



PROGRESSIVE CARE, INC.

State of Incorporation: Delaware

**400 Ansin Blvd, Suite A
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SIC Code: 5912

**QUARTERLY REPORT
For the Six Months Ended June 30, 2019 (Restated)
(the "Reporting Period")
Amendment #2**

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

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Explanatory Note

This Amendment #2 to the Quarterly Report of Progressive Care, Inc. (“the Company”) amends Amendment #1 of the Quarterly Report for the three and six month period ended June 30, 2019, which was filed with the OTC Markets on August 15, 2019. The Company is filing this Amended Quarterly Report to correct an error in the valuation of a derivative liability at the issue date of the related convertible debt instrument, an error in the computation of the change in fair value of the derivative liability at June 30, 2019, and an error in the calculation of amortization of the debt discount recorded against the promissory note for the three and six months ended June 30, 2019. Note 3 to the unaudited consolidated financial statements was added to provide further information regarding the correction of these errors.

As required by the Alternative Reporting Standard requirements of the OTCQB Disclosure Guidelines, new certifications by the Company’s chief executive officer and chief financial officer are included in this Amended Quarterly Report.

Except as described above, no other amendments have been made to the Original Quarterly Report. This Amended Quarterly Report does not reflect events that occurred after the date of the Original Quarterly Report, and except as described above, the Company has not modified or updated disclosures contained in the Original Quarterly Report.

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 901, LLC, PharmCo 1002, LLC and Family Physicians Rx Inc. 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 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.

Item 1. Exact Name of the Issuer and the Address of its Principal Executive Offices

Exact name of the issuer:	Progressive Care, Inc.
Principal Executive Offices:	400 Ansin Boulevard Hallandale Beach, FL 33009 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) 657-2060 Email Address: investors@progressivecareus.com

Item 2. Shares Outstanding

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 June 30, 2019					
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	215
Preferred Stock	51	51	-	1	1
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	352,315,147*	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

*This amount is net of 5,590,432 shares of common stock, which is the number of shares beneficially owned by Progressive Care through PharmCo 901, LLC and Progressive Training, Inc. Total number of shares of common stock issued and outstanding per the transfer agent is 431,221,376 as of June 30, 2019.

Item 3. Consolidated Financial Statements (Unaudited)

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

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Progressive Care Inc. and Subsidiaries

Consolidated Balance Sheets

	June 30, 2019 (Unaudited) (Restated)	December 31, 2018 (1)
<u>Assets</u>		
Current Assets		
Cash - unrestricted	\$ 1,802,995	\$ 86,831
Cash - restricted	849,223	-
Accounts receivable – trade, net	2,105,053	1,208,175
Accounts receivable - other	6,063	351,485
Inventory, net	825,268	512,514
Prepaid expenses	229,239	72,164
Total Current Assets	5,817,841	2,231,169
Property and equipment, net	2,286,508	2,371,663
Other Assets		
Goodwill	3,279,760	290,814
Deposits	30,936	26,366
Other assets, discontinued operations	-	1,480
Total Other Assets	3,310,696	318,660
Total Assets	\$ 11,415,045	\$ 4,921,492
<u>Liabilities and Stockholders' (Deficit) Equity</u>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 4,093,990	\$ 2,226,554
Consideration payable on business acquisition	1,578,125	-
Notes payable, net of unamortized debt discount and debt issuance costs	434,979	405,611
Capital lease obligations - current portion	161,744	176,978
Unearned revenue	330,355	232,605
Derivative liability	2,509,000	-
Total Current Liabilities	9,108,193	3,041,748
Long-term Liabilities		
Notes payable, net of current portion	3,169,804	1,458,318
Deferred rent liability	49,692	63,098
Capital lease obligations, net of current portion	128,988	148,238
Total Liabilities	12,456,677	4,711,402
Commitments and Contingencies		
Stockholders' (Deficit) Equity		
Preferred Stock, Series A par value \$0.001; 51 shares authorized, issued and outstanding as of June 30, 2019 and December 31, 2018	-	-
Common stock, par value \$0.0001; 500,000,000 shares authorized, 425,630,944 issued and outstanding as of June 30, 2019 and December 31, 2018, respectively	42,563	42,563
Additional paid-in capital	4,958,620	4,958,620
Accumulated Deficit	(6,042,815)	(4,791,093)
Total Stockholders' (Deficit) Equity	(1,041,632)	210,090
Total Liabilities and Stockholders' (Deficit) Equity	\$ 11,415,045	\$ 4,921,492

(1) The information in this column was derived from the Company's audited consolidated financial statements as of and for the year ended December 31, 2018.

See Accompanying Notes to Consolidated Financial Statements

Progressive Care Inc. and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30, 2019</u> <u>(Restated)</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u> <u>(Restated)</u>	<u>June 30, 2018</u>
Sales, net	\$ 6,997,186	\$ 4,981,774	\$ 12,172,129	\$ 9,983,308
Cost of sales	5,409,401	3,798,793	9,561,247	7,620,036
Gross profit	1,587,785	1,182,981	2,610,882	2,363,272
Selling, general and administrative expenses				
<i>Bad debt expense</i>	18,370	6,763	28,340	17,625
<i>Stock-based compensation</i>	-	144,012	-	286,441
<i>Other selling, general and administrative expense</i>	1,891,292	1,306,135	3,375,790	2,498,617
	<u>1,909,662</u>	<u>1,456,910</u>	<u>3,404,130</u>	<u>2,802,683</u>
(Loss) from operations	<u>(321,877)</u>	<u>(273,929)</u>	<u>(793,248)</u>	<u>(439,411)</u>
Other Income (Expense)				
<i>Change in fair value of derivative liability</i>	40,000	579,917	27,000	128,748
<i>Automobile casualty loss</i>	-	-	(1,545)	-
<i>Interest income</i>	188	103	254	196
<i>Interest expense</i>	(320,167)	(102,870)	(481,495)	(126,814)
Total other income (expense) - net	<u>(279,979)</u>	<u>477,150</u>	<u>(455,785)</u>	<u>2,130</u>
Income (loss) before provision for income tax	(601,856)	203,221	(1,249,033)	(437,281)
Provision for income tax	<u>(2,689)</u>	<u>-</u>	<u>(2,689)</u>	<u>(1,650)</u>
Net (loss) income from continuing operations	(604,545)	203,221	(1,251,722)	(438,931)
Loss from discontinued operations, net of tax	<u>-</u>	<u>(92)</u>	<u>-</u>	<u>(234)</u>
Net (loss) income	<u>\$(604,545)</u>	<u>\$203,129</u>	<u>\$(1,251,722)</u>	<u>\$(439,165)</u>
Basic and diluted net (loss) income per common share	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
Weighted average number of common shares outstanding during the period - basic and diluted	<u>425,630,944</u>	<u>419,204,999</u>	<u>425,630,944</u>	<u>410,948,559</u>

See Accompanying Notes to Consolidated Financial Statements.

Progressive Care Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity (Deficit)
Six Months Ended June 30, 2019 (Unaudited) (Restated)

	Preferred Series A		Common Stock		Additional	Accumulated	Total
	\$0.001 Par Value		\$0.0001 Par Value		Paid-in	Deficit	Stockholders'
	Shares	Amount	Shares	Amount	Capital		Equity (Deficit)
<i>Balance, December 31, 2018</i>	51	\$ -	425,630,944	\$ 42,563	\$ 4,958,620	\$(4,791,093)	\$ 210,090
<i>Net loss for the six months ended June 30, 2019</i>	-	-	-	-	-	(1,251,722)	(1,251,722)
<i>Balance June 30, 2019</i>	51	\$ -	425,630,944	\$ 42,563	\$ 4,958,620	\$(6,042,815)	\$ (1,041,632)

See Accompanying Notes to Consolidated Financial Statements

Progressive Care Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Six Months Ended June 30, 2019 (Restated) and 2018 (Unaudited)

	2019 (Restated)	2018
Cash Flows from Operating Activities:		
Net loss	\$ (1,251,722)	\$ (439,164)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	121,724	48,684
Change in provision for doubtful accounts	20,160	1,460
Share-based compensation	-	286,441
Amortization of debt issuance costs and debt discounts	288,047	109,964
Change in fair value of derivative liability	(27,000)	(128,748)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Restricted cash	(849,223)	-
Accounts receivable	75,985	(36,434)
Inventory	106,719	166,118
Prepaid Expenses	(108,912)	20,127
Other assets	1,480	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	1,427,008	100,492
Unearned revenue	97,751	(50,679)
Deferred rent payable	(13,406)	(8,817)
Net Cash (Used in) Provided by Operating Activities	(111,389)	69,444
Cash Flows from Investing Activities:		
Cash acquired in business acquisition	256,268	-
Acquisition deposit	-	(300,000)
Purchase of property and equipment	(36,569)	(44,182)
Net Cash Provided by (Used in) Investing Activities	219,699	(344,182)
Cash Flows from Financing Activities:		
Proceeds from issuance of notes payable	2,100,000	636,304
Payment of debt issue costs	(400,000)	(50,000)
Payments of notes payable	(43,942)	(10,961)
Payments of capital lease obligations	(48,204)	(14,028)
Net Cash Provided by Financing Activities	1,607,854	561,315
Net increase in cash	1,716,164	286,577
Cash at beginning of period	86,831	419,313

Cash at end of period	\$ 1,802,995	\$ 705,890
<u>Supplemental disclosures of cash flow information:</u>		
Cash paid for interest	\$ 40,881	\$ 111,928
Cash paid for income taxes	\$ 2,689	\$ 1,650
<u>Supplemental Schedule of non-cash investing and financing activities:</u>		
Deposit for business acquisition acquired through issuance of note payable	\$ 2,300,000	\$ -
Recognition of debt discount and derivative liability associated with conversion feature in note agreement	\$ 2,536,000	\$ 213,798
Payment of insurance premiums through issuance of note payable	\$ 36,578	\$ -
Goodwill acquired through consideration payable on business acquisition	\$ 1,578,125	\$ -
Prepaid compensation expense associated with share-based compensation	\$ -	\$ 577,629
Equipment acquired through capital lease obligation	\$ -	\$ 114,897
Debt principal repaid through conversion into common stock shares	\$ -	\$ 630,170

See Accompanying Notes to Consolidated Financial Statements.

Progressive Care, Inc. and Subsidiaries
Notes to the Unaudited Consolidated Financial Statements
Six Months Ended June 30, 2019 (Restated) and 2018

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”), Family Physicians RX, Inc. (“FPRX”), 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.

FPRX is a pharmacy with locations in Davie and Orlando, Florida that provides PharmCo’s pharmacy services to Broward County, the Orlando/Tampa corridor, and the Treasure Coast of Florida. Progressive acquired all of the ownership interests in FPRX in a purchase agreement entered into on June 1, 2019.

PharmCo 1002 is a pharmacy located in Palm Springs, Florida that provides PharmCo’s pharmacy services to Palm Beach, St. Lucie 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 2 Basis of Presentation

The Company’s fiscal year end is December 31. The Company uses the accrual method of accounting. The accompanying unaudited interim consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements. The December 31, 2018 balance sheet has been derived from audited consolidated financial statements.

Note 3 Correction of Errors

The accompanying consolidated financial statements have been restated to correct the following errors:

- The valuation of a derivative liability at the balance sheet date, June 30, 2019.
- The calculation of the change in fair value of the derivative liability for the three and six months ended June 30, 2019.
- The calculation of the amortization of the debt discount for the three and six months ended June 30, 2019.

The following table summarizes the effect of the above restatements on reported amounts in the Company’s consolidated balance sheets at June 30, 2019 and the consolidated statements of operations for the three and six months ended June 30, 2019:

Progressive Care, Inc. and Subsidiaries
Notes to the Unaudited Consolidated Financial Statements
Six Months Ended June 30, 2019 (Restated) and 2018

	Reported	Error	Restated
Change in fair value of derivative liability	\$ 392,000	\$ (352,000)	\$ 40,000
Interest expense	\$ (416,070)	\$ 95,903	\$ (320,167)
Net loss	\$ (348,448)	\$ 256,097	\$ (604,545)
Six months ended June 30, 2019			
Change in fair value of derivative liability	\$ 368,000	\$ (341,000)	\$ 27,000
Interest expense	\$ (671,194)	\$ 189,699	\$ (481,495)
Net loss	\$ (1,100,421)	\$ 151,301	\$ (1,251,722)
At June 30, 2019			
Notes payable, net of current portion	\$ 2,205,503	\$ 964,301	\$ 3,169,804
Derivative liability	\$ 3,322,000	\$ (813,000)	\$ 2,509,000
Accumulated deficit	\$ (5,891,514)	\$ (151,301)	\$ (6,042,815)

Progressive Care, Inc. and Subsidiaries
Notes to the Unaudited Consolidated Financial Statements
Six Months Ended June 30, 2019 (Restated) and 2018

Note 4 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 June 30, 2019 and December 31, 2018, the Company does not have any cash equivalents.

Restricted cash represents FPRX cash balances that are payable to the former shareholders of FPRX at the balance sheet date.

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

Progressive Care, Inc. and Subsidiaries
Notes to the Unaudited Consolidated Financial Statements
Six Months Ended June 30, 2019 (Restated) and 2018

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 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 six months ended June 30, 2019 and 2018:

Payors	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
A	20%	16%
B	16%	16%
C	9%	12%

The Company generated reimbursements from three significant pharmacy benefit managers (PBMs) for the six months ended June 30, 2019 and 2018:

PBMs	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
A	38%	35%
B	25%	23%
C	16%	17%

Inventory

Inventory is valued on a lower of cost or net realizable value using the first-in, first-out (FIFO) 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 June 30, 2019 and December 31, 2018, the Company recorded an allowance for obsolescence of \$25,000.

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. Estimated useful lives of property and equipment 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

Progressive Care, Inc. and Subsidiaries
Notes to the Unaudited Consolidated Financial Statements
Six Months Ended June 30, 2019 (Restated) and 2018

Property and equipment are 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 six months ended June 30, 2019 and 2018.

Business combinations

The Company records business acquisitions using the acquisition method of accounting. 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 purchase price of FPRX and PharmCo 1002 over the value assigned to their net tangible and identifiable intangible assets. FPRX and PharmCo 1002 are considered to be the reporting units 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 did not record an impairment charge during the six months ended June 30, 2019 and 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 June 30, 2019 and December 31, 2018 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 value of the capital lease obligations approximate fair value due to the implicit rate in the lease in relation to the Company's borrowing rate and the duration of the leases.

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.

Progressive Care, Inc. and Subsidiaries
Notes to the Unaudited Consolidated Financial Statements
Six Months Ended June 30, 2019 (Restated) and 2018

Revenue Recognition

The Company recognizes pharmacy revenue from dispensing prescription drugs at the time the drugs are physically delivered to a customer or when a customer picks up their prescription or purchases merchandise at the store, which is the point in time when control transfers to the customer. Each prescription claim is considered an arrangement with the customer and is a separate performance obligation. 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 revenue for all periods presented.

The Company accrues an estimate of fees, including direct and indirect remuneration fees (“DIR fees”), which are assessed or expected to be assessed by payers at some point after adjudication of a claim, as a reduction of revenue at the time revenue is recognized. Changes in the estimate of such fees are recorded as an adjustment to revenue when the change becomes known.

The following table disaggregates net revenue by categories for the six months ended June 30, 2019 and 2018:

	June 30, 2019	June 30, 2018
Prescription revenue	\$ 12,274,291	\$ 10,145,783
340B contract revenue	219,483	124,993
Rent revenue	19,950	-
Subtotal	12,513,724	10,270,776
PBM fees	(311,520)	(285,578)
Sales returns	(30,075)	(1,890)
Revenues, net	<u>\$ 12,172,129</u>	<u>\$ 9,983,308</u>

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 pharmacy revenue are expensed as incurred.

Discontinued Operations

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.

Results of operations for Smart Medical are reported for all periods presented as discontinued operations, which is

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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 period and the assets and liabilities of discontinued operations are separately presented in the consolidated balance sheets of the current and prior periods.

Vendor Concentrations

For the six months ended June 30, 2019 and 2018, the Company had significant vendor concentrations with one vendor. The purchases from this significant vendor are as follows:

Ven	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
A	90%	82%

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. Advertising expense was \$77,536 and \$71,806 for the six months ended June 30, 2019 and 2018, 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 costs associated with share-based compensation awards to employees and non-employee directors are measured at the grant date based on the calculated fair value of the award and recognized 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.

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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.

Progressive Care, Inc. and FPRX are taxed as C corporations. PharmCo 901 and PharmCo 1002 are taxed as partnerships, wherein each member is responsible for the tax liability, if any, related to its proportionate share of PharmCo 901 and PharmCo 1002's taxable income. Progressive Care, Inc. has a 100% ownership interest in PharmCo 901 and PharmCo 1002; therefore, all of PharmCo 901 and PharmCo 1002'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 six months ended June 30, 2019 and 2018 on the Consolidated Statements of Operations represents the minimum state corporate tax payments. There was no current tax provision for the six months ended June 30, 2019 and 2018 because the Company did not have taxable income during those periods. Total available net operating losses to be carried forward to future taxable years was approximately \$7,400,000 as of June 30, 2019, which will expire in various years through 2039. The temporary differences giving rise to deferred income taxes principally related 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 June 30, 2019 and December 31, 2018 was fully offset by a 100% valuation allowance as it was not more likely than not that the tax benefits of the loss carryforwards would be realized. The change in the valuation allowance was approximately \$299,000 and \$9,000 for the six months ended June 30, 2019 and 2018, 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 six months ended June 30, 2019 and 2018.

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 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 effect of including common stock equivalents in weighted average common shares outstanding for 2019 and 2018 is anti-dilutive, and therefore a separate computation of diluted earnings per share for 2019 and 2018

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is not presented.

New Accounting Standards

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606) (“Topic 606”), which supersedes the previous revenue recognition guidance under U.S. GAAP. The new standard focuses on creating a single source of revenue guidance for revenue arising from contracts with customers for all industries. The objective of the new standard is for a company to recognize revenue when it transfers the promised goods or services to its customers for an amount that represents what the company expects to be entitled to in exchange for those goods or services.

Topic 606 permits two methods of adoption:

- (a) retrospectively to each prior reporting period presented (full retrospective method), or
- (b) retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (modified retrospective transition method).

The new standard also includes a cohesive set of disclosure requirements intended to provide users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a company’s contracts with customers.

On January 1, 2019, the Company adopted Topic 606 using the full retrospective transition method, restating the six month period ended June 30, 2018 as if Topic 606 was in effect during that period. The adoption of Topic 606 resulted in a reclassification of DIR fees from cost of revenue to revenue, as the Company accrues an estimate of fees, including DIR fees that are assessed or expected to be assessed by payers at some point after adjudication of a claim, as a reduction of revenue at the time revenue is recognized. The effect of this change did not result in a cumulative effect adjustment to beginning retained earnings as of January 1, 2019. Also, the Company will realize a shift in the timing of revenue recognition of dispensing prescription drugs for home delivery from the date the drugs are shipped under the Company’s previous accounting policy to the date the drugs are physically delivered (which better reflects when control transfers) under the new accounting policy adopted in connection with Topic 606. The effect of this change is not significant as there is a very short timeframe (generally 1 – 3 days) from the shipment date to the physical delivery date of the prescription drugs.

	Six months ended June 30, 2018		
	As Previously Stated	Effect of Adoption of Topic 606	As Reported
Revenues, net	\$ 10,268,886	\$ (285,578)	\$ 9,983,308
Cost of revenues	\$ 7,905,614	\$ (285,578)	\$ 7,620,036

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

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(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 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 5. Acquisition of Family Physicians RX, Inc.

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. ("FPRX"), aka Five Star RX, a Florida based pharmacy with locations in Davie and Orlando, Florida. The purchase price for the acquisition of FPRX was \$3,000,000, whereby \$2.3 million is payable in cash to the former owners 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. In addition, Progressive also agreed to pay to the former owners consideration equal to the following, all value at the closing date: the fair value of FPRX inventory at the closing date plus an amount equal to the book value of FPRX accounts receivable minus accounts payable and all other accrued liabilities as of the closing date, plus an amount equal to the FPRX cash balances. The closing date of the acquisition was May 31, 2019.

As a result of the acquisition, the Company has expanded the delivery radius of its pharmacy operations to the Orlando/Tampa corridor and the Treasure Coast of Florida. The acquisition is also expected to decrease costs of expansion of products and services and increase prescription dispensing efficiency.

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The following table summarizes the consideration paid for Family Physicians RX, Inc. and the amounts of assets acquired and liabilities assumed recognized at the acquisition date:

Consideration	\$ <u>3,878,125</u>
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash	\$ 256,268
Accounts receivable	645,576
Inventory	419,473
Other financial assets	18,182
Financial liabilities	(522,838)
Goodwill	<u>3,061,464</u>
	<u>\$3,878,125</u>

Note 6. Accounts Receivable – Trade, net

Accounts receivable consisted of the following at June 30, 2019 and December 31, 2018.

	June 30, 2019	December 31, 2018
Gross accounts receivable - trade	\$ 2,135,553	\$ 1,223,375
Less: Allowance for doubtful accounts	(30,500)	(15,200)
Accounts receivable – trade, net	<u>\$ 2,105,053</u>	<u>\$ 1,208,175</u>

For the six months ended June 30, 2019 and 2018, the Company recognized bad debt expense in the amount of \$28,340 and \$17,625, respectively.

Note 7. Property and Equipment, net

Property and equipment, net consisted of the following at June 30, 2019 and December 31, 2018.

	June 30, 2019	December 31, 2018
Building	\$ 1,662,069	\$ 1,651,069
Land	184,000	184,000
Leasehold improvements and fixtures	367,172	335,773
Furniture and equipment	441,596	440,278
Computer equipment and software	94,061	90,758
Vehicles	82,668	95,107
Website	69,438	69,438
Total	2,901,004	2,866,423
Less: accumulated depreciation and amortization	(614,496)	(494,760)
Property and equipment, net	\$ 2,286,508	\$ 2,371,663

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Depreciation and amortization expense for the six months ended June 30, 2019 and 2018 was \$121,724 and \$48,684, respectively.

Note 8. Notes Payable

Notes payable consisted of the following:

	June 30, 2019	December 31, 2018
A. Convertible notes payable - collateralized	\$ 4,400,000	\$ -
B. Mortgage note payable – commercial bank - collateralized	1,494,987	1,530,000
B. Mortgage note payable – sellers - collateralized	300,000	300,000
C. Note payable – uncollateralized	25,000	25,000
Insurance premium financing	36,578	8,929
Subtotal	6,256,565	1,863,929
Less Unamortized debt discount	(2,634,494)	-
Less Unamortized debt issuance costs	(17,288)	-
Total	\$ 3,604,783	\$ 1,863,929

The corresponding notes payable above are more fully discussed below:

(A) Convertible Notes Payable – collateralized

Chicago Ventures Partners, L.P.

On January 2, 2019, Progressive entered a Securities Purchase Agreement (the “Purchase Agreement”) with Chicago Venture Partners, L.P., a Utah limited partnership, in the amount of \$2,710,000, which included a \$200,000 Original Interest Discount (“OID”) and \$10,000 in debt issuance costs for the transaction. The note is comprised of seven tranches consisting of an initial tranche in the amount of \$1,090,000 and six additional tranches each in the amount of \$270,000. The initial tranche consisted of the initial cash purchase price of \$1,090,000, \$80,000 of the OID and the debt issuance costs of \$10,000. The remaining OID will be allocated \$20,000 to each of the remaining six tranches. The note is convertible into shares of common stock (\$0.0001 par value per share) in 1 year at the average of the five lowest closing trading prices during the twenty trading days immediately preceding the applicable conversion. The note matures on January 2, 2022 (the “Maturity Date”). The note accrues interest at the rate of 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 \$1,090,000 at the closing of the transaction, which included \$90,000 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 note 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’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.

The first tranche of \$1,090,000 less the OID and debt issuance costs was disbursed to the Company on January 7, 2019. The balance outstanding on the first tranche was \$1,090,000 at June 30, 2019. Accrued interest on the first tranche at June 30, 2019 was \$49,879.

The Company has identified conversion features embedded within the first tranche. The Company has determined that

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the conversion features represent an embedded derivative. Accordingly, the embedded conversion feature must be bifurcated from the debt host and accounted for as a derivative liability. On January 2, 2019, the Company recorded a derivative liability on the first tranche in the amount of \$571,000. For the six months ended June 30, 2019, the Company recorded a Change in Fair Value of the Derivative Liability in the amount of \$16,000. The derivative liability balance on the first tranche on the consolidated balance sheets at June 30, 2019 was \$587,000.

At inception, the fair value of the derivative instrument has been 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 June 30, 2019, with a corresponding charge to interest expense. 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 the six month period, 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 consist of fees incurred through securing financing from Chicago Venture Partners, L.P. on January 2, 2019. Debt Discount consists of the discount recorded upon recognition of the derivative liability upon issuance of the first tranche. Debt issuance costs and debt discount are amortized to interest expense over the term of the related debt using the effective interest method. Total amortization expense for the six months ended June 30, 2019 was \$108,658.

Iliad Research and Trading, L.P.

On March 6, 2019, Progressive entered a Securities Purchase Agreement (the "Purchase Agreement") with Iliad Research and Trading, L.P. ("Iliad Research"), a Utah limited partnership, in the amount of \$3,310,000, which included a \$300,000 Original Interest Discount ("OID") and \$10,000 in debt issuance costs for the transaction. The note is comprised of two tranches consisting of an initial tranche in the amount of \$2,425,000 and a second tranche in the amount of \$885,000. The initial tranche consisted of the initial cash purchase price of \$2,425,000, \$115,000 of the OID and the debt issuance costs of \$10,000. The remaining OID of \$185,000 will be allocated to the second tranche. The note is convertible into shares of common stock (\$0.0001 par value per share) in 1 year at the average of the two lowest closing trading prices during the twenty trading days immediately preceding the applicable conversion. The note matures on March 6, 2022 (the "Maturity Date"). The note accrues interest at the rate of 10% 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 \$2,425,000 at the closing of the transaction, which included \$115,000 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 note 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. Progressive used the net proceeds as part of the total purchase price of the acquisition of 100% of the FPRX ownership interests.

The first tranche of \$2,425,000 less the OID and debt issuance costs was disbursed and held in escrow by Iliad Research on March 6, 2019. \$1 million of the escrow deposit was disbursed to the owners of FPRX at the purchase closing date, June 1, 2019. The second tranche of \$885,000 less the OID was disbursed to Progressive on June 4, 2019 and was used to pay for inventory and accounts receivable, net of FPRX. The balance outstanding on the Iliad Research note payable was \$3,310,000 at June 30, 2019. Accrued interest on the note payable at June 30, 2019 was \$85,814.

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The Company has identified conversion features embedded within the first tranche. The Company has determined that the conversion features represent an embedded derivative. Accordingly, the embedded conversion feature must be bifurcated from the debt host and accounted for as a derivative liability. On March 6, 2019, the Company recorded a derivative liability on the first tranche in the amount of \$1,351,000. On June 4, 2019, the Company recorded a derivative liability on the second tranche in the amount of \$614,000. For the six months ended June 30, 2019, the Company recorded a Change in Fair Value of the Derivative Liabilities in the amount of \$(43,000). The derivative liability balance on the first tranche on the consolidated balance sheets at June 30, 2019 was \$1,922,000.

At inception, the fair value of the derivative instrument has been 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 June 30, 2019, with a corresponding charge to interest expense. 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 the three month period, 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 consist of fees incurred through securing financing from Iliad Research and Trading, L.P. on March 6, 2019. Debt Discount consists of the discount recorded upon recognition of the derivative liability upon issuance of the first tranche. Debt issuance costs and debt discount are amortized to interest expense over the term of the related debt using the effective interest method. Total amortization expense for the six months ended June 30, 2019 was \$175,560.

(B) 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. The balance outstanding on the Regions Bank mortgage payable was \$1,494,987 and \$1,530,000 at June 30, 2019 and December 31, 2018, respectively. Interest expense was \$36,392 for the six months ended June 30, 2019.

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. The balance outstanding on the sellers mortgage payable was \$300,000 at June 30, 2019 and December 31, 2018. Interest expense was \$16,874 for the six months ended June 30, 2019.

(C) Note Payable – Uncollateralized

As of June 30, 2019 and December 31, 2018, the uncollateralized note payable represents a non-interest-bearing loan that is due on demand from an investor.

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Future maturities of notes payable are as follows:

Year	Amount
2020	\$ 434,979
2021	76,965
2022	4,480,702
2023	84,619
2024	88,727
Thereafter	1,090,573
Total	\$ 6,256,565

Interest expense on these notes payable was \$53,324 and \$15,143 for the six months ended June 30, 2019 and 2018, respectively.

Note 9. Capital Lease Obligation

In July 2016, the Company entered 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 \$1,880 and \$3,628 for the six months ended June 30, 2019 and 2018, respectively, which has been included in interest expense on the accompanying consolidated statements of operations. The unamortized discount was \$1,808 and \$5,637 at June 30, 2019 and December 31, 2018, respectively. The capital lease obligation is secured by equipment with a net book value of \$84,568 at June 30, 2019.

In May 2018, the Company entered 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 capital lease obligation is secured by equipment with a net book value of \$95,798 at June 30, 2019.

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 \$40,149 at June 30, 2019.

The Company assumed an equipment capital lease obligation for medication dispensing equipment from the acquisition of FPRX in June 2019. The lease expires in March 2020 and requires monthly installments of \$1,978 including interest at the rate of 8%. The capital lease obligation is secured by equipment with a net book value of \$0 at June 30, 2019.

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Minimum lease payments for years subsequent to June 30, 2019 are as follows:

Year	Amount
2020	\$ 170,072
2021	65,006
2022	20,142
2023	20,142
2024	20,142
Thereafter	15,106
Subtotal	302,282
Less: interest	11,550
Total	\$ 290,732

The current portion of the capital lease obligation was \$161,744 and \$176,978 as of June 30, 2019 and December 31, 2018, respectively. Interest expense for the six months ended June 30, 2019 and 2018 was \$8,189 and \$5,335, respectively.

Depreciation expense related to the asset under the capital leases was approximately \$22,700 and \$11,700 for the six months ended June 30, 2019 and 2018, respectively, and was included in depreciation and amortization expense in the accompanying consolidated statements of operations.

Note 10. Stockholders' (Deficit) 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 provided to the Company in 2017 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 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 \$286,441 for the six months ended June 30, 2018.

On March 15, 2018, the Company issued 500,000 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.

Common Stock

As of June 30, 2019 and December 31, 2018, the Company's issued and outstanding common shares total 425,630,944 shares. The Company's transfer agent is reporting 431,221,376 common shares outstanding as of June 30, 2019;

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however, this balance includes 5,590,432 common shares that were beneficially owned by Progressive Care through PharmCo 901 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 June 30, 2019 and December 31, 2018. As of June 30, 2019 and December 31, 2018, the individual is employed by the Company.

Note 11. 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 expense from discontinued operations was \$0 and \$234 for the six months ended June 30, 2019 and 2018, respectively.

Note 12. 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 North Miami Beach pharmacy location 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 Davie, Orlando, and Palm Beach County pharmacy locations under operating lease agreements expiring in various months through March 2021. Rent expense was \$153,491 and \$119,214 for the six months ended June 30, 2019 and 2018, respectively.

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Notes to the Unaudited Consolidated Financial Statements
Six Months Ended June 30, 2019 (Restated) and 2018

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 \$49,692 and \$63,098 as of June 30, 2019 and December 31, 2018, respectively.

At June 30, 2019, rental commitments for currently occupied space for the fiscal years of 2020 through 2021 are as follows:

Year	Amount
2020	\$ 360,099
2021	155,213
Total	\$ <u>515,312</u>

Note 13. Related Party Transactions

During the six months ended June 30, 2019 and 2018, 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. Additionally, Spark may be entitled to additional fees for additional consulting services. During the six months ended June 30, 2019 and 2018, the Company paid Spark \$118,158 and \$120,075, 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 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 six months ended June 30, 2019 and 2018, payments to the pharmacist were approximately \$118,000 and \$180,000, respectively.

Note 14. Retirement Plan

The Company sponsors a 401(k) retirement plan covering qualified employees of PharmCo 901, 1002 and FPRX, as defined. Employees who have been employed more than one year are eligible to participate in the plan. In July 2018, the Company added a provision to the plan whereby the Company matches the employee's contribution up to a maximum of 3% of the eligible employee's compensation. PharmCo 901 contributed approximately \$17,000 in matching contributions for the six months ended June 30, 2019.

Note 15. Subsequent Events

Management has evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through August 14, 2019, the date the consolidated financial statements were available to be issued.

Item 4. 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 in our 2018 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.

At the beginning of 2019, Touchpoint Rx was rebranded to PharmCo 1002 (“PharmCo 1002”) and its operations adjusted to align more closely to the PharmCo model. We expect to see continued growth at the PharmCo 1002 store as new sales have increased which should result in monthly profitability and cash flow positive results before the end of fall 2019. The Company has devoted significant marketing efforts to reach the Palm Beach medical community, promoting the adherence expertise of the Pharmacy. These efforts have resulted in the onboarding of multiple physician referral sources, the benefits of which will ramp up through the end of the year.

On June 1, 2019, Progressive closed on an agreement for the acquisition of 100% of the issued and outstanding common stock of Family Physicians RX, Inc. aka Five Star RX (“FPRX”), a Florida based pharmacy with locations in Davie and Orlando, Florida. The purchase price for the acquisition of FPRX was \$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, \$0.07 per share. The acquisition is subject to credentialing processes with regulatory agencies and payor groups, many of which have been completed as of the date of this filing. This acquisition expands the Company’s delivery radius to the Orlando/Tampa Central Florida corridor and the Treasure Coast region of Florida. The Company expects to add approximately \$9.8 million in net revenues and \$300,000 in net earnings from Family Physicians operations in 2019.

During the six months ended June 30, 2019, the Company’s primary focus was to complete the acquisition of FPRX and begin integration processes. Given the size of and scope of FPRX, we expect integration and transition to continue through to the end of the year. During this time, the Company plans to unify systems, update accounting processes to GAAP compliance, and remove redundancies. Marketing efforts are also being synchronized and new campaigns are set to be launched during Fall 2019 to target medical offices and facilities within of the Orlando location.

The Company is continuing to expand its market share and development in the lower South Florida area. We have isolated and prioritized key marketing methods which have yielded the lowest cost of customer acquisition and the most opportunity for growth. Social media, website maintenance, and thought leadership are being optimized to promote

brand awareness and recognition, which increases the likelihood of securing physician referrals and customer loyalty. As a result, pharmacy revenue for the six months ended June 30, 2019 was approximately \$12.2 million, which included June revenue from FPRX of approximately \$1,450,000. The Company filled over 187,000 prescriptions during the six month period, a 41% increase over the number of prescriptions filled in the same period in 2018.

The Company provides services to approximately 20,000 patients, on an annualized basis, of diverse demographics across South and Central Florida. Patient growth trends were also due to expanded marketing efforts, directed advertising, and word-of-mouth of PharmCo 901'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 901 maintains a 5-Star Rating based on the ratings provided by various insurance carriers. PBM scoring metrics have been delayed in 2019 and thus performance measures through June 30th have not been released. The Company expects to have comparable performance to 2018 despite more stringent rules and expanded measurement categories.

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 as PBMs have implemented contractual rate adjustments known as Generic and Brand Effective Rates. The post adjudication adjustments can in many cases result in reimbursements being below dispensed drug costs. While the Company continues to promote the health and well-being of the community through ensuring necessary medications are received by the patient regardless of cost to the Company, we are working with physicians and patients alike to optimize medication practices to dispense drugs that do not result in losses as much as possible.

Additionally, pharmacy benefits contraction across all insurance carriers has limited patient access to a wide variety of medication options. Compounded medications were the most adversely effected, but many drugs have been removed from formularies. We expect formulary restriction and pricing pressures from third-party payers to continue given the high and increasing costs of 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. We have been implementing processes to improve the profitability of our specialty services and general practices. We believe that these efforts along with continued sales growth will improve overall net profitability in our core business segments.

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 during the six months ended June 30, 2019 to be over 35% higher than those charged during the six months ended June 30, 2018 (\$384,724 in 2019; \$285,578 in 2018). The Company has shifted pharmacy policy to account for anticipated DIR clawbacks, and we expect to limit our exposure to DIR fees in the remainder of 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 in 2018 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 of \$18,000 for claims adjudicated in 2018, which was recouped in March 2019.

The Company relocated corporate administrative functions to the newly acquired building in Hallandale Beach, FL. We are completing architectural drawings and permit planning for the build out of the lower floor space to accommodate

pharmacy operations from North Miami Beach. The consolidation of space is expected to save the company over \$20,000 per month in lease and associated expenses in 2020.

Management expects that future growth will be driven by future pharmacy acquisitions, which will provide continued expansion into new market territories; diversification into direct healthcare service relationships and cash based products; 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 continue to include market penetration of the Orlando-Tampa corridor and Treasure Coast region of Florida ; the deployment of PharmCo 901's tele-pharmacy platform for live streaming of pharmacy information services; continued expansion of our DischargeRX program with hospitals and healthcare providers; development of enhanced healthcare B2B services; development of cash based products and services; 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 that also limits legal risk and exposure to the pharmacies under our umbrella. 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 diversification to revenue streams outside of the insurance model.

Q2 2019 Key Highlights

- Acquisition of FPRX adding 2 locations, \$1.4 million revenue and over 16,000 prescriptions in June 2019.
- Nearly 98,000 Prescriptions filled (46% increase)
- Addition of new 340b Contract with Positive Health Alliance.
- Receipt of Humana Performance payout of \$340,000 for reaching top 20% rating in 2018
- Licensed in the following states: Colorado, Connecticut, Florida, Georgia, Illinois, Nevada, New Jersey, New York, Pennsylvania, Texas, Utah, Arizona, Massachusetts, Minnesota.

RESULTS OF OPERATIONS

The following table summarizes our results of operations for the three months ended June 30, 2019 and 2018:

	Three Months Ended					
	June 30, 2019			June 30, 2018		
	Dollars	% of Revenue	Dollars	% of Revenue	\$ Change	% Change
Total revenues, net	\$ 6,997,186	100%	\$ 4,981,774	100%	\$ 2,015,412	40%
Total cost of revenue	5,409,401	77%	3,798,793	76%	1,610,608	42%
Total gross profit	1,587,785	23%	1,182,981	24%	404,804	34%
Operating expenses	1,909,663	27%	1,456,910	29%	452,753	31%
Loss from operations	(321,878)	-4%	(273,929)	-5%	(47,948)	-17%
Other income (expense)	(279,979)	-4%	477,150	-9%	(757,129)	-159%
(Loss) income before provision for income taxes	(601,856)	-8%	203,221	4%	(805,077)	-396%
Provision for income taxes	(2,689)	0%	-	0%	(2,689)	0%
Net loss from continuing operations	(604,545)	-8%	203,221	4%	(807,766)	-396%
Loss from discontinued operations, net of tax	-	0%	(92)	0%	92	0%
Net (loss) income	\$ (604,545)	-8%	\$ 203,129	4%	\$ (807,674)	-396%

For the three months ended June 30, 2019, the Company recognized overall revenue from continuing operations of approximately \$7 million, which was a \$2 million increase over revenue for the same period in 2018, due primarily to the addition of June 2019 revenue (approximately \$1.4 million) from the FPRX acquisition and a 14% increase in the number of prescriptions filled at PharmCo 901 and PharmCo 1002 during Q2 2019 as compared to Q2 2018.

Gross profit margins decreased from 24% in 2018 to 23% in 2019, which was negatively impacted by increased DIR fees that the Company records as a component of net revenues, as well as a decrease in gross profits from the Company's compounding products and continued reimbursement compression by third party payors. Operating income decreased by approximately \$48,000 in 2019 as compared to 2018 as a result of decreased gross margin as discussed above and increased personnel costs related to new hires in pharmacy operations associated with the continued growth and development of the Company. These increased costs were partially offset by non-recurring stock compensation costs paid to officers, directors and employees in 2018, as well as decreased compensation costs for Compounding Pharmacy operations due to lower Compounding drug reimbursement rates per claim.

	Six Months Ended					
	June 30, 2019			June 30, 2018		
	Dollars	% of Revenue	Dollars	% of Revenue	\$ Change	% Change
Total revenues, net	\$ 12,172,129	100%	\$ 9,983,308	100%	\$ 2,188,821	22%
Total cost of revenue	9,561,247	78%	7,620,036	76%	1,941,211	25%
Total gross profit	2,610,882	22%	2,363,272	24%	247,610	10%
Operating expenses	3,404,130	28%	2,802,683	28%	601,447	21%
Loss from operations	(793,248)	-6%	(439,411)	-4%	(353,837)	-81%
Other income (expense)	(455,785)	-4%	2,130	0%	(457,915)	21,498%
(Loss) income before provision for income taxes	(1,249,033)	-10%	(437,281)	-4%	(811,752)	-186%
Provision for income taxes	(2,689)	0%	(1,650)	0%	(1,039)	-63%
Net loss from continuing operations	(1,251,722)	-10%	(438,931)	-4%	(812,791)	-185%
Loss from discontinued operations, net of tax	-	0%	(234)	0%	234	0%
Net (loss) income	\$ (1,251,722)	-10%	\$ (439,165)	-4%	\$ (812,557)	-185%

For the six months ended June 30, 2019, the Company recognized overall revenue from continuing operations of approximately \$12.2 million, which increased \$2.2 million from the same period in 2018 due primarily to the addition of June 2019 revenue (approximately \$1.4 million) from the FPRX acquisition, six months of revenue from PharmCo 1002 in 2019 as compared to only 3 months of revenue from PharmCo 1002 in 2018, and 28% increase in the number of prescriptions filled at PharmCo 901 and PharmCo 1002 during 2019 as compared to 2018. Total revenues included approximately \$219,000 of fees earned on dispensing prescription medications to patients under 340B programs managed by five non-profit healthcare organizations in Florida. Total billings collected on behalf of and remitted to these organizations was \$3.6 million and \$2.8 million for the six months ended June 30, 2019 and 2018, respectively.

Gross profit margins decreased from 24% in 2018 to 22% in 2019. Gross margin for 2019 was negatively impacted by DIR fees of approximately \$385,000 that the Company records as a component of net revenues, as well as a decrease

in gross profits from the Company's compounding products and continued reimbursement compression by third party payors. The loss from operations increased by approximately \$354,000 in 2019 as compared to 2018 as a result of decreased gross margin as discussed above, as well as increased personnel costs related to new hires in pharmacy operations associated with the continued growth and development of the Company. These increased costs were partially offset by non-recurring stock compensation costs paid to officers, directors and employees in 2018, as well as decreased compensation costs for Compounding Pharmacy operations due to lower Compounding drug reimbursement rates per claim.

Revenue

Our pharmacy revenues were as follows:

	Six Months Ended					
	June 30, 2019		June 30, 2018		\$ Change	% Change
	Dollars	% of Revenue	Dollars	% of Revenue		
Pharmacy	\$11,962,592	98%	\$9,845,154	99%	\$146,508	3%
Total Revenues, net	\$12,172,129	100%	\$9,983,308	100%	\$173,410	3%

Pharmacy revenues are approximately 98% of all revenue for the Company. Total prescriptions dispensed increased to approximately 187,000 during the six months ended June 30, 2019 from approximately 133,000 during the same period in 2018, a 41% increase. Our increase in pharmacy revenue is the result of the acquisitions of FPRX in June 2019 and PharmCo 1002 in July 2018, concentrated marketing efforts to doctor's offices, clinics, and long-term care facilities, as well as from manufacturer price increases. However, revenues were adversely affected by decreases in reimbursements per claim by third party payors, compounding revenue, being the most severely impacted by the compression, decreased from \$1,559,000 from 2,912 claims during the six months ended June 30, 2018 to approximately \$549,000 from 1,787 claims during the six months ended June 30, 2019.

Operating Expenses

Our operating expenses increased by approximately \$600,000, or 21%, during the six months ended June 30, 2019 as compared to the same period in 2018. The increase was mainly attributable to the additional operating costs of the FPRX pharmacy acquired in June 2019 and six months of PharmCo 1002 expenses in 2019 as compared to 3 months in 2018. These increased costs were partially offset by non-recurring stock compensation costs paid to officers, directors and employees in 2018, and decreased 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 from continuing operations, net of income taxes, to Consolidated Adjusted EBITDA, which is net income (loss) adjusted for interest expense, changes in the fair value of equity linked liabilities, 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 future earnings potential and 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.

	Six Months Ended	
	June 30, 2019	June 30, 2018
Net loss	\$ (1,251,722)	\$ (438,931)
Interest expense	481,495	126,814
Change in fair value of derivative liability	(27,000)	(128,748)
Income tax expense	2,689	1,650
Depreciation and amortization expense	121,724	48,684
Share-based compensation expense	-	286,441
Consolidated Adjusted EBITDA	\$ (672,814)	\$ (104,090)

Consolidated Adjusted EBITDA for the quarter ended June 30, 2019 was (\$253,582), a decrease of \$165,651 over the Consolidated Adjusted EBITDA for the quarter ended March 31, 2019 (\$419,233).

Cash Flows

The following table summarizes our cash flows for the six months ended June 30, 2019 and 2018.

	Six Months Ended	
	June 30, 2019	June 30, 2018
<i>Net change in cash from:</i>		
Operating activities	\$ (111,389)	\$ 69,444
Investing activities	219,699	(344,182)
Financing activities	1,607,854	561,315
Change in cash	\$ 1,716,164	\$ 286,577
Cash at end of period	\$ 1,802,995	\$ 705,890

Net cash used in operating activities totaled \$111,389 during the six months ended June 30, 2019 compared to net cash provided by operating activities of \$69,444 for the six months ended June 30, 2018, a \$180,833 decrease. Operational cash flow was negatively impacted by the decrease in gross profit for the six month period, offset by improved collection efforts.

Net cash provided by investing activities was \$219,699 for the six months ended June 30, 2019 attributable to cash acquired in the FPRX business acquisition.

Net cash provided by financing activities was \$1,607,854 for the six months ended June 30, 2019 as a result of proceeds

received from the Chicago Venture Partners and Iliad Research financing agreements, reduced by payments on notes payable and the capital lease obligations.

Current and Future Financing Needs

We have an accumulated deficit of \$6,042,815 through June 30, 2019. 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 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 lead or 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 with the remainder of the OID to be applied at closing on the acquisition of Family Physicians. Progressive used the net proceeds as part of the total purchase price of the acquisition of 100% of the FPRX ownership interests. The second tranche of \$885,000 less the OID was disbursed to Progressive on June 4, 2019 and was used to pay for inventory and accounts receivable, net of FPRX.

Critical Accounting Policies

Revenue Recognition

The Company recognizes pharmacy revenue from dispensing prescription drugs at the time the drugs are physically delivered to a customer or when a customer picks up their prescription or purchases merchandise at the store, which is the point in time when control transfers to the customer. Each prescription claim is considered an arrangement with the customer and is a separate performance obligation. 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 revenue for all periods presented.

The Company accrues an estimate of fees, including direct and indirect remuneration fees (“DIR fees”), which are

assessed or expected to be assessed by payers at some point after adjudication of a claim, as a reduction of revenue at the time revenue is recognized. Changes in the estimate of such fees are recorded as an adjustment to revenue when the change becomes known.

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 resulting from Company net operating losses.

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.

Item 5. Legal Proceedings

None

Item 6. Defaults upon Senior Securities

None

Item 7. Other Information

None

Item 8. Exhibits

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 Quarterly Report:

- Pharmacy Services Agreement – Midway Specialty Care Center, dated as of October 12, 2018.
- Pharmacy Services Agreement – Hope and Help Center of Central Florida, Inc., dated as of July 1, 2018
- Contracted Pharmacy Service Agreement – Care 4 U Management, Inc., dated as of July 1, 2018
- Placement Agent Service Agreement – Benchmark Company LLC, dated as of June 25, 2018
- Membership Interest Purchase Agreement – Touchpoint RX, LLC, dated as of March 30, 2018
- Stock Purchase Agreement – Family Physicians RX, Inc., dated as of March 8, 2019
- 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 13460 SW 10th St, Suite 102, Pembroke Pines, FL, dated as of November 6, 2017 between Deveaux Group Inc. and the Company.
- Lease agreement for 3208 2nd Avenue North, Bays 2, 3, & 4, Palm Springs, FL, dated as of April 1, 2018 between B & B Properties, 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.

Copies of these agreements, as well as any others referenced within this report, will be available for inspection at the office of the Company located at 400 Ansin Boulevard, Hallandale Beach, Florida 33009 during ordinary business hours.

Item 9. Certifications

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Shital Parikh Mars, certify that:

1. I have reviewed this quarterly 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: December 16, 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 quarterly 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: December 16, 2019

/s/ Alan Jay Weisberg

Alan Jay Weisberg

Chief Financial Officer