



PROGRESSIVE CARE, INC.  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED JUNE 30, 2014  
(UNAUDITED)

Progressive Care, Inc.  
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CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED JUNE 30, 2014

**Progressive Care Inc. and Subsidiaries**  
**Consolidated Balance Sheets**

	<u>June 30, 2014</u>	<u>December 31, 2013</u>
<b><u>Assets</u></b>		
<b>Current Assets</b>		
Cash	\$ 16,506	\$ 58,810
Accounts receivable - net	434,359	404,636
Federal taxes receivable	-	-
Inventory - net	285,328	279,171
Prepaid expenses	45,852	30,896
<b>Total Current Assets</b>	<b>782,046</b>	<b>773,512</b>
<b>Property and equipment - net</b>	<b>139,133</b>	<b>287,762</b>
<b>Other Assets</b>		
Debt acquisition costs - net	251,356	251,356
Deposits	47,612	47,612
Deferred tax asset	-	-
<b>Total Other Assets</b>	<b>298,968</b>	<b>298,968</b>
<b>Total Assets</b>	<b>\$ 1,220,147</b>	<b>\$ 1,360,242</b>

**Liabilities and Stockholders' (Deficit) Equity**

-		
<b>Current Liabilities</b>		
Cash overdraft	\$ -	\$ -
Accounts payable and accrued liabilities	1,241,542	1,027,854
Deferred rent payable	74,326	68,160
Income taxes payable	-	-
Convertible notes payable- net of discount	518,007	518,007
Notes payable - related party	178,500	178,500



Notes payable - other	477,523	333,523
Accrued interest payable - related party	-	-
Unearned revenue	102,046	120,564
Derivative liability	-	-
Deferred tax liability	-	-
<b>Total Current Liabilities</b>	<u>2,591,944</u>	<u>2,246,607</u>
<b>Long Term Liabilities</b>		
Note Payable	-	150,000
<b>Total Liabilities</b>	<u>2,591,944</u>	<u>2,396,607</u>
<b>Commitments and Contingencies</b>		
<b>Stockholders' (Deficit) Equity</b>		
Common stock, par value \$0.0001; 100,000,000 shares authorized		
27,706,344 issued and outstanding	2,770	2,770
Additional paid-in capital	152,218	152,218
Retained Earnings (Accumulated Deficit)	(1,526,785)	(1,191,353)
<b>Total Stockholders' (Deficit) Equity</b>	<u>(1,371,797)</u>	<u>(1,036,365)</u>
<b>Total Liabilities and Stockholders' (Deficit) Equity</b>	<u>\$ 1,220,147</u>	<u>\$ 1,360,242</u>



**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED JUNE 30, 2014**

**Progressive Care Inc. and Subsidiaries  
Consolidated Statements of Operations**

	Three Months Ended		Six Months Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
<b>Sales - net</b>	\$ 2,741,261	\$ 2,172,875	\$ 5,401,857	\$ 4,296,706
<b>Cost of sales</b>	2,338,048	1,675,869	4,644,785	3,289,539
<b>Gross profit</b>	403,214	497,006	757,072	1,007,167
<b>Selling, general and administrative expenses</b>				
Bad debt expense	5,119	41,033	13,676	87,929
Other selling, general and administrative expense	485,057	605,580	1,012,835	1,281,174
	<u>490,176.13</u>	<u>646,613</u>	<u>1,026,511.30</u>	<u>1,369,103</u>
<b>Loss from operations</b>	<u>(86,963)</u>	<u>(149,606)</u>	<u>(269,439)</u>	<u>(361,936)</u>
<b>Other Income (Expense)</b>				
Change in fair value of derivative liability	-	142,946	-	145,355
Gain (Loss) on expiration of convertible debt	-	195,381	-	195,381
Gain on debt settlement	(2,294)	-	(2,294)	-
Gain on sale of assets	5,357	-	5,357	-
Loss on discontinued operation	(10,630)	-	(10,630)	-
Loss on expired inventory	-	-	-	-
Interest income	0	4	1	4
Interest expense	(13,440)	(107,510)	(39,336)	(175,882)
<b>Total other income (expense) - net</b>	<u>(21,006)</u>	<u>230,821</u>	<u>(46,902)</u>	<u>164,858</u>
<b>Net loss before income tax expense</b>	(107,969)	81,215	(316,341)	(197,078)
<b>Provision for income tax expense</b>				
Current income tax benefit (expense)	(208)	(5,649)	(19,091)	(7,649)
<b>Total income tax expense</b>	<u>(208)</u>	<u>(5,649)</u>	<u>(19,091)</u>	<u>(7,649)</u>
<b>Net loss</b>	<u>\$ (108,177)</u>	<u>\$ 75,566</u>	<u>\$ (335,432)</u>	<u>\$ (204,727)</u>

<b>Basic and diluted net loss per common share</b>	<u>(0.00)</u>	<u>(0.00)</u>	<u>(0.01)</u>	<u>(0.01)</u>
<b>Weighted average number of common shares outstanding</b>				
<b>during the period - basic and diluted</b>	<u>27,662,508</u>	<u>26,184,334</u>	<u>27,662,508</u>	<u>26,184,334</u>



**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED JUNE 30, 2014**

**Progressive Care Inc. and Subsidiaries  
Consolidated Statements of Stockholders' (Deficit) Equity  
Six Months Ended June 30, 2014**

	Common Stock		Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity
	<u>\$0.0001 Par Value</u>				
	Shares	Amount			
<b>Balance, December 31, 2013</b>	<b>27,706,344</b>	<b>\$ 2,770</b>	<b>\$ 152,217</b>	<b>\$(1,191,352)</b>	<b>\$(1,036,365)</b>
Issuance of common stock for debt issue costs	-	-	-	-	-
Issuance of common stock for services rendered	-	-	-	-	-
Issuance of common stock for services rendered - related party	-	-	-	-	-
Net loss for the Six Months ended June 30 ,2014	-	-	-	(335,432)	(335,432)
<b>Balance, June 30, 2014</b>	<b>27,706,344</b>	<b>\$ 2,770</b>	<b>\$ 152,217</b>	<b>\$(1,526,785)</b>	<b>\$(1,371,797)</b>



CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED JUNE 30, 2014

**Progressive Care Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Six Months Ended June 30, 2014 and 2013**

	June 30, 2014	June 30, 2013
<b>Cash Flows From Operating Activities:</b>		
Net loss	\$ (335,432)	\$ (204,726)
<i>Adjustments to reconcile net loss to net cash provided by operating activities:</i>		
Depreciation	140,283	83,639
Deferred taxes	-	-
Change in Allowance of Doubtful Accounts	(47,320)	87,929
Stock-based compensation	-	53,000
Stock-based compensation - related parties	-	5,000
Amortization of debt issue and debt discount	-	82,358
Change in fair value of derivative liability	-	(145,355)
Change in deferred/unearned revenue	(18,518)	52,897
Gain on debt forgiveness	-	(20,067)
<i>Changes in operating assets and liabilities:</i>		
<i>(Increase) decrease in:</i>		
Accounts receivable	17,598	(102,509)
Federal taxes receivable	-	36,096
Inventory	(6,158)	(19,217)
Prepays	(14,957)	(1,887)
Deposits	-	-
<i>Increase (decrease) in:</i>		
Accounts payable and accrued liabilities	213,688	72,212
Deferred rent	6,166	10,198
Income tax payable	-	-
Accrued interest payable - related party	-	-
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(44,650)</b>	<b>(10,433)</b>
<b>Cash Flows From Investing Activities:</b>		
Purchase of property and equipment	(4,154)	(61,935)
Sale of property and equipment	12,500	-
<b>Net Cash Used in Investing Activities</b>	<b>8,346</b>	<b>(61,935)</b>

<b>Cash Flows From Financing Activities:</b>		
Cash overdraft	-	(29,187)
Proceeds from issuance of notes payable	-	300,000
Proceeds from issuance of notes payable - related party	-	53,000
Repayment of notes payable	(6,000)	(141,188)
Shares issued in connection with debt acquisition costs	-	-
<b>Net Cash (Used in) Provided by Financing Activities</b>	<b>(6,000)</b>	<b>182,625</b>
<b>Net decrease in cash</b>	<b>(42,304)</b>	<b>110,257</b>
Cash at beginning of period	58,810	7,357
<b>Cash at end of period</b>	<b>\$ 16,506</b>	<b>\$ 117,614</b>
<b><u>Supplemental disclosures of cash flow information:</u></b>		
Cash paid for interest	\$ 10,602	\$ 10,492
Cash paid for taxes	\$ -	\$ -
<b><u>Supplemental disclosures of non-cash financing activities:</u></b>		
Conversion of accounts payable to notes payable	-	8,548
Reclassification of Note Payable Long Term to Note Payable Current	150,000	-
Issuance of common stock as debt acquisition costs	-	60,000





**Progressive Care Inc. and Subsidiary**  
**Notes to the Consolidated Financial Statements**  
**Six Months Ended June 30, 2014 and 2013**

**Note 1 Organization & Nature of Operations**

Progressive Care, Inc. (the "Company", formerly Progressive Training, Inc.) was incorporated under the laws of the state of Delaware on October 31, 2006. Pharmco, LLC ("PharmCo"), headquartered in North Miami Beach, Florida, was formed on November 29, 2005 as a Florida Limited Liability Company. On October 21, 2010, the Company acquired PharmCo.

The Company is a provider of prescription pharmaceuticals specializing in the sale of anti-retroviral medications and related patient care management, the sale and rental of durable medical equipment ("DME") and the supply of all prescription medications and DME to nursing homes and assisted living facilities. Prior to the acquisition, the Company operated a training video business.

**Note 2 Basis of Presentation and Reclassification**

On January 27, 2011, the Company changed its fiscal year end to December 31. On December 31, 2010 the Company sold off its video training operations ("Advanced"). Certain December 31, 2010 amounts have been reclassified to conform to the new fiscal year's presentation, which included presentation of discontinued operations. There were no other changes affecting financial position, operations or cash flows.

**Note 3 Summary of Significant Accounting Policies**

**Principles of Consolidation**

All inter-company accounts and transactions have been eliminated in consolidation.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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, estimated useful lives and potential impairment of property and equipment, the value of goodwill and intangible assets and related potential impairment, estimated fair value of warrants using the Black-Scholes option pricing method and estimates of tax 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 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 minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits; however, at June 30, 2014 and December 31, 2013, respectively, the balances did not exceed the federally insured limit.



**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 primary receivables are from prescription medication and DME equipment 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 significant insurance providers for the three months ended June 30, 2014 and 2013 with a threshold greater than 10%.

<b>Payors</b>	<b>6 Months Ended June 30, 2014</b>	<b>6 Months Ended June 30, 2013</b>
A	15%	21%
B	13%	12%
C	10%	11%

**Inventory**

Inventory is valued on a lower of first-in, first-out (FIFO) cost or market basis. Inventory primarily consists of prescription medications, retail items and DME equipment available to be sold or rented.

**Property and Equipment**

Company used property and equipment is stated at cost, less accumulated depreciation. Expenditures for maintenance and repairs are charged to expense as incurred.

The Company provides DME on rent-to-own terms. Pursuant to Medicare guidelines (which are followed by private insurance carriers as well) DME equipment is "rented" to the insured for 13 months, after which title to the equipment transfers to the insured.

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

<b>Description</b>	<b>Estimated Useful Life</b>
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
DME equipment rented	13 months

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 three and six months ended June 30, 2014 and 2013.

**Business Combinations**



The Company accounts for business combinations using the acquisition method of accounting and accordingly, the assets and liabilities of the acquired business are recorded at their fair values at the date of acquisition. The excess of the purchase price over the estimated fair values is recorded as goodwill. Any changes in the estimated fair values of the net assets recorded for acquisitions prior to the finalization of more detailed analysis, but not to exceed one year from the date of acquisition, will change the amount of the purchase prices allocable to goodwill. All acquisition costs are expensed as incurred.

### Debt Acquisition Costs

The Company paid debt acquisition costs in connection with raising funds through the issuance of convertible debt. These costs are amortized over the life of the debt to interest expense. Total amortization of debt acquisition costs for the three and six months ended June 30, 2014 and 2013 was \$0, respectively. If a conversion of the underlying debt occurs, the proportionate share of the unamortized amounts are immediately expensed.

### Fair Value of Financial Instruments

The accounting guidance defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact business and considers assumptions that marketplace participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

The guidance also establishes a fair value hierarchy for measurements of fair value as follows:

- Level 1 – quoted market prices in active markets for identical assets or liabilities.
- Level 2 – inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company's financial instruments consisted of cash, accounts receivable, prepaid expenses, accounts payable and accrued liabilities, and notes payable. The carrying amounts of the Company's financial instruments generally approximate their fair values at June 30, 2014 and 2013, due to the short term nature of these instruments.

The following are the major categories of liabilities measured at fair value on a recurring basis as of June 30, 2014 and June 30, 2013, significant other observable inputs (Level 2):

	June 30, 2014		June 30, 2013
<b>Conversion feature related to convertible debt (Level 2)</b>	\$ 0,000	:	379,570

The Level 2 valuation relates to a conversion feature related to convertible debt measured using management's estimates of fair value as well as other significant inputs that are unobservable.



The Company has determined the estimated fair value amounts presented in these financial statements using available market information and appropriate methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. The estimates presented in the financial statements are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

### **Derivative Liabilities**

Fair value accounting requires bifurcation of embedded derivative instruments such as conversion features in convertible debt or equity instruments, and measurement of their fair value. In determining the appropriate fair value, the Company uses the Black-Scholes option-pricing model. In assessing the convertible debt instruments, management determines if the convertible debt host instrument is conventional convertible debt and further if there is a beneficial conversion feature requiring measurement. If the instrument is not considered conventional convertible debt, the Company will continue its evaluation process of these instruments as derivative financial instruments.

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. In addition, the fair value of freestanding derivative instruments such as warrants, are also valued using the Black-Scholes option-pricing model. Once a derivative liability ceases to exist any remaining fair value will be reclassified to Gain (Loss) on Expiration of Convertible component of the debt.

### **Revenue Recognition**

The Company records revenue when all of the following have occurred: (1) pervasive evidence of an arrangement exists, (2) 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.

For the three and six months ended June 30, 2014 and 2013, the Company had two identifiable continuing revenue streams:

#### **(i) Pharmacy**

The Company recognizes its pharmacy revenue when a customer picks up or is delivered their prescription or purchases merchandise at the store. Billings for most prescription orders are with third-party payers, including Medicare, Medicaid and insurance carriers. Customer returns are nominal.

Total pharmacy revenues for the three months ended June 30, 2014 and 2013 were approximately \$2,682,680 (98%) and \$1,967,712 (91%), respectively, and six months ended June 30, 2014 and 2013 were approximately \$5,244,806 (97%) and \$3,853,599 (90%), respectively.

#### **(ii) Durable Medical Equipment**

The Company recognizes DME revenue from the date the equipment is picked up at its store or delivered to the customer. Revenue from DME rentals is recorded over a 13 month period. Customer returns are nominal.

Total DME revenues for the three months ended June 30, 2014 and 2013 were approximately \$66,290 (2%) and 206,080 (09%), respectively and six months ended June 30, 2014 and 2013 were approximately \$164,760 (3%) and 443,102 (10%), respectively.



### Cost of Sales

Cost of pharmacy sales 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 sales are expensed as incurred.

Cost of DME sales is derived based upon vendor purchases relating to equipment sold and is adjusted based on periodic inventories. All other costs related to sales are expensed as incurred.

### Vendor Concentrations

For the six months ended June 30, 2014, the Company had significant vendor concentrations with one vendor; for the six months ended June 30, 2013, the Company had significant vendor concentrations with two vendors. The purchases from these significant vendors are as follows:

Vendor	Six Months Ended June 30,, 2014	Six Months Ended June 30, 2013
A	92%	48%
B	7%	47%

### Selling, General and Administrative Expenses

Selling expenses primarily consist of store salaries, contract labor, occupancy costs, and expenses directly related to the store. Other 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 and are as follows

Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
\$ 21,253	\$ 12.635.

### Stock-Based Payment Arrangements

Generally, all forms of stock-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. Stock-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 stock-based payment, whichever is more readily determinable. The expense resulting from stock-based payments are recorded in selling, general and administrative expenses in the consolidated statements of operations.

### Income Taxes

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. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized; changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

The Company does not believe it has any uncertain tax positions during the three and six months ended June 30, 2014 and 2013.

### Earnings (Loss) per Share

Basic earnings/loss per share ("EPS") is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding during the period, 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 Company had the following potential common stock equivalents outstanding at June 30, 2014:

	<u>Shares</u>
Convertible debt – face amount of \$150,000; fixed conversion price ; \$0.40	375,000
Convertible debt – face amount of \$300,000; fixed conversion price; \$0.40	750,000
Common stock warrants - 15,000; exercise price of \$0.40	15,000
Total common stock equivalents	<u>1,140,000</u>

The Company reflected a net loss for the three and six months ended June 30, 2014 and 2013; therefore, the effect of considering any common stock equivalents, if outstanding, would be anti-dilutive; consequently, a separate computation of diluted earnings (loss) per share is not presented.

### Recent Accounting Pronouncements

The Company has implemented all new accounting pronouncements that are in effect and that may impact its consolidated financial statements and does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

### Note 3. Going Concern

During the three and six months ended June 30, 2014, the Company had a net loss of approximately \$0.11 million and \$0.34 million and negative cash flow from operations of approximately \$42,304 for the six months ended June 30, 2014. The Company does not believe that it will have sufficient capital to operate over the next 12 months and additional funding will be necessary to continue with operations and complete planned expansion initiatives. The Company will need to raise capital in order to fund its operations and meet its debt service obligations. To address its financing requirements, the Company will seek funding through offering equity or convertible debt securities to individual and institutional investors. The outcome of these matters cannot be predicted at this time.



Historically, the Company has had operating losses, negative cash flows, and working capital deficiencies. Whether, and when, the Company can attain profitability and positive cash flows from operations is uncertain. Also, the Company is uncertain as to whether it can obtain financing to execute growth objectives.

Uncertainties also exist as to the final outcome of legal proceedings which may entail a foreclosure on assets pledged by the Company, and settlement of these matters on beneficial terms for the Company is not assured. See Note 10.

These uncertainties cast significant doubt upon the Company's ability to continue as a going concern. The Company's financial statements do not include any adjustments that might result from the outcome of these uncertainties. See Note 10.

#### Note 4. Accounts Receivable

Accounts receivable consisted of the following at June 30, 2014 and December 31, 2013.

	June 30, 2014	December 31, 2013
Gross accounts receivable	\$ 494,966	\$ 498,042
Allowance	-71,506	-118,825
Unbilled receivables	10,898	25,420
Accounts receivable – net	<u>\$ 434,358</u>	<u>\$ 404,637</u>

The Company recorded a reduction to accounts receivable 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 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.

For the six months ended June 30, 2014 and 2013, the Company wrote off \$13,676 and \$87,929 respectively, of its accounts receivable to the allowance for doubtful accounts.

#### Note 5 Property and Equipment

Property and equipment consisted of the following at June 30, 2014 and December 31, 2013.

	June 30, 2014	December 31, 2013
Leasehold improvements and fixtures	\$ 206,327	\$ 226,457
Furniture and equipment	40,429	33,374
Computer equipment and software	56,407	56,407
Vehicles	59,620	90,046
DME	89,480	155,445
Total	<b>452,263</b>	<b>561,729</b>
Less: accumulated depreciation	313,130	273,967
Property and equipment – net	<u>\$ 139,133</u>	<u>\$ 287,762</u>



Depreciation and amortization expense for the six months ended June 30, 2014 and December 31, 2013 was \$22,539 and \$37,618, respectively.

## Note 6. Notes Payable

Notes payable consists of the following:

	June 30, 2014	December 31, 2013
A. Convertible note payable – collateralized	\$ 518,007	\$ 518,007
Less: Unamortized debt discount	-	-
Convertible note payable – net	518,007	518,007
B. Convertible note payable – uncollateralized	150,000	150,000
C. Note payable – related party	178,500	178,500
D. Note payable – collateralized	327,523	333,523
Total debt	\$ 1,174,030	\$ 1,180,030
Current portion – notes payable	\$ 995,530	\$ 850,030
Current portion note payable – related party	\$ 178,500	\$ 178,500
Long term portion – convertible note payable	\$ 0	\$ 150,000

The corresponding notes payable above are more fully discussed below:

### (A) Convertible Note Payable – collateralized

During the year ended December 31, 2012, the Company issued a secured convertible note for \$500,000. The note bears interest of 12% per annum (1% per month), of which 6% is paid monthly and 6% is accrued and due in a balloon payment at maturity. At June 30, 2014, unpaid accrued interest on this note was \$60,398. The note has a default interest rate of 18%, a maturity date of April 30, 2013 and is secured by all of the assets of the Company and its subsidiary. The debt holder is entitled, at their option, to convert all or part of the principal and unpaid accrued interest into shares of the Company’s common stock. The note is convertible at 95% of the volume weighted average price of the Company’s common stock for the 5 days preceding conversion. The embedded conversion feature within this note classifies it as a derivative liability. See Notes 7.

The Company incurred debt issue costs of \$202,500 in connection with the note, for which common stock valued at \$7,000 was issued, a note payable was issued of approximately \$93,000, and the remaining \$102,500 was paid in cash.

On June 4, 2013, the Company entered into an amendment agreement with the debt holder whereby all outstanding accrued interest, principal, and facility fees were rolled into a single note. The face value of the note was \$623,007.06 and matured on November 1, 2013 with a payment schedule of \$35,000 for the first 3 months, \$75,000 for 2 months and a balloon for the remainder due on or before November 1, 2013. As of November 18, 2013, the debt holder issued a notice of default on this note. See notes 11 and 12.





(B) Convertible Note Payable – uncollateralized

On November 28, 2011, the Company entered into a \$150,000 3-year 8% convertible note with an investor. Under the terms of the note, the investor has the option to convert their note into shares of the Company’s common stock at an exercise price of \$0.40 per share. In connection with this note, the Company paid debt issue costs of \$18,000 and issued 15,000, 3-year warrants exercisable at \$0.40 per share, having a fair market value of \$4,895, as calculated using the Black Scholes valuation method. The warrants vested on the date of issuance and expire November 27, 2014. See Note 8.

(C) Convertible Note Payable – uncollateralized

On April 23, 2013, the Company entered into a \$300,000 1-year 10% convertible note with an investor. Under the terms of the Note, the investor has the option to convert the Note into shares of the Company’s common stock at an exercise price of \$0.40/share. In connection with this note, the Company incurred debt issue costs of 1,000,000 shares of stock valued at the closing price on the OTCBB on April 13, 2013, which was \$0.11. The securities are restricted securities, and may not be sold, transferred or otherwise disposed without registration under the Securities Act of 1933, as amended (the “Act”), or an exemption thereunder. The securities were offered and sold in reliance on the exemption from registration under Section 4(2) of the Act. The offering was not conducted in connection with a public offering, and no public solicitation or advertisement was made or relied upon by the individual in connection with the offering.

(D) Notes Payable – Related Party

The Company issued \$178,500 in aggregated unsecured promissory notes to a control shareholder, Mr. Armen Karapetyan, between August 24, 2012 and December 31, 2013. The notes are non-interest bearing and were payable upon demand.

(E) Note Payable Other – collateralized

The company converted invoices with three different vendors to notes payable on various dates between March 23, 2012 and July 25, 2012. The notes bore interest at rates ranging from 0% to 5%, were due within one year and collateralized by the Company’s inventory. One note was extended until August 17, 2014. The balance outstanding on these notes was \$2,522.62 and \$8,522.62 as of June 30, 2014 and December 31, 2013

Interest expense on the notes was \$39,336 and \$175,882 for the six months ended June 30, 2014 and 2013, respectively.

**Note 7. Derivative Liabilities**

In 2012, the Company identified a conversion feature embedded within one of its convertible debt instruments and determined that it should be accounted for at fair value as a derivative liability. The convertible feature expired in November 2013 and was not renewed. The derivative liability at December 31, 2013 was \$-0-.

The fair value of the conversion feature is summarized as follow:

Derivative liability - December 31, 2012	\$ -
Fair value at the commitment date for debt instruments	213,040
Fair value mark to market adjustment for debt instruments	(213,040)
Derivative liability – December 31,2013	<u>\$ 0</u>



**Note 8. Stock Warrants**

A summary of warrant activity for the Company for the three months ended March 31, 2014 and the year ended December 31, 2013 is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at December 31, 2012	\$ -	\$ -
Granted	15,000	0.40
Exercised	-	-
Forfeited	-	-
Balance at December 31, 2013	\$ 15,000	\$ 0.40
Granted	-	-
Exercised	-	-
Forfeited	-	-
Balance at June 30, 2014	<u>\$ 15,000</u>	<u>\$ 0.40</u>

A summary of all outstanding and exercisable warrants as of March 31, 2014 is as follows:

Exercise Price	Warrants Outstanding	Warrants Exercisable	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
\$ 0.40	15,000	15,000	0.33 years	\$ 1,200

The Black-Scholes assumptions used in 2014 were as follows:

	3 Months March 31, 2014
Exercise price	\$ 0.40
Expected dividends	0%
Expected volatility	214%
Risk free interest rate	0.39%
Expected life of option	0.33 Years
Expected forfeitures	0%

**Note 8. Stockholders' (Deficit) Equity**



During the six months ended June 30, 2014, there were no issues of securities or other changes to stockholders equity with the exception of the reporting the net loss for the period.

## **Note 10. Commitments and Contingencies**

### **Legal Matters**

On July 26, 2013, the Company was named as a respondent to a complaint issued by AmerisourceBergen Drug Corporation. The complaint was filed in Pennsylvania and alleges among other things a failure by PharmCo, LLC to pay for prescription drugs furnished to PharmCo, LLC pursuant to a credit agreement dated April 18, 2011. On October 13, 2013 the Company filed a statement of answer responding to the allegations. The Company believes among other things that AmerisourceBergen instituted overly restrictive purchasing policies that impacted the Company's ability to service its patients and such policy is not present in the cited credit agreement.

The Company has accrued the full value of invoices due to AmerisourceBergen plus legal expenses and believes that the claim will be settled for that amount or less. The total value of outstanding AmerisourceBergen invoices is approximately \$227,000 and is included on the consolidated balance sheets under accounts payable and accrued liabilities.

On November 18, 2013, TCA Global Credit Master Fund, L.P. ("TCA") filed a complaint against the Company and PharmCo in the United States District Court for the Southern District of Florida. The complaint alleges, among other things, that the Company is in default of that certain First Amendment to Certain Agreements effective as of June 4, 2013 by and between the Company and TCA and that certain Replacement, Amended and Restated Promissory Note issued by the Company in favor of TCA. In addition, the Complaint alleges that PharmCo is in breach of that certain Acknowledgement and Affirmation of Guaranty Agreement by and between PharmCo and TCA. TCA seeks to recover \$687,176 plus interest, costs, attorneys and to foreclose on the assets pledged by the Company and PharmCo in connection with the transaction. The Company intends to vigorously defend itself against TCA's allegations. See Notes 6, 7, and 12.

As of December 31, 2012, the Company has recorded \$593,007 in principal and \$20,000 in accrued interest in connection with this note. The difference between what is recorded at December 31, 2012 and the amount of the claim made by TCA includes accrued interest for 2013, fees, penalties, and legal costs that are under dispute. As these differences are in relation to the notice of default in 2013, they were accrued in 2013.

On April 8, 2014, The United States District Court for the Southern District of Florida dismissed the case with TCA Global Credit Master Fund without prejudice. On May 23, 2014, the Company entered into a settlement agreement pending the outcome of a planned 3(a)(10) transaction, which would reduce the outstanding debt to \$575,000.

The Company believes it has recorded the full value of debt due to TCA on the consolidated balance sheets under convertible notes payable and believes that the claim will be settled for that amount or less. It has not been deemed necessary to accrue any additional contingencies in relation to this claim at this time.

Management believes that obligations recorded on its consolidated balance sheets at June 30, 2014 were adequate based on its assessment of the ongoing complaints.

### **Lease Commitments**

Rent expense was \$160,128 and \$146,204 respectively, for the six months ended June 30, 2014 and 2013.



Deferred rent payable at June 30, 2014 and December 31, 2013 was \$74,326 and \$68,160, respectively. Deferred rent payable is the sum of the difference between the monthly rent payment and the straight-line monthly rent expense of an operating lease that contains escalated payments in future periods.

Our corporate office is located at 1111 Park Center Blvd, Suite 202, Miami Gardens, FL 33169. The corporate office lease is for 2 suites amounting to approximately 3,000 square feet. The monthly rent is approximately \$4,000. The lease expires September 30, 2014. The Company has not renewed the lease and has moved corporate operations to the PharmCo, LLC location at 901 N Miami Beach Blvd, Ste 1-2, North Miami Beach, FL 33162.

We currently rent approximately 5,100 square feet of retail and pharmacy space in North Miami, FL for a monthly rent of approximately \$13,100. The lease expires in December 2020.

We also lease another 3,100 square feet of retail and pharmacy space in Opa-locka, FL for approximately \$5,200 per month; this lease expires in November 2016. On June 5, 2014, PharmCo 780, Inc. withdrew its application for a DEA license. PharmCo 780 is considering filing a new application for licensure on 2015 for reconsideration. The Opa-locka, FL location is currently being used to provide free HIV/STD screenings to the general public.

On April 26, 2014 the company terminated the lease without penalty for the previously proposed North Shore location. The lease was terminated due to insurmountable zoning and permitting restrictions placed on the site. The location in North Shore, FL was approximately 1,600 square feet

At June 30, 2014, rental commitments for currently occupied space for the fiscal years of 2014 through 2020 are as follows:

Year	Amount
2014	\$ 122,464
2015	221,621
2016	229,949
2017	181,170
2018	184,826
Thereafter	397,502
	<u>\$ 1,337,532</u>

**Note 11. Subsequent Events**

On July 1, 2014, the board of directors agreed to issue 5,000,000 shares of the Company’s common stock to Spark Financial Consulting, Inc. in satisfaction of \$60,000 in past due debt.

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 which will rank 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. For the avoidance of doubt, if the total issued and outstanding Common Stock eligible to vote at the time of the respective vote is 5,000,000, the voting rights of one share



of the Series A Preferred Stock shall be equal to  $102,036 (0.019607 \times 5,000,000) / 0.49) - (0.019607 \times 5,000,000) = 102,036$ ).

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 Armen Karapetyan, which is equal to 50.99% of the total voting power of all issued and outstanding voting capital of the company.

On July 30, 2014 the Company entered into an agreement with Tarpon Bay Partners LLC, for the purchase of \$1,826,005 in past due debt and accounts payable from the company for the purposes of executing a 3(a)(10) Transaction that would alleviate the Company's debt burden. Certain vendors agreed to the purchase of their debt by Tarpon Bay, including TCA.

On August 25, 2014 the Settlement Agreement between the Company and Tarpon Bay was signed by all parties.

On September 3, 2014 an Amended Order Granting Approval of Settlement Agreement and Stipulation was approved by the courts. On October 1, 2014, the Company issued 3,408,000 shares to Tarpon in consideration of the first tranche of shares per the September 3 court approved Settlement Agreement – 3(a)(10) Transaction. Tarpon began selling its shares to satisfy the creditors on October 28, 2014.

The total number of shares issued and outstanding as of November 10, 2014 was 36,114,344 shares.



MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL INFORMATION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the attached unaudited 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 10 of our Condensed Interim Consolidated Financial Statements for the years ended December 31, 2013 and 2012.

**Overview**

In 2014, the company shifted its focus to the growth and development of its pharmacy services due in large part to the expiration of its Medicare Part B competitive bidding contract. This renewed attention to the company’s core business allowed the company to grow overall sales despite the loss in revenue generated from sales and rentals of durable medical equipment. The company also has made great strides in eliminating losses due to bad debt by enhancing its claims tracking and reconciliation process.

In addition to the operational improvements, the company has begun an initiative to reduce the amount of debt currently being held on the balance sheets and settle any legal disputes regarding past due debts. This initiative involves successfully executing a 3(a)(10) transaction which would consolidate notes and past due payables into a single note to be paid by the issuance and subsequent sale of the company’s common stock. This transaction is highly dilutive, but the Company believes that, upon completion, it will be better able to meet current and future capital and financing needs.

On April 8, 2014, The United States District Court for the Southern District of Florida dismissed the case with TCA Global Credit Master Fund without prejudice. On May 23, 2014, the Company entered into a settlement agreement pending the outcome of a planned 3(a)(10) transaction, which would reduce the outstanding debt to \$575,000.

On April 26, 2014 the company terminated the lease without penalty for the previously proposed North Shore location. The lease was terminated due to insurmountable zoning and permitting restrictions placed on the site. The location in North Shore, FL was approximately 1,600 square feet.

On June 5, 2014, PharmCo 780, Inc. withdrew its application for a DEA license. PharmCo 780 is considering filing a new application for licensure on 2015 for reconsideration. The Opa-locka, FL location is currently being used to provide free HIV/STD screenings to the general public.

**Results of Operations**

The following table summarizes our results of operations for the six months ended June 30, 2014 and 2013:

	Six Months Ended					
	June 30, 2014			June 30, 2013		
	Dollars	% of Revenue	Dollars	% of Revenue	\$ change	% change
Total revenues - net	\$ 5,401,857	100%	\$ 4,296,706	100%	\$ 1,105,151	26%
Total cost of sales	4,644,785	86%	3,289,539	77%	1,355,246	41%
Total gross margin	757,072	14%	1,007,167	23%	(250,095)	-25%



Operating expenses	1,026,511	19%	1,369,103	32%	(342,592)	-25%
Other income (expense)	(46,902)	-1%	164,858	4%	(211,761)	-128%
Operating loss	(316,341)	-6%	(197,078)	-5%	(119,263)	61%
Income tax expense	(19,091)		(7,649)		\$ (11,442)	0%
Net loss	(335,432)	-6%	(204,727)	-5%	(107,821)	

## Revenue

Our pharmacy and DME revenues were as follows:

Six Months Ended						
	June 30, 2014		June 30, 2013			
	Dollars	% of Revenue	Dollars	% of Revenue	\$ change	% change
Pharmacy	\$5,244,806	97%	\$3,857,060	90%	\$ 1,387,746	36%
DME	\$164,760	3%	\$439,647	10%	(274,886)	-63%
Total Sales	\$5,409,566		\$4,296,706		\$1,112,860	26%

Net revenue increased approximately \$1,105,151 or 26% for the six months ended June 30, 2014 as compared to the six months ended June 30, 2013. Net revenues from our Pharmacy operation increased 36% quarter-over-quarter, while net revenues from our DME operations decreased significantly (63%). Our increase in pharmacy revenue is the result of concentrated marketing efforts to doctor's offices, clinics, and long term care facilities.

## Gross Margin

Our gross margin as a percent of sales decreased from 24% to 13% for six months ended June 30, 2014 as compared to the six months ended June 30, 2013. Overall margins for this period were lower because of the expiration of the Medicare Part B Competitive Bidding Contract which carried higher gross margin than pharmaceutical sales.

## Operating Expenses

Our operating expenses decreased \$342,592 or 25% for the six months ended June 30, 2014 as compared to the six months ended June 30, 2013. The decrease was mainly attributable to lower payroll expenses associated with the wind down of the DME department and lower losses from bad debts.

## Net Loss

Our overall net loss increased by \$107,821 for the six months ended June 30, 2014 as compared to the six months ended June 30, 2013, mainly attributable to lower adjustments to fair value of derivative liability and gain on expiration of convertible debt associated with settlement agreements associated with convertible note holders.



## Cash Flows

The following table summarizes our cash flows for the six months ended June 30, 2014 and 2013:

<b>Six Months Ended</b>					
		<b>June 30, 2014</b>		<b>June 30, 2013</b>	
<i>Net change in cash from:</i>					
Operating activities	\$	(44,650)	\$	(10,433)	
Investing activities		8,346		(61,935)	
Financing activities		(6,000)		182,625	
Change in cash	\$	(42,304)	\$	110,257	
Cash at end of Period		\$16,506		\$117,614	

Net cash used by operating activities decreased to \$44,650 due to decreases in the allowance for doubtful accounts and unearned revenue.

Net cash used for investing activities increased to net cash provided of \$8,346 for the six months ended June 30, 2014 as compared to the six months ended June 30, 2013 due to the sale of property and equipment.

Net cash provided by financing activities decreased to net cash used of \$6,000 for the six months ended June 30, 2014 as compared to the six months ended June 30, 2013 as a result of decreased issuance of notes payable.

### Current and Future Financing Needs

We have spent, and expect to continue to spend, substantial amounts in connection with implementing our business strategy. Based on our current plans, we believe that our current cash may not be sufficient to enable us to meet our planned operating needs. However, the actual amount of funds we will need to operate 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. We do not have any committed sources of financing at this time, and it is uncertain whether additional funding will be available when we need it on terms that will be acceptable to us, or at all. If we raise funds by selling additional shares of common stock or other securities convertible into common stock, the ownership interest of our existing stockholders will be diluted. If we are not able to obtain financing when needed, we may be unable to carry out our business plan. As a result, we may have to significantly limit our operations and our business, financial condition and results of operations would be materially harmed.

### CONTROLS AND PROCEDURES

#### Evaluation of disclosure controls and procedures

Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 (“Exchange Act”), the Company carried out an evaluation, with the participation of the Company’s management, including the Company’s Chief Executive Officer (“CEO”), and Chief Financial Officer (“CFO”) of the effectiveness of the Company’s disclosure controls and procedures (as





defined under Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon its current evaluation, the Company's CEO and CFO have concluded that the Company's current disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Company's CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

#### **Changes in Internal Control over Financial Reporting**

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during our fiscal quarter ended June 30, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.



FORM 52-109F2

CERTIFICATION OF INTERIM FILINGS  
FULL CERTIFICATE

I, **Alan Jay Weisberg**, *Chief Financial Officer of Progressive Care, Inc.*, certify the following:

1. **Review:** I have reviewed the financial statements and interim MD&A (together, the "quarterly filings") of **Progressive Care, Inc.** (the "issuer") for the period ended **June 30, 2014**.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. **Responsibility:** The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the issuer.
5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer(s) and I have, as at the end of the period covered by the interim filings
  - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
    - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
    - (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
  - (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.
- 5.1 **Control framework:** The control framework the issuer's other certifying officer(s) and I used to design the issuer's ICFR is **Internal Control over Finance Reporting – Guidance for Smaller Public Companies published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)**.
- 5.2 **ICFR – material weakness relating to design:** N/A



5.3 *Limitation on scope of design:* N/A

6. *Reporting changes in ICFR:* The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on **January 1, 2012** and ended on **December 31, 2013** that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: **November 14, 2014**

s/Alan Jay Weisberg

Alan Jay Weisberg  
Chief Financial Officer



FORM 52-109F2  
CERTIFICATION OF INTERIM FILINGS  
FULL CERTIFICATE

I, **Alan Jay Weisberg**, *Interim Chief Executive Officer of Progressive Care, Inc.*, certify the following:

1. **Review:** I have reviewed the financial statements and interim MD&A (together, the "quarterly filings") of **Progressive Care, Inc.** (the "issuer") for the period ended **June 30, 2014**.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. **Responsibility:** The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the issuer.
5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer(s) and I have, as at the end of the period covered by the interim filings
  - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
    - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
    - (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
  - (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.
- 5.1 **Control framework:** The control framework the issuer's other certifying officer(s) and I used to design the issuer's ICFR is **Internal Control over Finance Reporting – Guidance for Smaller Public Companies published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)**.
- 5.2 **ICFR – material weakness relating to design:** N/A



5.3 *Limitation on scope of design:* N/A

6. *Reporting changes in ICFR:* The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on **January 1, 2012** and ended on **December 31, 2013** that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: **November 14, 2014**

s/Alan Jay Weisberg

Alan Jay Weisberg

Interim Chief Executive Officer