



PROGRESSIVE CARE, INC.

State of Incorporation: Delaware

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

www.progressivecareus.com

SIC Code: 5912

**QUARTERLY REPORT
For the Nine Months Ended September 30, 2018
(the "Reporting Period")**

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

TABLE OF CONTENTS

Item 1. Exact Name of the Issuer and the Address of its Principal Executive Offices.....	3
Item 2. Shares Outstanding.....	4
Item 3. Consolidated Financial Statements (Unaudited).....	5
Consolidated Balance Sheets as of September 30, 2018 and December 31, 2017.....	
Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2018 and 2017.....	
Consolidated Statement of Stockholders' Equity for the Nine Months Ended September 30, 2018.....	
Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2018 and 2017.....	
Item 4. Management's Discussion and Analysis or Plan of Operation	27
Item 5. Legal Proceedings.....	34
Item 6. Defaults upon Senior Securities.....	34
Item 7. Other Information.....	34
Item 8. Exhibits.....	35
Item 9. Certifications.....	36

Disclosure Regarding Forward-Looking Statements

Any reference to “Progressive Care” (which also may be referred to as the “Company”, “we”, “us” or “our”) means Progressive Care, Inc. and its wholly owned subsidiaries, PharmCo, LLC and Smart Medical Alliance, 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:	901 N. Miami Beach Blvd., Ste. 1-2 North Miami Beach, FL 33162 Telephone: (305) 657-2060 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 September 30, 2018					
Class	Number of Shares Authorized	Number of Shares Outstanding	Freely Tradable Shares (Public Float)	Total Number of Beneficial Stockholders	Total Number of Stockholders of Record
Common Stock	500,000,000	425,630,944*	334,506,590	3,277	215
Preferred Stock	51	51	-	1	1
As of December 31, 2017					
Class	Number of Shares Authorized	Number of Shares Outstanding	Freely Tradable Shares (Public Float)	Total Number of Beneficial Stockholders	Total Number of Stockholders of Record
Common Stock	500,000,000	352,315,147*	317,774,168	1,785	185
Preferred Stock	51	51	-	1	1
As of December 31, 2016					
Class	Number of Shares Authorized	Number of Shares Outstanding	Freely Tradable Shares (Public Float)	Total Number of Beneficial Stockholders	Total Number of Stockholders of Record
Common Stock	500,000,000	344,107,607*	306,470,784	1,600	185
Preferred Stock	51	51	-	1	1

*This amount is net of 5,590,432 shares of common stock, which is the number of shares beneficially owned by Progressive Care through PharmCo, 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 November 14, 2018.

Item 3. Consolidated Financial Statements (Unaudited)

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

	Page
Consolidated Balance Sheets as of September 30, 2018 and December 31, 2017.....	6
Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2018 and 2017.....	7
Consolidated Statements of Stockholders' Equity (Deficit) for the Nine Months Ended September 30, 2018	8
Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2018 and 2017	9
Notes to Consolidated Financial Statements	11

Progressive Care Inc. and Subsidiaries

Consolidated Balance Sheets

<u>Assets</u>	September 30, 2018 (Unaudited)	December 31, 2017 (1)
Current Assets		
Cash	\$ 407,434	\$ 419,313
Accounts receivable – trade, net	1,195,787	1,270,114
Accounts receivable - other	3,513	-
Inventory, net	488,296	611,116
Prepaid expenses	243,093	51,394
Total Current Assets	2,338,123	2,351,937
Property and equipment, net	513,718	287,097
Other Assets		
Goodwill	341,681	-
Deposits	26,366	26,366
Other assets, discontinued operations	1,480	1,480
Total Other Assets	369,527	27,846
Total Assets	\$ 3,221,368	\$ 2,666,880
	<u>Liabilities and Stockholders' Equity</u>	
Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,796,425	\$ 1,694,548
Notes payable, net of unamortized debt discount and debt issuance costs	64,847	164,187
Capital lease obligation - current portion	24,397	17,287
Unearned revenue	156,911	177,877
Derivative liability	-	3,920
Total Current Liabilities	2,042,580	2,057,819
Long-term Liabilities		
Notes payable, net of current portion	95,095	-
Deferred rent liability	67,506	80,732
Capital lease obligation, net of current portion	188,000	98,325
Total Liabilities	2,393,181	2,236,876
Commitments and Contingencies		
Stockholders' Equity		
Preferred Stock, Series A par value \$0.001; 51 shares authorized, issued and outstanding as of September 30, 2018 and December 31, 2017	-	-
Common stock, par value \$0.0001; 500,000,000 shares authorized, 425,630,944 and 352,315,147 issued and outstanding as of September 30, 2018 and December 31, 2017, respectively	42,563	35,232
Additional paid-in capital	4,958,620	3,556,098
Accumulated Deficit	(4,172,996)	(3,161,326)
Total Stockholders' Equity	828,187	430,004
Total Liabilities and Stockholders' Equity	\$ 3,221,368	\$ 2,666,880

(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, 2017.

See Accompanying Notes to Consolidated Financial Statements

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

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Sales, net	\$ 5,413,690	\$ 5,104,261	\$ 15,682,576	\$ 15,034,683
Cost of sales	4,332,421	3,899,765	12,238,035	11,081,725
Gross profit	1,081,269	1,204,496	3,444,541	3,952,958
Selling, general and administrative expenses				
<i>Bad debt expense</i>	4,892	4,843	22,517	22,245
<i>Stock-based compensation</i>	159,844	-	446,285	-
<i>Other selling, general and administrative expense</i>	1,415,193	1,222,640	3,913,810	3,834,065
	<u>1,579,929</u>	<u>1,227,483</u>	<u>4,382,612</u>	<u>3,856,310</u>
(Loss) income from operations	<u>(498,660)</u>	<u>(22,987)</u>	<u>(938,071)</u>	<u>96,648</u>
Other Income (Expense)				
<i>Change in fair value of derivative liability</i>	88,970	3,920	217,718	54,284
<i>Interest income</i>	66	40	262	167
<i>Interest expense</i>	(162,839)	(21,816)	(289,653)	(96,738)
Total other income (expense) - net	<u>(73,804)</u>	<u>(17,856)</u>	<u>(71,673)</u>	<u>(42,287)</u>
(Loss) income before provision for income tax	(572,464)	(40,843)	(1,009,744)	54,361
Provision for income tax	<u>-</u>	<u>-</u>	<u>(1,650)</u>	<u>(1,598)</u>
Net (loss) income from continuing operations	(572,464)	(40,843)	(1,011,394)	52,763
Loss from discontinued operations, net of tax	<u>(42)</u>	<u>(21,440)</u>	<u>(276)</u>	<u>(89,931)</u>
Net (loss) income	<u>\$(572,506)</u>	<u>\$(62,283)</u>	<u>\$(1,011,670)</u>	<u>\$(37,168)</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>424,756,392</u>	<u>345,045,107</u>	<u>415,601,748</u>	<u>344,993,596</u>

See Accompanying Notes to Consolidated Financial Statements.

Progressive Care Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity (Deficit)
Nine Months Ended September 30, 2018 (Unaudited)

	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)
Balance, December 31, 2017	51	\$ -	352,315,147	\$ 35,232	\$ 3,556,098	\$(3,161,326)	\$ 430,004
Issuance of common stock for settlement of debt principal and interest	-	-	28,597,226	2,860	778,365	-	781,225
Issuance of common stock for professional services	-	-	2,875,000	287	50,712	-	50,999
Issuance of common stock for officer/director and employee compensation	-	-	41,843,571	4,184	573,445	-	577,629
Net loss for the nine months ended September 30, 2018	-	-	-	-	-	(1,011,670)	(1,011,670)
Balance September 30, 2018	51	\$ -	425,630,944	\$ 42,563	\$ 4,958,620	\$(4,172,996)	\$ 828,187

See Accompanying Notes to Consolidated Financial Statements.

Progressive Care Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Nine Months Ended September 30, 2018 and 2017 (Unaudited)

	2018	2017
Cash Flows from Operating Activities:		
Net loss	\$ (1,011,670)	\$ (37,168)
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	84,156	67,418
Change in provision for doubtful accounts	760	949
Share-based compensation	446,284	32,500
Amortization of debt issuance costs and debt discounts	269,514	68,989
Change in fair value of derivative liability	(217,718)	(54,284)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	135,182	(83,733)
Inventory	239,928	(88,561)
Deposits	-	(5,550)
Prepaid Expenses	(2,154)	57,709
Increase (decrease) in:		
Accounts payable and accrued liabilities	(46,041)	(139,788)
Unearned revenue	(20,966)	27,589
Deferred rent payable	(13,226)	(6,562)
Net Cash Used in Operating Activities	(135,951)	(160,492)
Cash Flows from Investing Activities:		
Cash paid for business acquisition	(300,000)	-
Cash acquired in business acquisition	5,845	-
Purchase of property and equipment	(111,412)	(18,366)
Net Cash Used in Investing Activities	(405,567)	(18,366)
Cash Flows from Financing Activities:		
Proceeds from issuance of notes payable	636,304	-
Payment of debt issue costs	(50,000)	-
Payments of notes payable	(32,837)	(17,960)
Payments of capital lease obligations	(23,828)	(19,260)
Net Cash Provided by (Used in) Financing Activities	529,639	(37,220)
Net decrease in cash	(11,879)	(216,078)
Cash at beginning of period	419,313	816,220
Cash at end of period	\$ 407,434	\$ 600,142

<u>Supplemental disclosures of cash flow information:</u>		
Cash paid for interest	\$ 274,030	\$ 36,473
Cash paid for income taxes	\$ 1,650	\$ 1,598
<u>Supplemental Schedule of non-cash investing and financing activities:</u>		
Debt repayment through issuance of common stock shares	\$ 781,225	\$ -
Recognition of debt discount and derivative liability associated with conversion feature in note agreement	\$ 213,798	\$ -
Prepaid compensation expense associated with share-based compensation	\$ 577,629	\$ -
Equipment acquired through capital lease obligation	\$ 114,897	\$ -

See Accompanying Notes to Consolidated Financial Statements.

Progressive Care, Inc. and Subsidiaries
Notes to the Unaudited Consolidated Financial Statements
Nine Months Ended September 30, 2018 and 2017

Note 1 Organization & Nature of Operations

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

The Company, through its wholly-owned subsidiaries, PharmCo, LLC (“PharmCo”) and Touchpoint RX, LLC, doing business as PharmCo 1002, LLC (“PharmCo 1002”), is a South Florida health services organization and provider of prescription pharmaceuticals specializing in health practice risk management, compounded medications, the sale of anti-retroviral medications and related medication therapy management, and the supply of prescription medications to long term care facilities. 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, 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 was acquired by Progressive on October 21, 2010.

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

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

Collectively, all of the previously named entities are known as “the Company”.

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, 2017 balance sheet has been derived from audited consolidated financial statements.

Note 3 Summary of Significant Accounting Policies

Principles of Consolidation

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates and assumptions impact

Progressive Care, Inc. and Subsidiaries
Notes to the Unaudited Consolidated Financial Statements
Nine Months Ended September 30, 2018 and 2017

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 September 30, 2018 and December 31, 2017, the Company does not have any cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

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

Risks and Uncertainties

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

Billing Concentrations

The Company's 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 nine months ended September 30, 2018 and 2017:

Payors	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
A	17%	16%
B	17%	16%
C	11%	10%

Progressive Care, Inc. and Subsidiaries
Notes to the Unaudited Consolidated Financial Statements
Nine Months Ended September 30, 2018 and 2017

The Company generated reimbursements from three significant pharmacy benefit managers (PBMs) for the nine months ended September 30, 2018 and 2017:

PBMs	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
A	35%	31%
B	24%	25%
C	16%	18%

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 September 30, 2018 and December 31, 2017, 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
Leasehold improvements and fixtures	Lesser of estimated useful life or life of lease
Furniture and equipment	5 years
Computer equipment and software	3 years
Vehicles	3-5 years

Property and equipment 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 nine months ended September 30, 2018 and 2017.

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.

Progressive Care, Inc. and Subsidiaries
Notes to the Unaudited Consolidated Financial Statements
Nine Months Ended September 30, 2018 and 2017

Goodwill

Goodwill represents the excess of purchase price over the value assigned to the net tangible and identifiable intangible assets of businesses acquired. 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.

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 generally approximate their fair values at September 30, 2018 and December 31, 2017, due to the short-term nature of these instruments. The carrying value of the capital lease obligation approximates fair value due to the implicit rate in the lease in relation to the Company's borrowing rate and the duration of the lease.

Derivative Liabilities

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

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

Revenue Recognition

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

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

Cost of Revenue

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

Progressive Care, Inc. and Subsidiaries
Notes to the Unaudited Consolidated Financial Statements
Nine Months Ended September 30, 2018 and 2017

Discontinued Operations

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

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

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale. When an operation is classified as a discontinued operation, the comparative consolidated statements of operations is re-presented as if the operation had been discontinued from the start of the comparative period.

Vendor Concentrations

For the nine months ended September 30, 2018 and 2017, the Company had significant vendor concentrations with one vendor. The purchases from this significant vendor are as follows:

Ven	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
A	84%	67%

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 \$101,194 and \$52,487 for the nine months ended September 30, 2018 and 2017, respectively.

Share-Based Payment Arrangements

Generally, all forms of share-based payments, including warrants, are measured at their fair value on the awards' grant date typically using a Black-Scholes pricing model, based on the estimated number of awards that are ultimately expected to vest. The 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,

Progressive Care, Inc. and Subsidiaries
Notes to the Unaudited Consolidated Financial Statements
Nine Months Ended September 30, 2018 and 2017

general and administrative expenses in the consolidated statements of operations.

Income Taxes

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

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

Progressive Care, Inc. and Smart Medical Alliance, Inc. are taxed as C corporations. PharmCo, LLC and PharmCo 1002, LLC are taxed as partnerships, wherein each member is responsible for the tax liability, if any, related to its proportionate share of PharmCo, LLC and PharmCo 1002, LLC's taxable income. Accordingly, no provision for income taxes is reflected in the accompanying consolidated financial statements. Progressive Care, Inc. has a 100% ownership interest in PharmCo, LLC and PharmCo 1002, LLC; therefore, all of PharmCo, LLC and PharmCo 1002, LLC's taxable income is included in Progressive Care, Inc.'s taxable income.

The provision for income taxes for the nine months ended September 30, 2018 and 2017 on the Consolidated Statements of Operations represents the minimum state corporate tax payments. There was no current tax provision for the nine months ended September 30, 2018 and 2017 because taxable income was fully offset by prior year net operating loss carryforwards. Total available net operating losses to be carried forward to future taxable years was approximately \$4,900,000 as of September 30, 2018, which will expire in various years through 2038. The Company's net deferred tax asset at September 30, 2018 and December 31, 2017 were attributable primarily to net operating loss carryforwards and 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 \$98,000 and \$29,000 for the nine months ended September 30, 2018 and 2017, respectively.

The Company accounts for uncertainty in income taxes by recognizing a tax position in the consolidated financial statements only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company records interest and penalties related to tax uncertainties, if any, as income tax expense. Based on management's evaluation, the Company does not believe it has any uncertain tax positions during the nine months ended September 30, 2018 and 2017.

Earnings (Loss) per Share

Basic earnings/loss per share ("EPS") is computed by dividing net income available to common stockholders by the

Progressive Care, Inc. and Subsidiaries
Notes to the Unaudited Consolidated Financial Statements
Nine Months Ended September 30, 2018 and 2017

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 2018 and 2017 is anti-dilutive, and therefore a separate computation of diluted earnings per share for 2018 and 2017 is not presented.

Recently Adopted Accounting Standards

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

Accounting Standards Issued but Not Yet Adopted

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

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

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

In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers - Deferral of the Effective Date* which approved a one-year deferral of ASU 2014-09 for annual reporting periods beginning after December 15,

Progressive Care, Inc. and Subsidiaries
Notes to the Unaudited Consolidated Financial Statements
Nine Months Ended September 30, 2018 and 2017

2017 for public entities, and annual reporting periods beginning after December 15, 2018 for all other entities. The new revenue standards become effective for the Company in the first quarter of fiscal year 2019 but allow adoption one year earlier if the Company so chooses. The Company currently plans to adopt this accounting standard in the first quarter of fiscal year 2019. The guidance permits two methods of adoption: full retrospective in which the standard is applied to all the periods presented or modified retrospective where an entity must recognize the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

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

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

Note 4. Acquisition of Touchpoint RX, LLC

On July 1, 2018, the Company completed the acquisition of 100% of the ownership interests in Touchpoint RX, LLC, a pharmacy located in Palm Springs, Florida. As a result of the acquisition, the Company has expanded the delivery radius of its pharmacy operations to now include Miami-Dade, Broward, Palm Beach, Martin, and St Lucie Counties, Florida. The acquisition is also expected to decrease costs of expansion of products and services and increase prescription dispensing efficiency. Touchpoint RX, LLC is now doing business as PharmCo 1002, LLC ("PharmCo 1002").

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

Cash consideration	\$ <u>300,000</u>
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash	\$ 5,845
Other financial assets	196,835
Property and equipment	84,468
Financial liabilities	(328,829)
Goodwill	<u>341,681</u>
	<u>\$300,000</u>

The following table presents the unaudited pro forma results for the nine months ended September 30, 2018 and 2017. The unaudited pro forma financial information combines the results of operations of Progressive and PharmCo 1002 as though the companies had been combined as of the beginning of fiscal 2017. The pro forma information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at such time.

Progressive Care, Inc. and Subsidiaries
Notes to the Unaudited Consolidated Financial Statements
Nine Months Ended September 30, 2018 and 2017

	September 30, 2018 (unaudited)	September 30, 2017 (unaudited)
Pro forma revenues	<u>\$ 16,304,227</u>	<u>\$ 15,885,263</u>
Pro forma net loss	<u>\$ (1,243,175)</u>	<u>\$ (260,174)</u>

Note 5. Accounts Receivable – Trade, net

Accounts receivable consisted of the following at September 30, 2018 and December 31, 2017.

	September 30, 2018	December 31, 2017
Gross accounts receivable - trade	\$ 1,206,887	\$ 1,280,454
Less: Allowance for doubtful accounts	<u>(11,100)</u>	<u>(10,340)</u>
Accounts receivable – trade, net	<u>\$ 1,195,787</u>	<u>\$ 1,270,114</u>

For the nine months ended September 30, 2018 and 2017, the Company recognized bad debt expense in the amount of \$22,517 and \$22,245, respectively.

Note 6. Property and Equipment, net

Property and equipment, net consisted of the following at September 30, 2018 and December 31, 2017.

	September 30, 2018	December 31, 2017
Leasehold improvements and fixtures	\$ 325,783	\$ 231,810
Furniture and equipment	690,759	220,491
Computer equipment and software	81,266	72,348
Vehicles	95,108	44,847
Website	64,438	53,188
Total	1,257,354	622,684
Less: accumulated depreciation and amortization	<u>(743,636)</u>	<u>(335,587)</u>
Property and equipment, net	<u>\$ 513,718</u>	<u>\$ 287,097</u>

Depreciation and amortization expense for the nine months ended September 30, 2018 and 2017 was \$84,156 and \$67,418, respectively. Included in depreciation and amortization expense was approximately \$0 and \$4,600 which is included in discontinued operations for the nine months ended September 30, 2018 and 2017, respectively.

Progressive Care, Inc. and Subsidiaries
Notes to the Unaudited Consolidated Financial Statements
Nine Months Ended September 30, 2018 and 2017

Note 7. Notes Payable

Notes payable consisted of the following:

	September 30, 2018	December 31, 2017
A. Convertible note payable - collateralized	\$ -	\$ 128,226
B. Equipment note payable - collateralized	113,846	
C. Note payable – uncollateralized	25,000	25,000
Insurance premium financing	21,096	10,961
Subtotal	159,942	164,187
Less Current portion	64,847	164,187
Total – Long-term portion	\$ 95,095	\$ -

The corresponding notes payable above are more fully discussed below:

(A) Convertible Note Payable – collateralized

On July 22, 2016, Progressive entered a Securities Purchase Agreement (the “Purchase Agreement”) with Chicago Venture Partners, L.P. (the “Investor”), a Utah limited partnership. The Investor agreed to purchase from the Company 10% convertible promissory notes in the aggregate principal amount of \$2,205,000 (the “Notes”), including a 10% Original Issue Discount (“OID”) and \$5,000 attorney’s fee. The Notes are convertible into shares of common stock (\$0.0001 par value per share) in 1 year at the lesser of Market Price as defined by the agreement or \$0.05 on the date of conversion. The Notes are to be delivered in eight (8) tranches each in the principal amount of \$250,000 and mature on October 18, 2018 (the “Maturity Date”); however, the Investor may elect to extend the Maturity Date up to 30 days. The Notes accrue interest at the rate of 10.9% per annum and the entire unpaid principal balance plus all accrued and unpaid interest are due on the Maturity Date. Progressive received the initial tranche of \$280,000 at the closing of the transaction, which included \$30,000 of OID and legal costs. Progressive granted the Investor a security interest in all right, title, interest and claims of Progressive. PharmCo has agreed to guarantee Progressive’s obligations under the Purchase Agreement, the Notes and the Security Agreement by entering into a Guaranty Agreement in favor of the Investor. Pursuant to the Guaranty Agreement, Progressive has agreed to pay to PharmCo 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 to further both companies’ ongoing growth and development.

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

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

Progressive Care, Inc. and Subsidiaries
Notes to the Unaudited Consolidated Financial Statements
Nine Months Ended September 30, 2018 and 2017

The first tranche of \$280,000 was disbursed to the Company on July 25, 2016. Note principal and accrued interest on the first tranche was repaid by the Company during 2018 in the following manner: \$30,000 was repaid through the issuance of 3,090,553 shares of common stock valued at \$0.0097 per share; \$30,000 was repaid through the issuance of 3,113,002 shares of common stock valued at \$0.0096 per share; \$40,000 was repaid through the issuance of 4,150,669 shares of common stock valued at \$0.0096 per share; and the remaining balance of \$30,169 was repaid through the issuance of 2,739,398 shares of common stock valued at \$0.0011 per share.

Note principal and accrued interest on the first tranche was repaid by the Company during 2017 in the following manner: \$100,000 was paid in cash in October 2017; \$30,000 was paid through the issuance to the noteholder of 3,313,819 shares of common stock valued at \$0.009 per share; and \$30,000 was paid through the issuance of 3,456,221 shares of common stock valued at \$0.00868 per share. The balance outstanding on the first tranche was \$0 and \$128,226 at December 31, 2017. Accrued interest on the first tranche at June 30, 2018 and December 31, 2017 was \$0 and \$1,073, respectively.

On February 15, 2018, the Company drew down a second tranche against the Chicago Venture note in the amount of \$636,304. Note proceeds of \$586,304 were received from Chicago Venture, which was net of a \$50,000 commitment fee paid to Chicago Venture. The second tranche is evidenced by secured convertible promissory notes that are subject to the same repayment and conversion terms as the first tranche and bear interest at 10%. The second tranche on the Chicago Venture note matured in October 2018. Note principal and accrued interest on the second tranche was repaid by the Company during the nine months ended September 30, 2018 in the following manner: \$50,000 was paid through the issuance of 2,488,800 shares of common stock valued at \$0.02 per share; \$300,000 was paid through the issuance of 6,000,000 shares of common stock valued at \$0.05 per share; \$100,000 was paid through the issuance of 2,184,360 shares of common stock valued at \$0.046 per share; \$50,000 was paid through the issuance of 1,077,354 shares of common stock valued at \$0.046 per share; \$75,000 was paid through the issuance of 1,778,811 shares of common stock valued at \$0.042 per share; and \$76,055 was paid through the issuance of 1,974,279 shares of common stock valued at \$0.039 per share. The balance outstanding on the second tranche was \$0 at September 30, 2018. Accrued interest on the second tranche at June 30, 2018 was \$1,040.

The Company has identified conversion features embedded within the first and second tranches. The Company has determined that the conversion features represent an embedded derivative. The conversion price is set at the lesser of Market Price as defined by the agreement or \$0.05 per share unless the Market Capitalization of the Company falls below \$3,000,000 at which time the Lender's Conversion Price for all Lender Conversions occurring after the first date of such occurrence shall equal the lower of the Lender Conversion Price (as defined in the Purchase Agreement) and the Market Price as of any applicable date of Conversion. Accordingly, the embedded conversion feature must be bifurcated from the debt host and accounted for as a derivative liability. On July 22, 2016, the Company recorded a derivative liability on the first tranche in the amount of \$80,696. For the nine months ended September 30, 2017, the Company recorded a Change in Fair Value of the Derivative Liability in the amount of \$54,284. The derivative liability on the first tranche was satisfied when the final debt payment on the first tranche was made in February 2018. The derivative liability balance on the first tranche on the consolidated balance sheets at September 30, 2018 and December 31, 2017 were \$0 and \$3,920, respectively.

On February 15, 2018, the Company recorded a derivative liability on the second tranche in the amount of \$213,798. For the nine months ended September 30, 2018, the Company recorded a Change in Fair Value of the Derivative Liability in the amount of \$217,718. The derivative liability balance on the second tranche on the consolidated balance sheets at September 30, 2018 was \$0, as the related convertible debt obligation was paid in full at September 30, 2018.

Progressive Care, Inc. and Subsidiaries
Notes to the Unaudited Consolidated Financial Statements
Nine Months Ended September 30, 2018 and 2017

At inception, the fair value of the derivative instrument has been recorded as a liability on the consolidated balance sheet with the corresponding amount recorded as a discount to the Note. The discount was accreted from the issuance date to the maturity date of the Note. The change in the fair value of the derivative liability was recorded in other income or expenses in the consolidated statement of operations at the end of each 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 February 15, 2018 and July 22, 2016. Debt Discount consists of the discount recorded upon recognition of the derivative liability upon issuance of the second 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 nine months ended September 30, 2018 and 2017 was \$263,798 and \$61,812, respectively. The debt discount and debt issuance costs were fully amortized as of September 30, 2018 and December 31, 2017, respectively.

(B) Equipment Note Payable – Collateralized

The Company assumed an equipment note payable for medication dispensing equipment from the acquisition of PharmCo 1002 in July 2018. The note is payable over 60 monthly installments of \$4,539 including interest at 10%. The promissory note expires in March 2020 and is secured by equipment with a net book value of \$136,700 at September 30, 2018.

(C) Note Payable – Uncollateralized

As of September 30, 2018 and December 31, 2017, the uncollateralized note payable represents a non-interest-bearing loan that is due on demand from an investor.

Interest expense on these notes payable was \$16,038 and \$89,562 for the nine months ended September 30, 2018 and 2017, respectively.

Note 8. 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 \$5,716 and \$7,176 for the nine months ended September 30, 2018 and 2017, respectively, which has been included in interest expense on the accompanying consolidated statements of operations. The unamortized discount was \$7,657 and \$13,372 at September 30, 2018 and December 31, 2017, respectively.

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%.

Progressive Care, Inc. and Subsidiaries
Notes to the Unaudited Consolidated Financial Statements
Nine Months Ended September 30, 2018 and 2017

Minimum lease payments for years subsequent to September 30, 2018 are as follows:

Year	Amount
2019	\$ 38,164
2020	113,984
2021	20,142
2022	20,142
2023	20,142
Thereafter	30,212
Subtotal	242,786
Less: interest	22,732
Total	\$ 220,054

The current portion of the capital lease obligation was \$24,397 and \$17,287 as of September 30, 2018 and December 31, 2017, respectively. Interest expense for the nine months ended September 30, 2018 and 2017 was \$9,080 and \$7,176, respectively.

Depreciation expense related to the asset under the capital leases was approximately \$17,500 and \$14,500 for the nine months ended September 30, 2018 and 2017, respectively, and was included in depreciation and amortization expense in the accompanying consolidated statements of operations.

Note 9. 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 has elected to estimate forfeitures with subsequent true-up to actual experience. The compensation cost will be recognized as expense ratably over the requisite service period. Total share-based compensation expense related to the stock grants was \$446,285 for the nine months ended September 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.

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

Common Stock

As of September 30, 2018 and December 31, 2017, the Company's issued and outstanding common shares total 425,630,944 and 352,315,147 shares, respectively. The Company's transfer agent is reporting 431,221,376 common

Progressive Care, Inc. and Subsidiaries
Notes to the Unaudited Consolidated Financial Statements
Nine Months Ended September 30, 2018 and 2017

shares outstanding as of September 30, 2018; however, this balance includes 5,590,432 common shares that were beneficially owned by Progressive Care through PharmCo, LLC and Progressive Training, Inc.

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 September 30, 2018 and December 31, 2017. As of September 30, 2018 and December 31, 2017, the individual is employed by the Company.

Note 10. Discontinued Operations

In October 2017, the Company's wholly-owned subsidiary, Smart Medical Alliance, Inc., ceased operations as management determined that its strategic plan to provide management services to healthcare organizations was not successful. Smart Medical was not previously classified as a discontinued operation. The 2017 consolidated statement of operations has been restated to show the discontinued operation separately from continuing operations. Total revenue from discontinued operations was \$0 and \$90,305 in the nine months ended September 30, 2018 and 2017, respectively. Total expense from discontinued operations was \$276 and \$180,236 for the nine months ended September 30, 2018 and 2017, respectively.

Note 11. Commitments and Contingencies

Legal Matters

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

Lease Commitments

The Company leases its corporate office under a non-cancelable operating lease agreement expiring in December 2020. This lease is guaranteed by a shareholder and an unrelated individual. The Company also leases its Palm Beach County pharmacy location under an operating lease agreement expiring in March 2021. Additionally, the

Progressive Care, Inc. and Subsidiaries
Notes to the Unaudited Consolidated Financial Statements
Nine Months Ended September 30, 2018 and 2017

Company leases certain office space under non-cancelable operating lease agreements which require the Company to pay a monthly base rental plus its proportionate share of operating expenses. These lease agreements expire on various dates through December 2019. Rent expense was \$200,736 and \$178,414 for the nine months ended September 30, 2018 and 2017, respectively.

The Company's corporate office and office space rentals are subject to scheduled rent increases throughout the terms of the related leases. As such, the Company records the related rent expense on a straight-line basis, resulting in a deferred rent liability of \$67,506 and \$80,732 as of September 30, 2018 and December 31, 2017, respectively.

At September 30, 2018, rental commitments for currently occupied space for the fiscal years of 2019 through 2021 are as follows:

Year	Amount
2019	\$ 294,257
2020	258,801
2021	76,333
Total	<u>\$ 629,391</u>

Note 12. Related Party Transactions

During the nine months ended September 30, 2018 and 2017, the Company had a verbal consulting arrangement with Spark Financial Consulting ("Spark"), which is a consulting company owned by an employee and preferred stock controlling shareholder of the Company. Spark provides business development services including but not limited to recruiting, targeting and evaluation of potential mergers and acquisitions, finding third party contractors and assisting with related negotiations in exchange for a monthly fee of \$16,000. Additionally, Spark may be entitled to additional fees for additional consulting services. During the nine months ended September 30, 2018 and 2017, the Company paid Spark \$149,997 and \$144,706, respectively.

The Company has an employment agreement (the "Agreement") with a certain pharmacist, Head of the Compounding Department, who is the first paternal cousin to the preferred stock controlling shareholder and employee of the Company. In consideration for duties performed including but not limited to marketing, patient consultation, formulary development, patient and physician education, training, recruitment, sales management, as well as pharmacist responsibilities, the Company had agreed to provide monthly compensation of \$25,000 or \$15,000 per month plus 5% commission on monthly gross profits generated by the Compounding Department, whichever is greater. This agreement was amended on August 1, 2018 wherein the Company agreed to provide monthly compensation of \$15,000 or \$10,000 per month plus 5% commission on monthly gross profits generated by the Compounding Department, whichever is greater. During the nine months ended September 30, 2018, payments to the pharmacist were approximately \$202,000. During the nine months ended September 30, 2017, payments to the pharmacist were approximately \$713,000, of which approximately \$303,000 was attributable to 2016 accrued compensation.

Note 13. Contingency

In March 2018, the Company received the results of a claims audit performed by one of its pharmacy benefits managers (PBM). The PBM issued audit findings that indicated that there were potential overpayments by the PBM in the amount of approximately \$33,000 to the Company relative to certain prescription drugs that were not issued for medically-accepted indications. The Company has appealed the PBM's decision. Management believes that the PBM's audit findings are incorrect as the prescriptions were dispensed as per doctors' orders and for a use that was identified as an acceptable indication in the Medicare Prescription Drug Benefit Accepted Compendia. Management is currently

Progressive Care, Inc. and Subsidiaries
Notes to the Unaudited Consolidated Financial Statements
Nine Months Ended September 30, 2018 and 2017

working with the PBM on mitigating factors and compliance regulations, which it believes will ultimately result in a settlement, the amount of which is not determinable as of the date of this report.

Note 14. Subsequent Events

Management has evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through November 14, 2018, the date the consolidated financial statements were available to be issued.

Building Acquisition Financing

The Company has entered into definitive agreements to purchase a property in Broward County, Fla. For \$1.8 million, which will double as the new corporate headquarters and as a retail pharmacy. This third location will facilitate the company's growth by expanding the company's pharmacy operations in the South Florida region.

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 12 in our 2017 Annual Report.

OVERVIEW

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

Our revenue is derived from customized care management programs we deliver to our patients, including the dispensing of their medications. Our focus is on complex chronic diseases, which generally require multiyear or lifelong therapy and helps drive recurring revenue and sustainable growth. Our pharmacy services revenue growth is caused by our expanding breadth of services, new drugs coming to market, new indications for existing drugs, volume growth with current clients, and addition of new customers due to our focus on higher patient engagement and clinical expertise. We also expect expanded revenue growth through the signing of two new 340b contracts that will bring discounted prescription programs to non-profit healthcare institutions.

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

The Company provides services to approximately 13,000 patients of diverse demographics across South Florida. Patient growth trends were also due to expanded marketing efforts, directed advertising, and word-of-mouth of PharmCo’s performance rating and the ability of the pharmacy to improve the performance ratings of the physicians it serves. The Company has increased its attention to key Pharmacy Benefit Manager (“PBM”) performance metrics including adherence, brand to generic ratios, high risk medication, statin therapy compliance, therapy gaps, safety, and retention. As a result of these efforts, PharmCo maintains a 5-Star Rating based on the ratings provided by various insurance carriers. As of September 30, 2018, the Company’s performance ranks in the 90th percentile based on a 9-month average between comparative rankings in all PBM networks.

During the nine months ended September 30, 2018, the Company’s focus was to continue the growth and development of its pharmacy services, as well as to expand its service options and market territory. Pharmacy revenue for the nine months ended September 30, 2018 was approximately \$15.7 million, the largest nine-month period in the Company’s history. We accomplished these achievements by filling over 204,000 prescriptions during the nine-month period, a 16% increase over the number of prescriptions filled in the same period in 2017.

Our revenue growth has been dampened through the continued efforts of health maintenance organizations, managed care organizations, PBMs, government programs (such as Medicare, Medicaid and other federal and state funded programs), and other third-party payers to limit pharmacy reimbursements, which has adversely impacted our profitability. While manufacturers have increased the price of drugs, payers have generally decreased reimbursement rates as a percentage of drug cost. We have experienced an overall reduction in the gross profit per prescription prescribed, particularly in the compounding segment, where compounding revenue decreased from approximately \$4,047,000 from 4,827 claims in the nine month period ended September 30, 2017 to approximately \$2,048,000 from 4,335 claims in the nine month period ended September 30, 2018.

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

In addition, Direct and Indirect Remuneration (“DIR”) Fees continued to apply significant downward pressure on the Company’s profitability. DIR Fees are PBM clawbacks of reimbursements based on factors that vary from plan to plan. DIR fees are often applied retroactively, which has caused the fees charged in the nine months ended September 30, 2018 to be over 27% higher than those charged in the same period in 2017 (\$375,579 in 2018; \$294,975 in 2017). The Company has shifted pharmacy policy to account for anticipated DIR clawbacks, and we expect to limit our exposure to DIR fees during the remainder of 2018. 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.

The Company experienced a loss from continuing operations of approximately \$1,011,000 in the nine months ended September 30, 2018, primarily because of decreased profitability in pharmacy reimbursements, which led to a decrease in the Company’s gross profit of \$568,000, and charges to operations for share-based compensation related to one-time stock bonus awards made to employees and directors of the Company in January 2018 as amortized over the 12 month vesting period (approximately \$377,000).

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

Third Quarter 2018 Key Highlights

- 5-star pharmacy rating, including exceeding all Humana performance metrics that will lead to the refund of all DIR fees collected by Humana.
- Over \$5.4 million in revenue during third quarter 2018, \$15.7 million in revenue for the 9 months ended September 30th.
- Over 26,000 prescriptions filled by the legacy business (i.e., excluding PharmCo 1002) during August 2018, the highest single month for prescriptions filled in the Company's history.
- Over 203,000 prescriptions filled by the legacy business (i.e., excluding PharmCo 1002) during the nine months ended September 30, 2018, a 25% increase over the same period in 2017.
- Payoff of Chicago Venture Partners convertible promissory note during third quarter 2018.
- Completion and consolidation of Touchpoint RX, now doing business as PharmCo 1002, LLC, during third quarter 2018, including name and "doing business as" (DBA) changes – addition to the legacy business of \$315,000 revenue and approximately 9,000 prescriptions filled during the third quarter 2018.
- Addition of two new 340B contracts in July 2018, under which the Company began servicing in October 2018.
- Raised nearly \$1.4 million for 340B charitable organizations during third quarter 2018, \$4.1 million for the 9 months ended September 30th.
- Licensed in the following states: Colorado, Connecticut, Florida, Georgia, Illinois, Nevada, New Jersey, New York, Pennsylvania, Texas, Utah, Arizona, Massachusetts, Minnesota.
- Published articles on tele-pharmacy and other current developments in various trade periodicals during third quarter 2018.

RESULTS OF OPERATIONS

The following table summarizes our results of operations for the three months ended September 30, 2018 and 2017:

	Three Months Ended					
	September 30, 2018			September 30, 2017		
	Dollars	% of Revenue	Dollars	% of Revenue	\$ Change	% Change
Total revenues, net	\$ 5,413,690	100%	\$ 5,104,261	100%	\$ 309,429	6%
Total cost of revenue	4,332,421	80%	3,899,765	76%	432,656	11%
Total gross profit	1,081,269	20%	1,204,496	24%	(123,227)	10%
Operating expenses	1,579,929	29%	1,227,483	24%	352,446	29%
(Loss) income from operations	(498,660)	-9%	(22,987)	0%	(475,674)	2,069%
Other income (expense)	(73,804)	-1%	(17,856)	0%	(55,948)	313%
(Loss) income before provision for income taxes	(572,464)	-10%	(40,843)	0%	(531,621)	1,302%
Provision for income taxes	-	0%	-	0%	-	0%
Net (loss) income from continuing operations	(572,464)	-10%	(40,843)	0%	(531,621)	1,302%
Loss from discontinued operations, net of tax	(42)	0%	(21,440)	0%	21,398	99%
Net (loss) income	\$ (572,506)	-10%	\$ (62,283)	0%	\$ (510,223)	819%

For the three months ended September 30, 2018, the Company recognized overall revenue from continuing

operations of approximately \$5.4 million, which increased \$309,000 from the same period in 2017 along with a 25% increase in the number of prescriptions filled in Q3 2018 as compared to Q3 2017. This condition was caused by continued reimbursement compression by third party payors. Total revenues included approximately \$188,000 of fees earned on dispensing prescription medications to patients under 340B programs managed by two non-profit healthcare organizations in Florida. Total billings collected on behalf of and remitted to these organizations was \$1.4 million and \$641,000 for the three months ended September 30, 2018 and 2017, respectively.

Gross profit margins decreased from 24% in 2017 to 20% in 2018, a 10% decrease when compared to 2017. Annual gross margin for Q3 2018 was negatively impacted by DIR fees of approximately \$90,000 that the Company records as a component of cost of sales, as well as a decrease in gross profits from the Company's compounding products and overall patient drug coverage contraction. Operating income decreased by approximately \$476,000 in 2018 as compared to 2017 as a result of decreased gross margin as discussed above; an amortized charge to operations of approximately \$127,000 related to share-based compensation paid to officers, directors and employees; and increased personnel costs related to new hires in pharmacy operations (approximately 20) associated with the continued growth and development of the Company. These increased costs were partially offset by decreased compensation costs of \$221,000 for Compounding Pharmacy operations due to lower Compounding drug reimbursement rates per claim.

	Nine Months Ended					
	September 30, 2018			September 30, 2017		
	Dollars	% of Revenue	Dollars	% of Revenue	\$ Change	% Change
Total revenues, net	\$ 15,682,576	100%	\$ 15,034,683	100%	\$ 647,893	4%
Total cost of revenue	12,238,035	78%	11,081,725	74%	1,156,310	10%
Total gross profit	3,444,541	22%	3,952,958	26%	(508,417)	13%
Operating expenses	4,382,612	28%	3,856,310	26%	526,302	14%
(Loss) income from operations	(938,071)	-6%	96,648	0%	(1,034,719)	1,071%
Other income (expense)	(71,673)	0%	(42,287)	0%	(29,386)	69%
(Loss) income before provision for income taxes	(1,009,744)	-6%	54,361	0%	(1,064,105)	1,957%
Provision for income taxes	(1,650)	0%	(1,598)	0%	(52)	0%
Net (loss) income from continuing operations	(1,011,394)	-6%	52,763	0%	(1,064,157)	1,957%
Loss from discontinued operations, net of tax	(276)	0%	(89,931)	0%	89,655	100%
Net loss	\$ (1,011,670)	-6%	\$ (37,168)	0%	\$ (974,502)	2,622%

For the nine months ended September 30, 2018, the Company increased overall revenue to approximately \$15.7 million, a 4% increase over the same period in 2017. Total revenues included approximately \$188,000 of fees earned on dispensing prescription medications to patients under 340B programs managed by two non-profit healthcare organizations in Florida. Total billings collected on behalf of and remitted to these organizations was \$4.1 million and \$1.7 million for the nine months ended September 30, 2018 and 2017, respectively.

Gross margin for the nine months ended September 30, 2018 was negatively impacted by DIR fees of approximately \$376,000 that the Company records as a component of cost of sales, as well as a decrease in gross profits from the Company's compounding products and overall patient drug coverage contraction. Operating income decreased by approximately \$1,035,000 in 2018 as compared to 2017 as a result of decreased gross margin as discussed above; an amortized charge to operations of approximately \$377,000 related to share-based compensation paid to officers, directors and employees; and increased personnel costs related to new hires in pharmacy operations (approximately 20) associated with the continued growth and development of the Company. These increased costs were partially offset by decreased compensation costs for Compounding Pharmacy operations due to lower Compounding drug reimbursement rates per claim.

Revenue

Our pharmacy revenues were as follows:

Three Months Ended						
	September 30, 2018		September 30, 2017		\$ Change	% Change
	Dollars	% of Revenue	Dollars	% of Revenue		
Pharmacy	\$5,346,933	99%	\$5,070,519	99%	\$276,414	5%
Total Revenues, net	\$5,413,690	100%	\$5,104,261	100%	\$309,429	6%

Nine Months Ended						
	September 30, 2018		September 30, 2017		\$ Change	% Change
	Dollars	% of Revenue	Dollars	% of Revenue		
Pharmacy	\$15,477,666	99%	\$14,954,125	99%	\$523,541	4%
Total Sales	\$15,682,576	100%	\$15,034,683	100%	\$647,893	4%

Pharmacy revenues continue to be approximately 99% of all revenue for the Company. Total prescriptions dispensed increased to 212,000 during the nine months ended September 30, 2018 from approximately 163,000 in the same period in 2017, a 30% increase. Our increase in pharmacy revenue is the result of the acquisition of PharmCo 1002 in July 2018, concentrated marketing efforts to doctor's offices, clinics, and long-term care facilities, as well as from manufacturer price increases. However, revenues were adversely affected by decreases in compounding reimbursements per claim by third party payors, as compounding revenue decreased from approximately \$4,047,000 from 4,827 claims in the nine-month period ended September 30, 2017 to approximately \$2,048,000 from 4,335 claims in the nine-month period ended September 30, 2018.

Gross Margin

For the nine months ended September 30, 2018, gross profit decreased 13% as compared to the same period in 2017 because of increased DIR fees assessed by PBMs in 2018 and a decrease in compounding revenues despite a similar number of claims in each quarter. Total gross profit from compounding claims decreased from approximately \$2,040,000 in the nine months ended September 30, 2017 to \$984,000 in the nine months ended September 30, 2018, a 107% decrease as compared to the nine months ended September 30, 2017.

Operating Expenses

Our operating expenses increased by approximately \$526,000, or 14%, in the nine months ended September 30, 2018 as compared to the same period in 2017. The increase was mainly attributable to an amortized charge to operations of approximately \$377,000 related to share-based compensation paid to officers, directors and employees; an increase in advertising and marketing costs of approximately \$100,000 related to social media, web-based, and radio and television advertising; and increased personnel costs related to new hires in pharmacy operations (approximately 20) associated with the continued growth and development of the Company. These increased costs were partially offset by decreased compensation costs for Compounding Pharmacy operations due to lower Compounding drug reimbursement rates per claim.

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.

	Nine Months Ended	
	September 30, 2018	September 30, 2017
(Loss) income from continuing operations, net of income taxes	\$ (1,011,394)	\$ 52,763
Interest expense	(289,653)	(96,738)
Change in fair value of derivative liability	217,718	54,284
Income tax expense	(1,650)	(1,598)
Depreciation and amortization expense	(84,156)	(67,418)
Share-based compensation expense	(446,284)	(32,500)
Consolidated Adjusted EBITDA	\$ (407,369)	\$ 196,733

Cash Flows

The following table summarizes our cash flows for the nine months ended September 30, 2018 and 2017.

	Nine Months Ended	
	September 30, 2018	September 30, 2017
<i>Net change in cash from:</i>		
Operating activities	\$ (135,951)	\$ (160,492)
Investing activities	(405,567)	(18,366)
Financing activities	529,639	(37,220)
Change in cash	\$ (11,879)	\$ (216,078)
Cash at end of period	\$ 407,434	\$ 600,142

Net cash used by operating activities totaled \$135,951 during the nine months ended September 30, 2018 compared to net cash used by operating activities of \$160,492 for the nine months ended September 30, 2017, a \$25,000 improvement. Operational cash flow was negatively affected by the decreased profitability on prescription insurance reimbursements offset by improved collection efforts.

Net cash used by investing activities was \$405,567 for the nine months ended September 30, 2018 attributable to prescription dispensing and other equipment purchases during the period.

Net cash provided by financing activities was \$529,639 for the nine months ended September 30, 2018 as a result of proceeds received from the second tranche of the Chicago Venture Partners financing agreement, reduced by payments on notes payable and the capital lease obligations.

Current and Future Financing Needs

We have an accumulated deficit of \$4,172,996 through September 30, 2018. We have spent, and expect to continue to spend, additional amounts in connection with implementing our business strategy.

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

On July 22, 2016, the Company entered in to a securities purchase agreement with Chicago Venture Partners L.P. in the amount of \$2,205,000 which includes \$200,000 Original Interest Discount and \$5,000 in debt issuance costs for the transaction. On February 15, 2018, the Company drew down a second tranche against the Chicago Ventures note in the amount of \$636,304. The notes are convertible into common shares (See Note 7, "Notes Payable", to the consolidated financial statements). The Company paid off all outstanding advances on the second tranche in the third quarter 2018. The Company has also entered into negotiations with Chicago Venture Partners L.P. that will provide the Company with a funding facility of \$2.5 million.

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.

Critical Accounting Policies

Revenue Recognition

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

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

Deferred taxes

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

Off-Balance Sheet Arrangements

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

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 – 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
- Lease Agreement for 901 N Miami Beach Blvd, Ste 1-2, North Miami Beach, FL 33162, dated as of December 16, 2011, between Value Store It North Miami Beach, LLC and the Company.
- Lease Agreement for 633 NE 167th St, Suite 425, North Miami Beach, FL, dated as of October 1, 2016 between Migal 669, LLC and the Company.
- Lease agreement for 13460 SW 10th St, Suite 102, Pembroke Pines, FL, dated as of November 6, 2017 between Deveaux Group Inc. and the Company.
- 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 633 NE 167th St, Suite 425, North Miami Beach, FL, 33162 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: November 14, 2018

/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: November 14, 2018

/s/ Alan Jay Weisberg

Alan Jay Weisberg

Chief Financial Officer