Change in fair value of derivative liability	217,718	54,284
Interest income	278	224
Interest expense	(302,839)	(104,325)
Total other income (expense) - net	(84,843)	(49,817)
(Loss) income before provision for income taxes	(1,627,841)	141,308
Provision for income taxes	(1,650)	(1,598)
(Loss) income from continuing operations	(1,629,491)	139,710
Loss from discontinued operations, net of tax	(276)	(90,459)
Net (loss) income	$ (1,629,767)	$ 49,251
Basic and diluted net (loss) income per common share	**$** 0.00	$ 0.00
Weighted average number of common shares outstanding during the year - basic and diluted	418,129,655	346,325,710

See Accompanying Notes to Consolidated Financial Statements.

Progressive Care Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity

Years Ended December 31, 2018 and 2017

	Preferred Series A $0.001 Par Value		Common Stock $0.0001 Par Value		Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Equity
Balance, December 31, 2016	**51**	**$ -**	**344,107,607**	**$ 34,411**	**$ 3,454,569**	**$(3,210,577)**	**$ 278,403**
Issuance of common stock for settlement of debt principal and interest	-	-	6,770,040	677	59,323	-	60,000
Issuance of common stock for consulting services	-	-	1,437,500	144	42,206	-	42,350
Net income for the year ended December 31, 2017						49,251	49,251
Balance, December 31, 2017	**51**	**$ -**	**352,315,147**	**$ 35,232**	**$ 3,556,098**	**$(3,161,326)**	**$ 430,004**
Issuance of common stock for settlement of debt principal and interest	-	-	28,597,226	2,860	778,365	-	781,225
Issuance of common stock for services rendered	-	-	2,875,000	287	50,712	-	50,999
Issuance of common stock for officer and employee compensation			41,843,571	4,184	573,445	-	577,629
Net loss for the year ended December 31, 2018	-	-	-	-	-	(1,629,767)	(1,629,767)
Balance, December 31, 2018	**51**	**$ -**	**425,630,944**	**$ 42,563**	**$ 4,958,620**	**$(4,791,093)**	**$ 210,090**

See Accompanying Notes to Consolidated Financial Statements.

Progressive Care Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities:		
Net (loss) income	$ (1,629,767)	$ 49,251
Adjustments to reconcile net (loss) income to net cash		
used in operating activities:		
Depreciation and amortization	159,173	89,343
Change in provision for doubtful accounts	4,860	1,589
Provision for inventory obsolescence	15,000	-
Issuance of common stock shares for services rendered and officer/employee compensation	591,879	42,350
Amortization of debt issuance costs and debt discounts	271,533	71,252
Payment of interest through issuance of common stock shares	16,695	8,226
Change in fair value of derivative liability	(217,718)	(54,284)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(93,257)	(393,858)
Inventory	200,709	(179,849)
Deposits	-	(7,650)
Prepaid Expenses	23,181	89,719
Increase (decrease) in:		
Accounts payable and accrued liabilities	367,392	79,003
Unearned revenue	54,728	(6,488)
Deferred rent payable	(17,634)	(8,750)
Net Cash Used in Operating Activities	(253,226)	(220,146)
Cash Flows from Investing Activities:		
Cash paid for business acquisition	(300,000)	-
Cash advanced to business acquisition prior to closing date	(136,021)	-
Cash acquired in business acquisition	5,845	-
Purchase of property and equipment	(142,226)	(25,816)
Net Cash Used in Investing Activities	(572,402)	(25,816)
Cash Flows from Financing Activities:		
Proceeds from issuance of notes payable	636,304	-
Payment of debt issue costs	(50,000)	-
Payments of notes payable	(59,481)	(134,705)
Payments of capital lease obligation	(33,677)	(16,240)
Net Cash Provided by (Used in) Financing Activities	493,146	(150,945)

Net decrease in cash	(332,482)	(396,907)
Cash at beginning of year	419,313	816,220
***Cash at end of* year**	**$ 86,831**	**$ 419,313**
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	$ 287,217	$ 116,138
Cash paid for income taxes	$ 1,650	$ 1,598
Supplemental Schedule of Non-Cash Investing and Financing Activities:		
Payment of insurance premiums through financing agreement	$ 29,353	$ 27,097
Debt principal repaid through conversion into common stock shares	$ 764,530	$ 60,000
Accounts payable and accrued liabilities repaid through issuance of common stock shares	$ 36,750	$ -
Acquisition:		
Fair value of assets acquired	$ 359,300	$ -
Fair value of liabilities assumed	$ 214,079	$ -
Recognition of debt discount and derivative liability associated with conversion feature in note agreement	$ 213,798	$ -
Building acquired through notes payable	$ 1,830,000	$ -
Equipment acquired through capital lease obligation	$ 114,897	$ -

See Accompanying Notes to Consolidated Financial Statements.

Progressive Care, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
Years Ended December 31, 2018 and 2017

Note 1 Organization & Nature of Operations

Progressive Care, Inc. ("Progressive") was incorporated under the laws of the state of Delaware on October 31, 2006.

Progressive, through its wholly-owned subsidiaries, PharmCo, LLC ("PharmCo 901") and Touchpoint RX, LLC doing business as PharmCo 1002, LLC ("PharmCo 1002"), (collectively, "the Company"), is a South Florida health services organization that provides prescription pharmaceuticals, compounded medications, tele-pharmacy services, anti-retroviral medications, medication therapy management, the supply of prescription medications to long term care facilities, 340B services to charitable organizations, and health practice risk management. The Company is focused on developing the PharmCo brand and adding business elements that cater to specific under-served markets and demographics. This effort includes community and network-based marketing strategies, the introduction of new locations, acquisitions and the strategic collaboration(s) with community, government and charitable organizations.

PharmCo 901, headquartered in North Miami Beach, Florida, was formed on November 29, 2005 as a Florida Limited Liability Company and is a 100% owned subsidiary of Progressive. PharmCo 901 was acquired by Progressive on October 21, 2010.

PharmCo 1002 is a pharmacy located in Palm Springs, Florida that provides PharmCo's pharmacy services to Palm Beach and Martin Counties, Florida. Progressive acquired all of the ownership interests in PharmCo 1002 in a purchase agreement entered into on July 1, 2018 (Note 4).

Smart Medical Alliance Inc. ("Smart Medical"), a wholly owned subsidiary of Progressive, was incorporated on August 17, 2016 to provide management services to healthcare organizations. Smart Medical was head quartered in North Miami Beach, Florida and commenced operations on October 1, 2016. Smart Medical operations were discontinued in the fourth quarter of 2017 as the Company was not successful in its sales and marketing efforts, and therefore revenues were not sufficient to meet operating costs.

Note 2 Basis of Presentation

The Company's fiscal year end is December 31. The Company uses the accrual method of accounting.

Note 3 Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Progressive and its wholly-owned subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates and assumptions impact both assets and liabilities, including but not limited to: net realizable value of accounts receivable and inventories, estimated useful lives and potential impairment of property and equipment, estimated fair value of derivative liabilities using the Monte Carlo simulation model, and estimates of current and deferred tax assets and liabilities.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the consolidated financial statements, which management considered in formulating its estimate, could change in the near term due to one or more future confirming events. Accordingly, actual results could differ significantly from estimates.

Cash

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk associated with its cash balances.

Cash Equivalents: The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. As of December 31, 2018, and 2017, the Company does not have any cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable are stated at the invoiced amount. Trade accounts receivable primarily include amounts from third-party pharmacy benefit managers and insurance providers and are based on contracted prices. Trade accounts receivable are unsecured and require no collateral. The Company recorded an allowance for doubtful accounts for estimated differences between the expected and actual payment of accounts receivable. These reductions were made based upon reasonable and reliable estimates that were determined by reference to historical experience, contractual terms, and current conditions. Each quarter, the Company reevaluates its estimates to assess the adequacy of its allowance and adjusts the amounts as necessary. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Risks and Uncertainties

The Company's operations are subject to intense competition, risk and uncertainties including financial, operational, regulatory and other risks including the potential risk of business failure.

Billing Concentrations

The Company’s trade receivables are primarily from prescription medications billed to various insurance providers. Ultimately, the insured is responsible for payment should the insurance company not reimburse the Company. The Company generated reimbursements from three significant insurance providers for the years ended December 31, 2018 and 2017:

Payors	Year Ended December 31, 2018	Year Ended December 31, 2017
A	17%	15%
B	17%	14%
C	11%	11%

The Company generated reimbursements from three significant pharmacy benefit managers (PBMs) for the years ended December 31, 2018 and 2017:

PBMs	Year Ended December 31, 2018	Year Ended December 31, 2017
A	34%	31%
B	24%	25%
C	16%	18%

Inventory

Inventory is valued on a lower of first-in, first-out (FIFO) cost or net realizable value basis. Inventory primarily consists of prescription medications, pharmacy supplies, and retail items. The Company provides a valuation allowance for obsolescence and slow-moving items. As of December 31, 2018, and 2017, the Company recorded an allowance for obsolescence of $40,000 and $25,000, respectively.

Property and Equipment

Property and equipment are recorded at cost or fair value if acquired as part of a business combination. Property and equipment are depreciated or amortized using the straight-line method over their estimated useful lives. Upon the retirement or disposition of property and equipment, the related cost and accumulated depreciation or amortization are removed, and a gain or loss is recorded, when appropriate. Expenditures for maintenance and repairs are charged to expense as incurred.

Depreciation is computed on a straight-line basis over estimated useful lives as follows:

Description	Estimated Useful Life
Building	40 years
Leasehold improvements and fixtures	Lesser of estimated useful life or life of lease
Furniture and equipment	5 years
Computer equipment and software	3 years
Vehicles	3-5 years

Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. There were no impairment charges for the years ended December 31, 2018 and 2017.

Business acquisitions

The Company records business acquisitions using the acquisition method of accounting as required by Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 805, *Business Combinations*. All of the assets acquired, liabilities assumed, and contractual contingencies are recognized at their fair value on the acquisition date. The application of the acquisition method of accounting for business combinations requires management to make significant estimates and assumptions in the determination of the fair value of assets acquired and liabilities assumed in order to properly allocate purchase price consideration between assets that are depreciated and amortized from goodwill. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Acquisition-related expenses and restructuring costs are recognized separately from the business combination and are expensed as incurred.

Goodwill

Goodwill represents the excess of the purchase price of Pharmco 1002 over the value assigned to its net tangible and identifiable intangible assets. Pharmco 1002 is considered to be the reporting unit for goodwill. Acquired intangible assets other than goodwill are amortized over their useful lives unless the lives are determined to be indefinite. For intangible assets purchased in a business combination, the estimated fair values of the assets received are used to establish their recorded values. Valuation techniques consistent with the market approach, income approach, and/or cost approach are used to measure fair value. Goodwill and other indefinite-lived intangible assets are tested annually for impairment in the fourth fiscal quarter and in interim periods if events or changes in circumstances indicate that the assets may be impaired. The Company performed its annual goodwill impairment assessment as of December 31, 2018 utilizing the qualitative assessment approach. In evaluating whether it is more-likely than-not that the fair value of a reporting unit is less than its carrying amount, the Company assesses relevant events and circumstances, including macroeconomic conditions, industry and market considerations, overall financial performance, changes in the composition or carrying amount of assets and liabilities and other relevant factors. The Company did not record an impairment charge during the year ended December 31, 2018.

Fair Value of Financial Instruments

The Company's financial instruments consisted of cash, accounts receivable, accounts payable, accrued liabilities, and notes payable. The carrying amounts of the Company's financial instruments other than notes payable and capital lease obligations generally approximate their fair values at December 31, 2018 and 2017, due to the short-term nature of these instruments. The carrying amount of notes payable approximated fair value due to variable interest rates at customary terms and rates the Company could obtain in current financing. The carrying amount of the capital lease obligations approximates fair value due to the implicit rate in the lease in relation to the Company's borrowing rate and the duration of the lease.

Derivative Liabilities

GAAP requires bifurcation of embedded derivative instruments such as conversion features in convertible debt or equity instruments, and their measurement at fair value. In assessing the convertible debt instruments, management determines if the conversion feature requires bifurcation from the host instrument and recording of the bifurcated derivative instrument at fair value.

Once derivative liabilities are determined, they are adjusted to reflect fair value at the end of each reporting period. Any increase or decrease in the fair value is recorded in results of operations as an adjustment to fair value of derivatives. The fair value of these derivative instruments is determined using the Monte Carlo Simulation Model.

Revenue Recognition

The Company records revenue when all of the following have occurred: (1) pervasive evidence of an arrangement exists, (2) the asset is transferred to the customer without further obligation, (3) the sales price to the customer is fixed or determinable, and (4) collectability is reasonably assured.

The Company recognizes its pharmacy revenue when a customer picks up or is delivered their prescription or purchases merchandise at the store. The Company records unearned revenue for prescriptions that are filled but not yet delivered at period-end. Billings for most prescription orders are with third-party payers, including Medicare, Medicaid and insurance carriers. Customer returns are nominal. Pharmacy revenues were in excess of 98% of total revenues for all periods presented.

Cost of Revenue

Cost of pharmacy revenue is derived based upon vendor purchases relating to prescriptions sold and point-of-sale scanning information for non-prescription sales and is adjusted based on periodic inventories. All other costs related to revenues are expensed as incurred.

Discontinued Operations

Results of operations for Smart Medical are reported for all periods presented as discontinued operations, which is defined as a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company and which:

- Represents a separate major line of business or geographic area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- Is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale. When an operation is classified as a discontinued operation, the comparative consolidated statements of operations is re-presented as if the operation had been discontinued from the start of the comparative year and the assets and liabilities of discontinued operations are separately presented in the consolidated balance sheets of the current and prior year.

Vendor Concentrations

For the years ended December 31, 2018 and 2017, the Company had significant vendor concentrations with one vendor. The purchases from this significant vendor are as follows:

Ven	Year Ended December 31, 2018	Year Ended December 31, 2017
A	85%	70%

Selling, General and Administrative Expenses

Selling expenses primarily consist of store salaries, contract labor, occupancy costs, and expenses directly related to the stores. General and administrative costs include advertising, insurance and depreciation and amortization.

Advertising

Costs incurred for producing and communicating advertising for the Company are charged to operations as incurred. Advertising expense was $146,132 and $80,146 for the years ended December 31, 2018 and 2017, respectively.

Share-Based Payment Arrangements

Generally, all forms of share-based payments, including warrants, are measured at their fair value on the awards' grant date typically using a Black-Scholes pricing model, based on the estimated number of awards that are ultimately expected to vest. The Company measures the cost of share-based payment transactions at the grant date based on the calculated fair value of the award and recognizes this cost as an expense ratably over the recipient's

requisite service period during which that award vests or becomes unrestricted. Share-based compensation awards issued to non-employees for services rendered are recorded at either the fair value of the services rendered or the fair value of the share-based payment, whichever is more readily determinable. The shares are subsequently re-measured at their fair value at each reporting date over the service period of the awards. The expense resulting from share-based payments is recorded in other selling, general and administrative expenses in the consolidated statements of operations.

Income Taxes

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes broad and complex changes to the U.S. tax code, including, but not limited to, (1) reducing the U.S. federal corporate tax rate from 35% to 21%; (2) eliminating the corporate alternative minimum tax (AMT) and changing how existing AMT credits can be realized; (3) creating a new limitation on deductible interest expense; (4) changing rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017; (5) bonus depreciation that will allow for full expensing of qualified property; and (6) limitations on the deductibility of certain executive compensation.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Progressive Care, Inc. and Smart Medical Alliance, Inc. are taxed as C corporations. PharmCo, LLC and PharmCo 1002, LLC are taxed as partnerships, wherein each member is responsible for the tax liability, if any, related to its proportionate share of PharmCo, LLC and PharmCo 1002, LLC's taxable income. Progressive Care, Inc. has a 100% ownership interest in PharmCo, LLC and PharmCo 1002, LLC; therefore, all of PharmCo, LLC and PharmCo 1002, LLC's taxable income attributable to the period of ownership is included in Progressive Care, Inc.'s taxable income.

The provision for income taxes for the years ended December 31, 2018 and 2017 on the Consolidated Statements of Operations represents the minimum state corporate tax payments. There was no current tax provision for the years ended December 31, 2018 and 2017 because the Company did not have taxable income for 2018 and the Company's taxable income for 2017 was fully offset by prior year net operating loss carryforwards. Total available net operating losses to be carried forward to future taxable years was approximately $5,994,000 as of December 31, 2018, which will expire in various years through 2037. The temporary differences giving rise to deferred income taxes principally relate to accelerated depreciation and amortization of goodwill recorded for tax purposes, share-based compensation, reserves for estimated doubtful accounts and inventory obsolescence and net operating losses recorded for financial reporting purposes. The Company's net deferred tax asset at December 31, 2018 and 2017 was fully offset by a 100% valuation allowance as it was not more likely than not that the tax benefits of the net deferred tax asset would be realized. The change in the valuation allowance was approximately $518,000 and $663,000 for the years ended December 31, 2018 and 2017, respectively.

The Company accounts for uncertainty in income taxes by recognizing a tax position in the consolidated financial statements only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company records interest and penalties related to tax uncertainties, if any, as income tax expense. Based on management's evaluation, the Company does not believe it has

any uncertain tax positions during the years ended December 31, 2018 and 2017.

Earnings (Loss) per Share

Basic earnings/loss per share ("EPS") is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the year, excluding the effects of any potentially dilutive securities. Diluted EPS gives effect to all dilutive potential of shares of common stock outstanding during the period including stock warrants, using the treasury stock method (by using the average stock price for the period to determine the number of shares assumed to be purchased from the exercise of stock warrants), and convertible debt, using the if converted method. Diluted EPS excludes all dilutive potential of shares of common stock if their effect is anti-dilutive. The effect of including common stock equivalents in weighted average common shares outstanding for 2018 and 2017 is anti-dilutive, and therefore a separate computation of diluted earnings per share for 2018 and 2017 is not presented.

Recently Adopted Accounting Standards

In March 2016, the FASB issued Accounting Standards Update ("ASU") 2016-09, Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, which was intended to improve the accounting for employee share-based payments and affect all organizations that issue share-based payment awards to their employees. Several aspects of the accounting for share-based payment award transactions are simplified, including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. The amendments are effective for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Early adoption is permitted. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, Simplifying the Measurement of Inventory, which requires entities to measure most inventory at the lower of cost and net realizable value, thereby simplifying the current guidance under which an entity must measure inventory at the lower of cost or market. The update was effective for fiscal years beginning after December 15, 2016, and interim periods therein. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

Accounting Standards Issued but Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to provide a new comprehensive model for lease accounting. Under this guidance, lessees and lessors should apply a "right-of-use" model in accounting for all leases (including subleases) and eliminate the concept of operating leases and off-balance sheet leases. Recognition, measurement and presentation of expenses will depend on classification as a finance or operating lease. Similar modifications have been made to lessor accounting in-line with revenue recognition guidance. This guidance is effective for annual periods and interim periods within those annual periods beginning after December 15, 2018. The amendments also require certain quantitative and qualitative disclosures about leasing arrangements. Early adoption is permitted. The updated guidance requires a modified retrospective adoption. The Company is currently in the process of evaluating this new standard update.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"), which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when products are transferred to customers.

Subsequently, the FASB has issued the following standards related to ASU 2014-09: ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations* ("ASU 2016-08"); ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing* ("ASU 2016-10"); ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients* ("ASU 2016-12"); and ASU No. 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers* ("ASU 2016-20"). The Company must adopt ASU 2016-08, ASU 2016-10, ASU 2016-12 and ASU 2016-20 with ASU 2014-09 (collectively, the "new revenue standards").

In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers - Deferral of the Effective Date* which approved a one-year deferral of ASU 2014-09 for annual reporting periods beginning after December 15, 2017 for public entities, and annual reporting periods beginning after December 15, 2018 for all other entities. The new revenue standards become effective for the Company in the first quarter of fiscal year 2019 but allow adoption one year earlier if the Company so chooses. The Company currently plans to adopt this accounting standard in the first quarter of fiscal year 2019. The guidance permits two methods of adoption: full retrospective in which the standard is applied to all the periods presented or modified retrospective where an entity must recognize the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings. The Company has analyzed the impact of Topic 606 on its consolidated financial statements and has concluded that the Topic will affect the reporting of PBM clawbacks and DIR fees, which will be reclassified as a component of net revenue as opposed to a component of costs of revenue. Also, the Company expects that its disclosures of revenue recognition will be enhanced in its notes to consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *"Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment"*, which eliminates step two from the goodwill impairment test. Under ASU 2017-04, an entity should recognize an impairment charge for the amount by which the carrying amount of a reporting unit exceeds its fair value up to the amount of goodwill allocated to that reporting unit. This guidance is effective for the Company's fiscal year ending December 31, 2020, with early adoption permitted, and should be applied prospectively. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13 Financial Instruments, Measurement of Credit Losses on Financial Instruments. In November 2018, the FASB issued ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments-Credit Losses. The main objective of these updates is to replace the incurred loss impairment methodology under current GAAP, with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Trade receivables that management has the intent and ability to hold for the foreseeable future until payoff shall be reported in the balance sheet at outstanding principal adjusted for any charge-offs and the allowance for credit losses (no longer referred to as the allowance for doubtful accounts). The effective date of these updates is for fiscal years beginning after December 15, 2021. Management does not expect these updates will have a material impact on the Company's financial statements.

Management has evaluated other recently issued accounting pronouncements and does not believe that any of these pronouncements will have a significant impact on the Company's consolidated financial statements and related disclosures.

Note 4. Acquisition of Touchpoint RX, LLC

On July 1, 2018, Progressive completed the acquisition of 100% of the ownership interests in Touchpoint RX, LLC, a pharmacy located in Palm Springs, Florida. As a result of the acquisition, the Company has expanded the delivery radius of its pharmacy operations to now include Miami-Dade, Broward, Palm Beach, Martin, and St Lucie Counties,

Florida. The acquisition is also expected to decrease costs of expansion of products and services and increase prescription dispensing efficiency. Touchpoint RX, LLC is now doing business as PharmCo 1002.

The following table summarizes the consideration paid for PharmCo 1002 and the amounts of assets acquired and liabilities assumed recognized at the acquisition date:

Cash consideration	$ 300,000
Cash advanced prior to closing date	136,021
	$ 436,021
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash	$ 5,845
Other financial assets	196,825
Property and equipment	156,616
Financial liabilities	(214,079)
Goodwill	290,814
	$436,021

Note 5. Accounts Receivable – Trade, net

Accounts receivable consisted of the following at December 31, 2018 and 2017.

	December 31, 2018	December 31, 2017
Gross accounts receivable - trade	$ 1,223,375	$ 1,280,454
Less: Allowance for doubtful accounts	(15,200)	(10,340)
Accounts receivable – trade, net	$ 1,208,175	$ 1,270,114

For the years ended December 31, 2018 and 2017, the Company recognized bad debt expense in the amount of $43,163 and $28,097, respectively.

Note 6. Property and Equipment, net

Property and equipment, net consisted of the following at December 31, 2018 and 2017.

	December 31, 2018	December 31, 2017
Building	$ 1,651,069	$ -
Land	184,000	-
Leasehold improvements and fixtures	335,773	231,810
Furniture and equipment	440,278	220,491
Computer equipment and software	90,758	72,348
Vehicles	95,107	44,847
Website	69,438	53,188
Total	**2,866,423**	**622,684**
Less: accumulated depreciation and amortization	(494,760)	(335,587)
Property and equipment, net	**$ 2,371,663**	**$ 287,097**

On December 14, 2018, the Company purchased building and land located at 400 Ansin Boulevard, Hallandale Beach, Florida in the amount of $1,835,069. The purchase was financed through mortgages payable to a commercial bank and the sellers (see Note 7). The Company will relocate its operations and administrative staff to the Ansin Boulevard building once the buildout is completed in 2019. Depreciation and amortization expense for the years ended December 31, 2018 and 2017 was $159,173 and $89,343, respectively. Included in depreciation and amortization expense was approximately $0 and $2,548 which is included in discontinued operations for the years ended December 31, 2018 and 2017, respectively.

Note 7. Notes Payable

Notes payable consisted of the following:

	December 31, 2018	December 31, 2017
A. Mortgage note payable – commercial bank - collateralized	$ 1,530,000	$ -
A. Mortgage note payable – sellers - collateralized	300,000	
B. Convertible note payable - collateralized	-	128,226
C. Note payable – uncollateralized	25,000	25,000
Insurance premium financing	8,929	10,961
Total	**$ 1,863,929**	**$ 164,187**

The corresponding notes payable above are more fully discussed below:

(A) Mortgage Notes Payable – collateralized

On December 14, 2018, PharmCo 901 closed on the purchase of land and building located at 400 Ansin Boulevard, Hallandale Beach, Florida. The purchase price was financed through the issuance of two mortgage notes and security agreements entered into with a commercial bank and the sellers. PharmCo 901 entered into a mortgage note and security agreement with Regions Bank for $1,530,000. The promissory note is collateralized by the land and building, bears interest at a fixed rate of 4.75% per annum, matures on December 14, 2028 and is subject to a prepayment penalty. Principal and interest will be repaid through 119 regular payments of $11,901 beginning January 2019, with the final payment of all principal and accrued interest not yet paid on December 14, 2028. Note repayment is guaranteed by Progressive Care, Inc. PharmCo 901 paid a loan origination fee of $7,650 as part of the financing arrangement, which was included in interest expense in the consolidated statements of operations for the year ended December 31, 2018.

PharmCo 901 also entered into a mortgage note and security agreement with the sellers of the 400 Ansin Boulevard land and building for $300,000. The note bears interest at an annual rate of 10% and matures on December 14, 2019. Principal and accrued but unpaid interest may, at PharmCo 901's option, be repaid in cash or may be converted into shares of Progressive Care, Inc.'s common stock at the stock's closing price at the conversion date. The note is secured by the land and building, but such security interest is subordinated to the bank's security interest in the land and building.

(B) Convertible Note Payable – collateralized

On July 22, 2016, Progressive entered a Securities Purchase Agreement (the "Purchase Agreement") with Chicago Ventures Partners, L.P. (the "Investor"), a Utah limited partnership. The Investor agreed to purchase from the Company 10% convertible promissory notes in the aggregate principal amount of $2,205,000 (the "Notes"), including a 10% Original Issue Discount ("OID") and $5,000 attorney's fee. The Notes are convertible into shares of common stock ($0.0001 par value per share) in 1 year at the lesser of Market Price or $0.05 on the date of conversion. The

Notes are to be delivered in eight (8) tranches each in the principal amount of $250,000 and mature on October 18, 2018 (the "Maturity Date"); however, the Investor may elect to extend the Maturity Date up to 30 days. The Notes accrue interest at the rate of 10.9% per annum and the entire unpaid principal balance plus all accrued and unpaid interest are due on the Maturity Date. Progressive received the initial tranche of $280,000 at the closing of the transaction, which includes $30,000 of OID and legal costs. Progressive granted the Investor a security interest in all right, title, interest and claims of Progressive. PharmCo 901 has agreed to guarantee Progressive's obligations under the Purchase Agreement, the Notes and the Security Agreement by entering into a Guaranty Agreement in favor of the Investor. Pursuant to the Guaranty Agreement, Progressive has agreed to pay to PharmCo 901 10% of all proceeds it received from the Investor, as consideration to secure Progressive's obligations, and an additional 50% of all proceeds from the Investor for PharmCo 901's ongoing business operations. Progressive intends to use the net proceeds for its general working capital and the general working capital of PharmCo 901 to further both companies' ongoing growth and development.

In conjunction with the execution of the Purchase Agreement, Progressive executed a Membership Interest Pledge Agreement with the Investor whereby the Investor pledged a 60% membership interest in a company owned by the Investor as collateral and security for the performance by the Investor of all of its purchase obligations under the Purchase Agreement.

On August 8, 2017, the Company entered into an amendment of the promissory note and securities purchase agreement with Chicago Venture Partners, L.P. The amended promissory note included changes to the monthly installment amounts payable to the Lender through the maturity date of the note. The amended securities purchase agreement included a provision under which the Company agreed to change its stock transfer agent to an agent approved by the Lender. As consideration for the amended promissory note and securities purchase agreement, the Company agreed to prepay accrued interest on the note in the amount of $30,735 and a prepayment premium of $5,379.

The first tranche of $280,000 was disbursed to the Company on July 25, 2016. Note principal and accrued interest on the first tranche was repaid by the Company during 2018 in the following manner: $30,000 was repaid through the issuance of 3,090,553 shares of common stock valued at $0.0097 per share; $30,000 was repaid through the issuance of 3,113,002 shares of common stock valued at $0.0096 per share; $40,000 was repaid through the issuance of 4,150,669 shares of common stock valued at $0.0096 per share; and the remaining balance of $30,169 was repaid through the issuance of 2,739,398 shares of common stock valued at $0.011 per share. Note principal and accrued interest on the first tranche was repaid by the Company during 2017 in the following manner: $100,000 was paid in cash in October 2017; $30,000 was paid through the issuance to the noteholder of 3,313,819 shares of common stock valued at $0.009 per share; and $30,000 was paid through the issuance of 3,456,221 shares of common stock valued at $0.00868 per share.

On February 15, 2018, the Company drew down a second tranche against the Chicago Venture note in the amount of $636,304. Note proceeds of $586,304 were received from Chicago Venture, which was net of a $50,000 commitment fee paid to Chicago Venture. The second tranche was evidenced by secured convertible promissory notes that were subject to the same repayment and conversion terms as the first tranche and bore interest at 10%. The second tranche on the Chicago Venture note matured in October 2018. Note principal and accrued interest on the second tranche was repaid by the Company during 2018 in the following manner: $50,000 was paid through the issuance of 2,488,800 shares of common stock valued at $0.02 per share; $300,000 was paid through the issuance of 6,000,000 shares of common stock valued at $0.05 per share; $100,000 was paid through the issuance of 2,184,360 shares of common stock valued at $0.046 per share; $50,000 was paid through the issuance of 1,077,354 shares of common stock valued at $0.046 per share; $75,000 was paid through the issuance of 1,778,811 shares of common stock valued at $0.042 per share; and $76,055 was paid through the issuance of 1,974,279 shares of common stock valued at

$0.039 per share. The balance outstanding on the second tranche was $0 at December 31, 2018.

The Company identified conversion features embedded within the first and second tranches. The Company determined that the conversion features represented an embedded derivative. The conversion price was set at the lesser of Market Price as defined by the agreement or $0.05 per share unless the Market Capitalization of the Company fell below $3,000,000 at which time the Lender's Conversion Price for all Lender Conversions occurring after the first date of such occurrence shall equal the lower of the Lender Conversion Price (as defined in the Purchase Agreement) and the Market Price as of any applicable date of Conversion. Accordingly, the embedded conversion feature must be bifurcated from the debt host and accounted for as a derivative liability. On July 22, 2016, the Company recorded a derivative liability on the first tranche in the amount of $80,696. For the year ended December 31, 2017, the Company recorded a Change in Fair Value of the Derivative Liability in the amount of $54,284. The derivative liability on the first tranche was satisfied when the final debt payment on the first tranche was made in February 2018. The derivative liability balance on the first tranche on the consolidated balance sheets at December 31, 2018 and 2017 were $0 and $3,920, respectively.

On February 15, 2018, the Company recorded a derivative liability on the second tranche in the amount of $213,798. For the year ended December 31, 2018, the Company recorded a Change in Fair Value of the Derivative Liability in the amount of $217,718. The derivative liability balance on the second tranche on the consolidated balance sheets at December 31, 2018 was $0, as the related convertible debt obligation was paid in full in September 2018.

At inception, the fair value of the derivative instrument was recorded as a liability on the consolidated balance sheets with the corresponding amount recorded as a discount to the Note. The discount was accreted from the issuance date to the maturity date of the Note. The change in the fair value of the derivative liability was recorded in other income or expenses in the consolidated statements of operations at the end of each year, with the offset to the derivative liability on the consolidated balance sheets. The fair value of the embedded derivative liability was determined using the Monte Carlo Simulation model on the issuance date.

Debt Issuance Costs and Debt Discount:

Debt Issuance Costs consisted of fees incurred through securing financing from Chicago Venture Partners, L.P. on February 15, 2018 and July 22, 2016. Debt Discount consisted of the discount recorded upon recognition of the derivative liability upon issuance of the second tranche. Debt issuance costs and debt discount were amortized to interest expense over the term of the related debt using the effective interest method. Total amortization expense for the years ended December 31, 2018 and 2017 was $263,798 and $71,252, respectively. The debt discount and debt issuance costs were fully amortized as of December 31, 2018 and 2017, respectively.

(C) Note Payable – Uncollateralized

As of December 31, 2018, and 2017, the uncollateralized note payable represents a non-interest bearing loan that is due on demand from an investor.

Future maturities of notes payable are as follows as of December 31, 2018:

Year		Amount
2019	$	405,611
2020		75,162
2021		78,811
2022		82,638
2023		86,649
Thereafter		1,135,058
Total	**$**	**1,863,929**

Interest expense on these notes payable was $24,453 and $33,073 for the years ended December 31, 2018 and 2017, respectively.

Note 8. Capital Lease Obligations

In July 2016, the Company entered into a capital lease obligation to purchase pharmacy equipment with a cost of $163,224. The terms of the capital lease agreement require monthly payments of approximately $2,000 over 36 months with no stated interest rate and an incremental borrowing rate of 6%. The Company recorded a discount on the capital lease obligation in the amount of $26,181 and subsequently amortizes the discount over the lease term. The Company recorded amortization of the discount in the amount of $7,735 and $9,440 for the years ended December 31, 2018 and 2017, respectively, which has been included in interest expense on the accompanying consolidated statements of operations. The unamortized discount was $5,637 and $13,372 at December 31, 2018 and 2017, respectively.

In May 2018, the Company entered into a capital lease obligation to purchase pharmacy equipment with a cost of $114,897. The terms of the capital lease agreement require monthly payments of $1,678 plus applicable tax over 84 months at an interest rate of 6%. The lease is secured by equipment with a net book value of $103,932 at December 31, 2018.

The Company assumed an equipment capital lease obligation for medication dispensing equipment from the acquisition of PharmCo 1002 in July 2018. The lease expires in March 2020 and requires monthly installments of $4,539 including interest at the rate of 10%. The capital lease obligation is secured by equipment with a net book value of $67,239 at December 31, 2018.

Minimum lease payments for years subsequent to December 31, 2018 are as follows:

Year		Amount
2019	$	176,978
2020		71,534
2021		41,599
2022		20,142
2023		20,142
Thereafter		10,071
Subtotal		340,466
Less: interest		15,250
Total	**$**	**325,216**

The current portion of the capital lease obligations was $176,978 and $17,287 as of December 31, 2018 and 2017, respectively. Interest expense for the years ended December 31, 2018 and 2017 was $14,587 and $9,440, respectively. Depreciation expense related to the assets under the capital leases was approximately $85,000 and $19,000 in the years ended December 31, 2018 and 2017, respectively, and was included in depreciation and amortization expense in the accompanying consolidated statements of operations.

Note 9. Stockholders' Equity

Share-Based Compensation

On January 5, 2018, the Company issued 41,843,571 shares of its Common Stock to its officers, directors and employees as stock-based compensation. The shares were issued in consideration of services to be provided to the Company and were initially valued on the grant date at $577,629. The requisite service period for the stock grants was one year based on the vesting period of each stock grant. The Company has elected to estimate forfeitures with subsequent true-up to actual experience. The compensation cost will be recognized as expense ratably over the requisite service period. Total share-based compensation expense related to the stock grants was $577,629 for the year ended December 31, 2018.

On March 15, 2018, the Company issued 1,000,000 shares of its Common Stock to its Directors in satisfaction of an accrued compensation liability from 2017. The shares were issued in consideration of director services provided to the Company in 2017 and initially valued at $14,000.

On March 15, 2018, the Company issued 1,625,000 shares of its Common Stock to an outside consultant in satisfaction of an accrued compensation liability from 2017. The shares were issued in consideration of investor and public relations services provided to the Company in 2017 and initially valued at $22,750.

On August 16, 2018, the Company issued 250,000 shares of its Common Stock to an outside consultant for website development services performed during the third quarter 2018. The shares were valued at $14,250.

On January 15, 2017, the Company issued 937,500 shares of its Common Stock to outside consultants as stock-based compensation. The shares were issued in consideration of website design consulting services and investor and public relations services provided to the Company and initially valued at $32,500.

On March 8, 2017, the Company issued 500,000 shares of its Common Stock to outside consultants as stock-based compensation. The shares were issued in consideration of investor and public relations services provided to the Company and initially valued at $9,850.

Common Stock

As of December 31, 2018 and 2017, the Company's issued and outstanding common shares total 425,630,944 and 352,315,147 shares, respectively. The Company's transfer agent is reporting 431,221,376 common shares outstanding as of December 31, 2018; however, this balance includes 5,590,432 common shares that were beneficially owned by Progressive Care through PharmCo, LLC and Progressive Training, Inc. (an inactive company) and therefore eliminated.

Preferred Stock

On July 3, 2014, the Company's shareholders and board of directors authorized the creation of 51 shares of Series A Super-Voting Preferred Stock at par value of $0.001 per share. The series is a non-dividend producing instrument that ranks superior to the Company's common stock.

Each one (1) share of the Series A Preferred Stock shall have voting rights equal to (x) 0.019607 *multiplied by* the total issued and outstanding Common Stock and Preferred Stock eligible to vote at the time of the respective vote (the "**Numerator**"), *divided by* (y) 0.49, *minus* (z) the Numerator.

With respect to all matters upon which stockholders are entitled to vote or to which stockholders are entitled to give consent, the holders of the outstanding shares of Series A Preferred Stock shall vote together with the holders of Common Stock without regard to class, except as to those matters on which separate class voting is required by applicable law or the Certificate of Incorporation or By-laws.

On July 11, 2014, the board of directors approved the issuance of 51 shares of the Company's Series A Preferred Stock to a certain employee of the Company, which is equal to 50.99% of the total voting power of all issued and outstanding voting capital of the Company in satisfaction of $20,000 in past due debt. These issued shares of preferred stock are outstanding as of December 31, 2018 and 2017. As of December 31, 2018 and 2017, the individual is employed by the Company.

Note 10. Discontinued Operations

In October 2017, the Company's wholly-owned subsidiary, Smart Medical Alliance, Inc., ceased operations as management determined that its strategic plan to provide management services to healthcare organizations was not successful. Smart Medical is classified as a discontinued operation. Total revenue from discontinued operations was $0 and $73,123 for the years ended December 31, 2018 and 2017, respectively. Total expense from discontinued operations was $276 and $163,582 for the years ended December 31, 2018 and 2017, respectively.

Note 11. Commitments and Contingencies

Legal Matters

The Company is subject to claims and lawsuits that arise primarily in the ordinary course of business. In the opinion of management, the disposition or ultimate resolution of currently known claims and lawsuits will not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

Lease Commitments

The Company leases its corporate office under a non-cancelable operating lease agreement expiring in December 2020. This lease is guaranteed by a shareholder and an unrelated individual. The Company also leases its Palm Beach County pharmacy location under an operating lease agreement expiring in March 2021. Additionally, the Company leases certain office space under non-cancelable operating lease agreements which require the Company to pay a monthly base rental plus its proportionate share of operating expenses. These lease agreements expire on various dates through December 2019. Rent expense was $274,671 and $235,392 for the years ended December 31, 2018 and 2017, respectively.

The Company's corporate office and office space rentals are subject to scheduled rent increases throughout the terms of the related leases. As such, the Company records the related rent expense on a straight-line basis, resulting in a deferred rent liability of $63,098 and $80,732 as of December 31, 2018 and 2017, respectively.

At December 31, 2018, rental commitments for currently occupied space for the fiscal years of 2018 through 2020 are as follows:

Year		Amount
2019	$	287,621
2020		254,040
2021		12,731
Total	**$**	**554,392**

Note 12. Related Party Transactions

During the years ended December 31, 2018 and 2017, the Company had a verbal consulting arrangement with Spark Financial Consulting ("Spark"), which is a consulting company owned by an employee and preferred stock controlling shareholder of the Company. Spark provides business development services including but not limited to recruiting, targeting and evaluation of potential mergers and acquisitions, finding third party contractors and assisting with related negotiations in exchange for a monthly fee of $16,000 in 2018 and 2017. Additionally, Spark may be entitled to additional fees for additional consulting services. During the years ended December 31, 2018 and 2017, the Company paid Spark $238,275 and $220,580, respectively.

The Company has an employment agreement (the "Agreement") with a certain pharmacist, Head of the Compounding Department, who is the first paternal cousin to the preferred stock controlling shareholder and employee of the Company. In consideration for duties performed including but not limited to marketing, patient consultation, formulary development, patient and physician education, training, recruitment, sales management, as well as pharmacist responsibilities, the Company had agreed to provide monthly compensation of $25,000 or $15,000 per month plus 5% commission on monthly gross profits generated by the Compounding Department, whichever is greater. This agreement was amended on August 1, 2018 wherein the Company agreed to provide monthly compensation of $15,000 or $10,000 per month plus 5% commission on monthly gross profits generated by the Compounding Department, whichever is greater. During the year ended December 31, 2018, payments to the pharmacist were approximately $313,000. During the year ended December 31, 2017, payments to the pharmacist were approximately $821,000, of which approximately $303,000 was attributable to 2016 accrued compensation.

Note 13. Retirement Plan

PharmCo 901 sponsors a 401(k) retirement plan covering qualified employees, as defined. Employees who have been employed by PharmCo more than one year are eligible to participate in the plan. In July 2018, PharmCo 901 added a provision to the plan whereby PharmCo 901 matches the employee's contribution up to a maximum of 3% of the eligible employee's compensation. PharmCo 901 contributed approximately $12,900 in matching contributions for the year ended December 31, 2018.

Note 14. Subsequent Events

Management has evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through March 26, 2019, the date the consolidated financial statements were available to be issued.

Pharmacy Acquisition

On March 8, 2019, Progressive entered into an agreement for the acquisition of 100% of the issued and outstanding common stock of Family Physicians RX, Inc. ("Family Physicians"), aka Five Star RX, a Florida based pharmacy with locations in Davie and Orlando, Florida. The purchase price for the acquisition of Family Physicians will be $3,000,000, whereby $2.3 million is payable in cash over the two-year period following the closing, and $700,000 is payable in common stock of the Company, valued at the lower of the closing price of the Company's common stock on the closing date or $0.07 per share. The acquisition is subject to approval by various regulatory authorities. Change in ownership is projected to occur in the second quarter of 2019.

New Financing Agreements

On January 2, 2019, the Company entered into a securities purchase agreement with Chicago Venture in the amount of $2,710,000 which included $200,000 Original Interest Discount ("OID") and $10,000 in debt issuance costs for the transaction. The notes are convertible into common shares of the Company. On January 2, 2019, the Company drew down the first tranche against the Chicago Venture note in the amount of $1,090,000, which included $80,000 of the OID and the $10,000 debt issuance costs.

On March 6, 2019, the Company entered into a securities purchase agreement with Iliad Research and Trading, L.P. in the amount of $3,310,000, which included $300,000 Original Interest Discount ("OID") and $10,000 in debt issuance costs for the transaction. The notes are convertible into common shares of the Company. On March 11, 2019, the Company drew down the initial tranche against the Iliad Research and Trading note in the amount of $2,300,000, which included $115,000 of the OID with the remainder of the OID to be applied at closing on the acquisition of Family Physicians.