PROGRESSIVE CARE INC.

State of Incorporation: Delaware

400 Ansin Blvd., Suite A
Hallandale Beach, FL 33009
(305) 760-2053
www.progressivecareus.com

SIC Code: 5912

ANNUAL REPORT
For Fiscal Year Ended December 31, 2020
(the "Reporting Period")

The number of shares outstanding of our common stock, par value $0.0001 per share ("common stock"), is 485,768,076 shares as of December 31, 2020.

The number of shares outstanding of our Common Stock was 436,280,944 shares as of December 31, 2019.

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

Yes: □ No: X

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

Yes: □ No: X

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

Yes: □ No: X

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

Disclosure Regarding Forward-Looking Statements

Any reference to "Progressive Care" (which also may be referred to as the "Company", "we", "us" or "our") means Progressive Care, Inc. and its wholly-owned subsidiaries, PharmCo, LLC (referred to as "PharmCo 901"), Touchpoint RX, LLC doing business as PharmCo Rx 1002, LLC (referred to as "PharmCo 1002"), Family Physicians RX, Inc. doing business as PharmCoRx 1103 (referred to as "FPRX" historically or "PharmCo 1103" currently), ClearMetrX Inc and RXMD Therapeutics, 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 consolidated financial statements included elsewhere in this Annual Report.

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

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

Available Information

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

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GLOSSARY OF TERMS

The following are abbreviations and definitions of certain terms used in this document, which are commonly used in the pharmaceutical industry:

“340B Covered Entities’’ or “Covered Entity” or “340B” means the Federal 340B Drug Discount Pricing Program, which is a US federal government program created in 1992 that requires drug manufacturers to provide outpatient drugs to eligible health care organizations and covered entities at significantly reduced prices. This also includes Federally Qualified Health Center, which is a community-based organization that provides comprehensive primary care and preventive care, including health, oral, and mental health/substance abuse services to persons of all ages, regardless of their ability to pay or health insurance status.

“ACO’’ means Accountable Care Organizations and is a group of doctors, hospitals, and other health care providers, who come together voluntarily to give coordinated high-quality care to the Medicare patients they serve.

“CMS’’means Centers for Medicare and Medicaid Services, which is the agency within the U.S. Department of Health and Human Services (HHS) that administers the nation’s major healthcare programs. The CMS oversees programs including Medicare, Medicaid, the Children’s Health Insurance Program (CHIP), and the state and federal health insurance marketplaces. CMS collects and analyzes data, produces research reports, and works to eliminate instances of fraud and abuse within the healthcare system.

“DEA’’ means the Drug Enforcement Administration, which is a United States federal law enforcement agency under the United States Department of Justice, tasked with combating drug trafficking and distribution within the United States.

“DIR Fees” means Direct and Indirect Remuneration, which are fees assessed to pharmacies by Pharmacy Benefit Managers (see “PBMs” definition in the Glossary Of Terms). According to the Centers for Medicare & Medicaid Services (“CMS”), DIR fees are fees, payments or payment adjustments made after the point-of-sale that change the cost of Medicare Part D covered drugs for Part D sponsors or PBMs. DIR results from payment arrangements negotiated independent of CMS, between Part D sponsors, PBMs, network pharmacies, drug manufacturers, and other parties involved in the administration of the Part D benefit. Typically, DIR fees are charged as retroactive clawbacks of reimbursements based on factors that vary from health insurance plan to health insurance plan. Many times, DIR fees are performance-based, where PBMs compare pharmacies regardless of whether they are retail or specialty on the same scale and then base the DIR fee on which percentile the pharmacy falls in.

“EQuIPP” means Electronic Quality Improvement Platform for Plans and Pharmacies, which is a performance information management platform that makes unbiased, benchmarked performance data available to both health plans and community pharmacy organizations and brings a level of standardization to the measurement of the quality of medication use, and makes this information accessible and easy to understand. By doing so, EQuIPP facilitates an environment where prescription drug plans and community pharmacies can engage in strategic relationships to address improvements in the quality of medication use.

“FDA’’ means the Federal Drug Administration, which is a federal agency of the United States Department of Health and Human Services, one of the United States federal executive departments. The FDA is responsible for protecting and promoting public health through the control and supervision of food safety, tobacco products, dietary supplements, prescription and over-the-counter pharmaceutical drugs (medications), vaccines, biopharmaceuticals, blood transfusions, medical devices, electromagnetic radiation emitting devices (ERED), cosmetics, animal foods & feed and veterinary products.

‘HEDIS Quality Measures’’ means Healthcare Effectiveness Data and Information Set Quality Measures, which is a comprehensive set of standardized performance measures designed to provide purchasers and consumers with the information they need for reliable comparison of health plan performance.

“HIPAA’’ means the Health Insurance Portability and Accountability Act, which is a US law designed to provide privacy standards to protect patients’ medical records and other health information provided to health plans, doctors,

hospitals and other health care providers.

“Health Insurance Plans” means a system for the financing of medical expenses by means of contributions or taxes paid into a common fund to pay for all or part of health services specified in and insurance policy or the law. The key elements are advance payment or premiums or taxes, pooling of funds, and eligibility for benefits based on contributions or employment.

“HO’’ means Healthcare Organizations, which are centers that provide health services such as diagnosis of diseases, surgical operations and treatment and recovery of patients.

“ICU” means Intensive Care Unit.

“IP’’ means Independent Providers, which are private sector healthcare companies that are contracted by the national health service in the provision of healthcare or in the support of the provision of healthcare.

“LTC’’ means Long-term Care Facilities, which are facilities that provide rehabilitative, restorative, and/or ongoing skilled nursing care to patients or residents in need of assistance with activities of daily living.

“‘Medicaid”” is a federal and state health insurance program in the U.S. that helps with medical costs for some people with limited income and resources. Medicaid also offers benefits not normally covered by Medicare, including nursing home care and personal care services.

“Medicare’’ is a national health insurance program in the U.S. It primarily provides health insurance for Americans aged 65 and older, but also for some younger people with disability status as determined by the Social Security Administration, as well as people with end stage renal disease and amyotrophic lateral sclerosis (ALS or Lou Gehrig’s disease).

“Medication adherence” is the act of filling new prescriptions or refilling prescriptions on time.

“Medication compliance” is the act of taking medication on schedule or taking medication as prescribed.

“MSO’’ means Management Service Organization, which is a health care specific administrative and management engine that provides a host of administrative and management functions necessary to be successful in the ever-changing healthcare environment.

“‘MTM’’ means Medication Therapy Management, which is a range of services provided to individual patients to optimize therapeutic outcomes (help patients get the most benefit from their medications) and detect and prevent costly medication problems.

“Network-based Marketing Strategies” means a network that enable you to find potential patients who are linked to your existing patient base.

“PBMs’’ means Pharmacy Benefit Managers, which are third-party administrators of prescription drug programs for commercial health plans, self-insured employer plans, Medicare Part D plans (prescription drug plans), the Federal Employees Health Benefits Program, and state government employee plans.

“PBM Fees” means the fees assessed to pharmacies by PBMs that are collected to offset member costs. PBM fees include the following types of fees: DIR fees (the largest by dollar amount) and various types of transaction fees, including customer service fees, administrative and network access fees, such as out-of-network fees and in-network fees.

“PHI’’ means Protected Health Information where the HIPAA Privacy Rule provides federal protections for personal health information held by covered entities and gives patients an array of rights with respect to that information.

"Prescription Pharmaceutical" means a pharmaceutical drug that legally requires a medical prescription to be dispensed.

"PSAO" means Pharmacy Services Administration Organizations, which are cooperative networks for independent pharmacies.

"RX'' is a doctor's prescription.

"TPA'' means Third Party Administration, which is a company that provide operational services such as claims processing and employee benefits management under contract to another company. Insurance companies and self-insured companies often outsource their claims processing to third parties.

"Third Party Payor" is and entity that pays medical claims on behalf of the insured.

PART A - GENERAL COMPANY INFORMATION

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

Exact name of the issuer: Progressive Care Inc.

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

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

Principal Executive Offices:	400 Ansin Boulevard, Suite A Hallandale Beach, FL 33009 Telephone: (305) 760-2053 Facsimile: (786) 657-2904 Website: www.progressivecareus.com
Public Relations:	Carlos Rangel 400 Ansin Boulevard, Suite A Hallandale Beach, FL 33009 Telephone: (305) 760-2053 Email Address: investors@progressivecareus.com

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

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

PART B – SHARE STRUCTURE

Item 4. The Exact Title and Class of Securities Outstanding

Progressive Care has two classes of outstanding stock:

Title: Common Stock Class 1,
Par Value $0.0001
CUSIP: 74332G108
OTC Trading Symbol: RXMD

Title: Series A Preferred Stock, Par Value $0.00001
CUSIP: N/A
OTC Trading Symbol: N/A

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

The Company's outstanding securities consist of shares of common stock, par value $0.0001 per share, and shares of Series A Preferred Stock, par value $0.00001 per share. The Company's Certificate of Incorporation (the "Certificate of Incorporation") authorizes 1,000,000,000 shares of common stock and 10,000,000 shares of Series A Preferred Stock.

The holders of common stock are entitled to one vote per share on all matters submitted to a vote of the shareholders.

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

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

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

With respect to all matters upon which shareholders are entitled to vote or to which shareholders 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. These issued shares of preferred stock are outstanding as of December 31, 2020 and 2019. As of December 31, 2020, and 2019, the individual is employed by the Company. On January 7, 2021, the preferred shares were transferred to a trust whose beneficiary is related to the employee.

On September 23, 2019, the Company's board of directors and shareholders approved an amendment to the Company's certificate of incorporation wherein the total number of shares of all classes of capital stock which the Company shall have the authority to issue is 1,010,000,000 shares, of which 1,000,000,000 shares are designated as common stock, par value $0.0001 per share, and 10,000,000 shares are designated as Series A preferred stock, par value $0.00001 per share.

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

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

As of December 31, 2020					
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	1,000,000,000	485,768,076	409,098,903	3,707	210
Preferred Stock	10,000,000	51	-	1	1
As of December 31, 2019					
Class	Number of Shares Authorized	Number of Shares Outstanding	Freely Tradable Shares (Public Float)	Total Number of Beneficial Stockholders	Total Number of Stockholders of Record
Common Stock	1,000,000,000	436,280,944	350,611,771	3,452	218
Preferred Stock	10,000,000	51	-	1	1

As of December 31, 2018					
Class	Number of Shares Authorized	Number of Shares Outstanding	Freely Tradable Shares (Public Float)	Total Number of Beneficial Stockholders	Total Number of Stockholders of Record
Common Stock	500,000,000	425,630,944	334,506,590	3,755	214
Preferred Stock	51	51	-	1	1

Item 7. The Name and Address of the Transfer Agent

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

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

PART C – BUSINESS INFORMATION

Item 8. The Nature of the Issuer's Business

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

Progressive, through its wholly-owned subsidiaries, PharmCo, LLC (referred to as "PharmCo 901"), Touchpoint RX, LLC doing business as PharmCo Rx 1002, LLC (referred to as "PharmCo 1002"), Family Physicians RX, Inc. doing business as PharmCoRx 1103 (referred to as "FPRX" historically or "PharmCo 1103" currently) (pharmacy subsidiaries collectively referred to as "PharmCo"), and ClearMetrX Inc. (collectively with all entities referred to as the "Company", or "we") is a personalized healthcare services and technology company which provides prescription pharmaceutical and risk and data management services to healthcare organizations and providers.

During December 2020, PharmCo 901 moved the majority of its pharmacy operations from its North Miami Beach, Florida location to a new 11,000 square foot pharmacy facility in Hallandale Beach, Florida. PharmCo 901 will continue to operate an approximately 1,050 square foot pharmacy at the North Miami Beach, Florida location. PharmCo 901 was formed on November 29, 2005 as a Florida Limited Liability Company and is a 100% owned subsidiary of Progressive. PharmCo 901 was acquired by Progressive on October 21, 2010. We currently deliver prescriptions to Florida's diverse population and ship compounded medications to patients in states where we hold non-resident pharmacy licenses as well. We hold a community pharmacy permit in Florida and we hold non-resident pharmacy licenses that allow us to dispense to patients in the following states: Arizona, Colorado, Connecticut, Georgia, Illinois, Massachusetts, Minnesota, Nevada, New Jersey, New York, Pennsylvania, Texas, and Utah. In addition to its retail pharmacy license, PharmCo 901 is licensed as a closed door pharmacy, which will enable it to obtain additional contracts with long-term care facilities.

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

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

RXMD Therapeutics was formed on October 1, 2019. RXMD Therapeutics had no operating activity in 2020.

ClearMetrX was formed on June 10, 2020 and provides data analytics and reporting services to support and improve care management for health care organizations across the country. ClearMetrX also provides third party administration services to 340B covered entities.

The Company currently delivers prescriptions to Florida's diverse population and ship compounded medications to patients in states where we hold non-resident pharmacy licenses as well. We hold a community pharmacy permit in Florida and we hold non-resident pharmacy licenses that allow us to dispense to patients in the following states: Arizona, Colorado, Connecticut, Georgia, Illinois, Massachusetts, Minnesota, Nevada, New Jersey, New York, Pennsylvania, Texas, and Utah. We currently offer services in a variety of languages, including English, Spanish, French, Creole, Portuguese, and Russian. We currently have four operating pharmacies, each of which are owned and operated by wholly owned subsidiaries.

Our fiscal year end is December 31 of each year. Progressive's common stock trades on the OTCQB U.S. tier under the symbol "RXMD." Trading in the common shares of the Company commenced on March 16, 2010 and OTC QB Markets, Inc. provides quotes and other information at www.otcmarkets.com. The Company has never been in bankruptcy, receivership, or any similar proceeding.

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

Employees

The Company currently employs 124 persons.

Legal Proceedings

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

Item 9. The Nature of Products or Services Offered

The information in Item 13 is incorporated herein by reference.

Products and Services

PharmCo provides prescription pharmaceuticals, compounded medications, tele-pharmacy services, anti-retroviral medications, medication therapy management, the supply of prescription medications to long term care facilities, contracted pharmacy services for 340B Covered Entities under the 340B Drug Discount Pricing Program, and health practice risk management. PharmCo also offers e-commerce of over-the-counter products, certain disease testing, and vaccinations.

We enhance patient adherence to complex drug regimens, collect and report data, and ensure effective dispensing of medications to support the needs of patients, providers, and payors. Our patient and provider support services ensure appropriate drug initiation, facilitate patient compliance and persistence, and capture important information regarding safety and effectiveness of the medications that we dispense.

The pharmacy is rated by PBMs based on its ability to adequately supply chronic care medications to patients during a measurement period. This score is then compared to the scores of other pharmacies in the network at which point a relative rating is issued and fees are assessed to the pharmacy. In some cases, PBMs may return PBM Fees collected during the measurement period in part or in full to the pharmacies which earn a performance based incentive, while other PBMs use these scores to determine the amount of fees to collect at a later point. In 2019 and 2020, per EQuIPP performance valuation reports, our performance score was Five Stars with a relative ranking in the top 20% of all pharmacies.

Primary care physicians similarly are measured by Health Insurance Plans based on chronic care management, the results of which impact their annual revenue from these Plans. This potential revenue from the Health Insurance Plans may provide a possible incentive for such prescribing primary care physicians to refer patients to pharmacies that have high performance scores, though patients retain the right to have their prescriptions dispensed by a network of pharmacy of their choice.

Through our wholly-owned subsidiary, ClearMetrX, we offer data management and reporting services to support health care organizations. There are substantial restrictions in HIPAA and state laws on the use and sharing of patient data and the company is in compliance with such laws. The ClearMetrX offerings include data management and TPA services for 340B Covered Entities, Pharmacy Data Analytics, and programs to manage HEDIS Quality Measures including Medication Adherence. These offerings cater to the glaring need for frontline providers to understand best practices, patient behaviors, care management processes, and the financial mechanisms behind these decisions. We provide data access and actionable insights that providers and support organizations can use to improve their practice and patient care.

PharmCo pharmacies are full-service pharmacies that offer a variety of value-add services. These services are designed to provide satisfaction across all medication stakeholders and enhance loyalty and key performance metrics. These value-add services that are at no additional charge include prior authorization assistance, same-day home-medication delivery, on site provider consultation services, primary care reporting and analytics, customized packaging solutions, and patient advocacy. The pharmacies accept most major insurance plans and provide access to co-pay assistance programs to income qualified patients, discount and manufacturer coupons, and competitive cash payment options. PharmCo also offers e-commerce of over-the-counter products, certain disease testing, and vaccinations.

PharmCo provides contracted pharmacy services for 340B Covered Entities under the 340B Drug Discount Pricing Program. Under the terms of these agreements, we act as a pass through for third party payor reimbursements on prescription claims adjudicated on behalf of the 340B Covered Entity and receive a dispensing fee per prescription. These dispensing fees vary by the Covered Entity and the level of service provided by us.

Our non-sterile compounding lab was designed to support those patients looking for alternative topical pain management treatments and customizable dosage forms to accommodate struggles with existing conditions. Our

compounding department specializes in formularies such as non-narcotic topical pain creams, wound care creams, scar gels, hormone replacement therapies, female health, pediatrics, and sports medicine. We only use FDA approved and registered ingredients and the compound can be individually tailored for a result that fully meets the needs of each patient. In addition to these medications, PharmCo prepares psoriasis creams, wellness vitamins, weight loss formulations and holistic capsules which are 100% Kosher and Halal certified. Compounded medications require strict compliance procedures, are highly labor intensive and as of 2020 are largely not covered by insurance. However, we continue to believe that compounded options must be available for our patients as they have proven effective in improving quality of life for patients with complex conditions and treatment regimens.

For our LTC customers, PharmCo provides purchasing, repackaging and dispensing of both prescription and non-prescription pharmaceutical products. PharmCo utilizes a unit-of-dose packaging system as opposed to the traditional vials as this method of distribution is the industry best practice standard. PharmCo is equipped for various types of unit-of-dose packaging options to meet the needs of LTC patients and retail customers. PharmCo uses the same robotic packaging systems currently used by chain, mail order, and large-scale pharmacies. PharmCo also provides computerized maintenance of patient prescription histories, third party billing and consultant pharmacist services. Its consultant pharmacist services consist primarily of evaluation of monthly patient drug therapy and monitoring the LTC institution's drug distribution system.

We also generate revenue from our work in MTM, which involves review and adjustment of prescribed drug therapies to improve patient health outcomes for patients with multiple prescriptions. This process includes several activities such as performing patient assessments, creating medication treatment plans, monitoring the effectiveness of and adherence to prescribed therapies and delivering documentation of these services to the patient's physician to coordinate comprehensive care.

We currently deliver prescriptions to Florida's diverse population and ship compounded medications to patients in states where we hold non-resident pharmacy licenses as well. We hold a community pharmacy permit in Florida and we hold non-resident pharmacy licenses that allow us to dispense to patients in the following states: Arizona, Colorado, Connecticut, Georgia, Illinois, Massachusetts, Minnesota, Nevada, New Jersey, New York, Pennsylvania, Texas, and Utah.

Distribution Method of Products and Services

Sales and marketing efforts are focused primarily on MSOs, ACOs, healthcare organizations, and independent provider practices. Though there is great competition in this market and the landscape of the industry is complicated, we believe we can capitalize on providing risk and data management services, remote patient monitoring, and adherence management. We actively promote our services to patients through traditional advertising methods, health fair sponsorship, speaking engagements, and social media. We have also been conducting market awareness campaigns of the broad extent of our services to develop our market and attract and maintain a loyal customer base. The addition of contracts with 340B Covered Entities have become an integral component for sales success.

Competitive Business Conditions, Competitive Position and Methods of Competition

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

In the United States, the provision of healthcare services of any kind is highly competitive. Our ability to recruit qualified personnel, attract new institutional and retail clients, expand the reach of our pharmacy operations relies on our ability to quickly adapt to changing societal attitudes, market pressure and government regulation.

We face substantial competition within the pharmaceutical healthcare services industry and in the past year have

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

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

Suppliers

We obtain pharmaceutical and other products from wholesale drug distributors. We have maintained a relationship with a primary supplier that accounted for 95% and 91% of pharmaceutical purchases for the years ended December 31,2020 and 2019, respectively and several supplementary suppliers. Our primary supplier for the years ended December 31, 2020 and 2019 was McKesson. The loss of this supplier could adversely affect our business if alternate sources of drug supply are unavailable. We believe that our relationships with our suppliers, overall, are good, and that there are alternative suppliers in the marketplace.

Dependence on One or Few Major Customers

The Company sells to numerous customers including various managed care organizations within both the private and public sectors. Certain healthcare payors account for more than ten percent or more of the Company's consolidated net revenue in fiscal 2020 and 2019, the concentrations of which are presented under Note 3, "Billing Concentrations", to the accompanying consolidated financial statements. Medicare Part D and the State of Florida Medicaid public assistance program are major customers of the Company. However, both government programs function under several different healthcare payors, the concentration of which varies throughout the course of the year. The Company does depend on these health care payors and a loss of one or more would have a major impact on the business.

Patents and Trademarks

The Company currently has no registered patents or trademarks that we either own or lease.

Need for Governmental Approval of Principal Products or Services

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

Government contracts

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

Effect of Existing or Probable Governmental Regulation

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

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

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

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

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

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

Anti-Kickback Laws. Subject to certain statutory and regulatory exceptions (including exceptions relating to certain managed care, discount, bona fide employment arrangements, group purchasing and personal services arrangements), the Federal "anti-kickback" law prohibits the knowing and willful offer or payment of any remuneration to induce the referral of an individual or the purchase, lease or order (or the arranging for or recommending of the purchase, lease or order) of healthcare items or services paid for in whole or in part by Medicare, Medicaid or other government-funded healthcare programs (including both traditional Medicaid fee-for-service programs as well as Medicaid managed care programs). Violation of the Federal anti-kickback statute could subject us to criminal and/or civil penalties including suspension or exclusion from Medicare and Medicaid programs and other government-funded healthcare programs for not less than five years, or the imposition of civil monetary penalties. Exclusion from any of these programs or sanctions of civil monetary penalties could have a material adverse impact on our operations and financial condition.

The Federal anti-kickback law has been interpreted broadly by courts, the Office of the Inspector General ("OIG")

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

Several states also have enacted anti-kickback laws that sometimes apply not only to state-sponsored healthcare programs but also to items or services that are paid for by private insurance and self-pay patients. State anti-kickback laws can vary considerably in their applicability and scope and sometimes have fewer statutory and regulatory exceptions than federal law. Management carefully considers the importance of such anti-kickback laws when structuring our operations and believes that we are complying therewith.

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

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

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

Some states also have enacted statutes like the False Claims Act which may include criminal penalties, substantial fines, and treble damages. In recent years, Federal and state governments have launched several initiatives aimed at uncovering practices that violate false claims or fraudulent billing laws. Under Section 1909 of the Social

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

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

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

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

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

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

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

Any Willing Provider Statutes and Narrow Networks. Any willing provider statutes are laws that require health insurance carriers to permit providers to join those networks so long as the provider is willing to accept the terms and conditions of that carrier's plan. Numerous states have some form of any willing provider law, though nearly all prohibit insurance carriers from limiting membership within their provider networks based on

geography or other characteristics. The laws in each state addressing the legality of narrow networks vary widely. Some laws address plans only. Some laws address non-insurers (like a PBM). Some laws address all types of health benefits. Some laws only address a single type of benefit, like pharmacy. The risk to a pharmacy would be in those states that do not have an applicable any willing provider statute, a provider can be excluded from a narrow network.

While the offering of narrow and preferred networks is common across the country, there have been many lawsuits challenging the use of these type of arrangements due to the fact that they exclude certain providers from participating. The outcome of the challenges has varied, primarily based upon the interpretation of the state laws under which the challenges are made. This is an evolving area of law. Given the intense scrutiny of drug pricing and arrangements, and the ongoing lawsuits that are being filed in response to narrow networks, there remains risk in developing narrow networks, which will vary by state, depending on each state's laws and legal precedent. Additionally, state laws are subject to change at any time, resulting in uncertainty for pharmacy operations in a given state.

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

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

Estimate of the Amount Spent on Research and Development

Research and development expenses were $0 for each of the years 2020 and 2019.

Costs and effects of environmental compliance

The costs of environmental compliance for the Company are minimal. The Company engages recycling companies for the disposal of all paper products and standard recyclable materials amounting to approximately $500 per month.

RISKS RELATING TO OUR BUSINESS

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

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

We may incur operating losses in the foreseeable future. For the years ended December 31, 2020 and December 31,

2019 we had net revenue from continuing operations of $38.9 million and $32.6 million, respectively. For the years ended December 31, 2020 and 2019, we had net losses from continuing operations of $(1.4) million and $(2.5) million, respectively. Our ability to maintain profitability depends on our ability to have successful operations and generate and sustain sales, while maintaining reasonable expense levels.

We have a substantial amount of convertible debt, approximately $2.9 million in principal, a significant amount of which will come due in 2022.

As of December 31, 2020, and 2019, we had cash balances of $2.1 million and $0.8 million, respectively. Over the last several years, we have been substantially dependent on funding our pharmacy acquisitions and operations through the private sale of debt securities. Of the $2.9 million as of December 31, 2020 in convertible debt bearing interest at rates of 9% to 10% per annum that we have issued and outstanding, approximately $2.0 million will come due in 2022. While these debt securities are convertible into our shares of common stock at variable prices based on lowest closing trading prices prior to the conversion, there can be no assurance that the holders of such securities will agree to convert amounts due into common stock. If we are unable to meet these obligations or default on our obligations in any other way, even if we are otherwise generating positive earnings, we could lose substantially all of our business assets as well as being held liable for any deficiency in payment. The net result of such a failure would likely be the end of our business operations and a complete loss of your investment.

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

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

A pandemic, epidemic or outbreak of an infectious disease in the United States or Europe may adversely affect our business.

If a pandemic, epidemic or outbreak of an infectious disease occurs in the United States, Europe or worldwide, our business may be adversely affected. In December 2019, a novel strain of coronavirus, COVID-19, was identified in Wuhan, China. This virus continues to spread globally and, as of December 2020, has spread to over 70 countries, including the U.S., and was declared a pandemic by the World Health Organization in March 2020. The spread of COVID-19 has impacted the global economy and may impact our operations, including revenue from patient prescriptions. The risk is somewhat mitigated as pharmacies are considered essential businesses by federal, state, and local governments and are required to remain open during health emergencies. Nonetheless, such events may result in a period of business disruption and in reduced operations, which could materially affect our business, financial condition, and results of operations. The extent to which the coronavirus impacts our business will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among others. A significant outbreak of coronavirus and other infectious diseases could result in a widespread health crisis that could adversely affect the economies and financial markets worldwide, resulting in an economic downturn that could impact our business, financial condition and results of operations.

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

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

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

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

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

Quality measurement networks have a significant impact on our revenues. Quality measurement networks can be, but are not always, tied to DIR Fees collected by PBMs. These networks designate specific metrics through which pharmacy performance is assessed. These metrics are disclosed along with benchmark guidance for quality or superior performance, which can lead to a return of the DIR fees by the PBMs in the form of performance bonuses. Failure to meet quality measures can result in loss of DIR Fees collected and loss of PBM relationship. There is no guarantee that we will be successful in meeting quality review standards. Quality measurement networks are increasingly rigorous and can be based on comparative success against other pharmacies in the network. If other pharmacies out-perform our pharmacy or if we fail to meet quality metrics, our profitability can be adversely affected.

A slowdown in the frequency and rate of the introduction of new prescription drugs as well as generic alternatives to brand name prescription products could adversely affect our business, financial position, and results of operations.

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

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

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

Unexpected safety or efficacy concerns may arise from pharmaceutical products.

Unexpected safety or efficacy concerns can arise with respect to pharmaceutical drugs dispensed at our pharmacies, whether or not scientifically justified, leading to product recalls, withdrawals or declining sales. If we fail to or do not promptly withdraw pharmaceutical drugs upon a recall by a drug manufacturer, our business and results of operations could be negatively impacted by reversals of pharmacy billings that will result in loss of revenue.

Prescription volumes may decline, and our net revenues and ability to generate earnings may be negatively impacted, if products are withdrawn from the market or if increased safety risk profiles of specific drugs result in utilization decreases.

We dispense significant volumes of drugs from our pharmacies. These volumes are the basis for our net revenues. When increased safety risk profiles of specific drugs or classes of drugs result in utilization decreases, physicians may cease writing or reduce the numbers of prescriptions written for these drugs. Additionally, negative press regarding drugs with higher safety risk profiles may result in reduced consumer demand for such drugs. On occasion, products are withdrawn by their manufacturers. In cases where there are no acceptable prescription drug equivalents or alternatives for these prescription drugs, our volumes, net revenues, profitability, and cash flows may decline.

Certain risks are inherent in providing pharmacy services; our insurance may not be adequate to cover any claims against us.

Pharmacies are exposed to risks inherent in the packaging and distribution of pharmaceutical products, such as with respect to improper filling of prescriptions, labeling of prescriptions, adequacy of warnings, unintentional distribution of counterfeit drugs and expiration of drugs. In addition, federal and state laws that require our pharmacists to offer counseling, without additional charge, to their customers about medication, dosage, delivery systems, common side effects and other information the pharmacists deem significant can impact our business. Our pharmacists may also have a duty to warn customers regarding any potential negative effects of a prescription drug if the warning could reduce or eliminate these effects. Although we maintain professional liability and errors and omissions liability insurance, from time to time, claims result in the payment of significant amounts, some portions of which are not funded by insurance.

We cannot assure you that the coverage limits under our insurance programs will be adequate to protect us against future claims, or that we will be able to maintain this insurance on acceptable terms in the future. Our results of operations, financial condition or cash flows may be adversely affected if in the future our insurance coverage proves to be inadequate or unavailable or there is an increase in liability for which we self-insure or we suffer reputational harm as a result of an error or omission.

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

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

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

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

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

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

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

- federal and state laws and regulations governing the purchase, distribution, management, dispensing and reimbursement of prescription drugs and related services, whether at retail or mail, and applicable licensing requirements;
- the effect of the expiration of patents covering brand name drugs and the introduction of generic products;
- the frequency and rate of approvals by the FDA of new brand named and generic drugs, or of over-the-counter status for brand name drugs;
- FDA regulation affecting the retail pharmacy industry;
- rules and regulations issued pursuant to the HIPAA; and other federal and state laws affecting the use, disclosure and transmission of health information, such as state security breach laws and state laws limiting the use and disclosure of prescriber information;
- administration of the Medicare Drug Benefit, including legislative changes and/or CMS rulemaking and interpretation;
- government regulation of the development, administration, review and updating of formularies and drug lists;
- state laws and regulations establishing or changing prompt payment requirements for payments to retail pharmacies;
- impact of network access (any willing provider) legislation on ability to manage pharmacy networks;
- managed care reform and plan design legislation;

- insurance licensing and other insurance regulatory requirements applicable to offering Prescription Drug Providers ("PDP") about the Medicare Drug Benefit;
- direct regulation of pharmacies by regulatory and quasi-regulatory bodies; and
- Federal government sequestration affecting Medicare Part B reimbursements.

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

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

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

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

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

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

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

As a Medicaid and Medicare provider, we are subject to retroactive adjustments due to prior-year audits, reviews and investigations, government fraud and abuse initiatives, and other similar actions. Federal regulations provide for withholding payments to recoup amounts payable under the programs and, in certain circumstances, allow for exclusion from Medicaid and Medicare. While we believe we are in material compliance with applicable Medicaid and Medicare reimbursement regulations, there can be no assurance that, pursuant to such audits, reviews, investigations, or other proceedings, we will be found to be complying in all respects with such reimbursement regulations. A determination that we are in violation of any such reimbursement regulation could result in retroactive adjustments and recoupment of payments and have a material adverse effect on our financial condition and results of operations. As a Medicaid and Medicare provider, we are also subject to routine, unscheduled audits that could have a material adverse impact on our results of operations. Should an audit result in a negative finding, and we can offer no assurance that future Medicaid and Medicare audits will not result in a negative finding, we may be subject to exclusions from Medicaid, Medicare, and other PBM networks.

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

The repackaging, marketing, sale, and purchase of medications are extensively regulated by federal and state governments. In addition, many of the brand name and controlled medications that we sell receive greater attention from law enforcement officials than medications that are most often dispensed by traditional pharmacies due to the

high cost of these medications and the potential for diversion and fraud, waste, and abuse. If we fail to, or are accused of failing to, comply with applicable laws and regulations, we could be subject to penalties that may include exclusion from the Medicare or Medicaid programs, fines, requirements to change our practices, and civil or criminal penalties, which could harm our business, financial condition, and results of operations. Any disqualification from participating in Medicare or the state Medicaid programs would significantly reduce our net sales and our ability to maintain profitability. Our business could also be harmed if the entities with which we contract or have business relationships, such as pharmaceutical manufacturers, distributors, physicians, clinics, or home health agencies are accused of violating laws or regulations.

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

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

Our operating results are affected by the health of the economy in general and the markets we serve.

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

It is possible that the state of the economy could change, and current trends could reverse in the future. A reversal of these trends will cause a decline in drug utilization and dampen demand for pharmaceutical drugs and durable medical equipment as well as consumer demand for sundry products sold in our retail store. If this were to occur, our business and financial results could be adversely affected. Further, interest rate fluctuations and changes in capital market conditions may affect our ability to obtain necessary financing on acceptable terms, our ability to secure suitable store locations under acceptable terms and our ability to execute sale or lease transactions under acceptable terms.

We are highly dependent on one supplier for our products, and a loss of that supplier could adversely impact our ability to sell products to our customers.

We obtain pharmaceutical and other products from wholesale distributors. We maintained a relationship with a primary supplier that accounted for 91% and 85% of pharmaceutical purchases in 2019 and 2018, respectively and several supplementary suppliers. If that supplier was to cease supplying us with products for any reason, we would be forced to find alternative sources for our products. We may not be able to quickly or effectively replace that supplier, which may lead to delays in product availability and losses of sales, which would have a negative effect on our business, results of operations and financial condition.

We derive a significant portion of our revenues from a small number of customers and a loss of one or both of those customers would have a material adverse impact on our business.

We sell to numerous customers including various managed care organizations within both the private and public sectors. Certain healthcare payors, including Medicare Part D and the State of Florida, account for more than ten percent or more of our consolidated net revenue in fiscal 2020 and 2019. Medicare Part D and the State of Florida Medicaid public assistance program are major customers of ours. However, both government programs function under several different healthcare payors, the concentration of which varies throughout the course of the year. To the extent we lost the business of one or more of these healthcare payors, our revenues would significantly decrease, having a material adverse effect on our business, results of operations and financial condition.

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

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

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

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

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

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

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

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

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

If we are unable to manage our growth effectively, we could incur losses. How we manage our growth will

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

We may acquire other companies or technologies, which could divert our management's attention, result in additional dilution to our shareholders and otherwise disrupt our operations and harm our operating results.

Our success will depend, in part, on our ability to grow our business in response to the demands of the patients and physicians we serve within the health services industry as well as competitive pressures. In some circumstances, we may determine to do so through the acquisition of complementary businesses and technologies rather than through internal development. The identification of suitable acquisition candidates can be difficult, time-consuming and costly, and we may not be able to successfully complete identified acquisitions. The risks we face in connection with acquisitions include:

- diversion of management time and focus from operating our business to addressing acquisition integration challenges;
- coordination of technology, research and development and sales and marketing functions;
- retention of employees from the acquired company;
- cultural challenges associated with integrating employees from the acquired company into our organization;
- integration of the acquired company's accounting, management information, human resources and other administrative systems;
- the need to implement or improve controls, procedures and policies at a business that prior to the acquisition may have lacked effective controls, procedures and policies;
- potential write-offs of intangibles or other assets acquired in such transactions that may have an adverse effect our operating results in a given period;
- liability for activities of the acquired company before the acquisition, including patent and trademark infringement claims, violations of laws, commercial disputes, tax liabilities and other known and unknown liabilities; and
- litigation or other claims in connection with the acquired company, including claims from terminated employees, consumers, former shareholders or other third parties.

Our failure to address these risks or other problems encountered in connection with our future acquisitions and investments could cause us to fail to realize the anticipated benefits of these acquisitions or investments, cause us to incur unanticipated liabilities, and harm our business generally. Future acquisitions could also result in dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities, amortization expenses, or the impairment of goodwill, any of which could harm our financial condition. Also, the anticipated benefits of any acquisitions may not materialize to the extent we anticipate or at all.

Conflicts of interest may arise between us and our directors and officers as a result of other business activities

undertaken by such individuals.

We may be subject to various potential conflicts of interest because some of our directors and executive officers may be engaged in a range of business activities. In addition, our executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to us. In some cases, our executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to our business and affairs and that could adversely affect our operations. These business interests could require significant time and attention of our executive officers and directors.

In addition, we may also become involved in other transactions which conflict with the interests of our directors and the officers who may from time to time deal with persons, firms or institutions with which we may be dealing, or which may be seeking investments similar to those we desire. The interests of these persons could conflict with our interests. In addition, from time to time, these persons may be competing with us for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws, regulations and stock market rules. In particular, in the event that such a conflict of interest arises at a meeting of our board of directors, a director who has such a conflict will abstain from voting for or against the approval of such transaction. In accordance with applicable laws, our directors are required to act honestly, in good faith and in our best interests.

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

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

We may fail to retain or recruit necessary personnel, and, even if we are successful, we may be unable to successfully integrate new personnel into our operations.

Our success is highly dependent on the performance of our management team and certain employees, and our continuing ability to attract, develop, motivate, and retain highly qualified and skilled employees and consultants.

We have also engaged consultants to advise us on various aspects of our business. Qualified individuals are in high demand, and we may incur significant costs to attract and retain them. While employment agreements and incentive agreements are customarily used as a primary method of retaining the services of key employees, these agreements and arrangements cannot assure the continued services of such employees. The loss of the services of any key personnel or an inability to attract other suitably qualified persons when needed, could prevent us from executing on our business plan and strategy, and we may be unable to find adequate replacements on a timely basis, or at all.

Moreover, to execute our growth plans, we expect to hire additional executive officers and key employees. Our future performance will depend in part on our ability to successfully integrate those newly hired executive officers into our management team and our ability to develop an effective working relationship among senior management.

RISKS RELATED TO THE SPECIALTY PHARMACY INDUSTRY

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

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

potential competitors may include:

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

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

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

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

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

- A cure or vaccine for infectious diseases;
- The emergence of new diseases resistant to available medications;
- Shifts to treatment regimens other than those we offer;
- New methods of delivery of existing medications or of injectable or infusible medications that do not require our specialty pharmacy and disease management services;
- Recalls of the medications we sell;

- Adverse reactions caused by the medications we sell;

- The expiration of or challenge to the drug patents on the medications we sell.

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

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

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

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

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

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

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

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

- The products we sell are sourced from a wide variety of domestic and international vendors, and any future inability to find qualified vendors and access products in a timely and efficient manner could adversely impact our business.

Mr. Weisberg is involved in outside businesses, which may interfere with his ability to devote time and attention to our business and affairs.

We rely on our senior management team, including Mr. Weisberg, for the day-to-day operations of our business. Our employment agreement with Mr. Weisberg requires him to devote a substantial portion of his business time and attention to our business. Mr. Weisberg continues to serve as chairman of the board of directors and CEO of Progressive Care, Inc. and principal of Weisberg and Company. As such, Mr. Weisberg has certain ongoing duties to Progressive Care, Inc. and Weisberg and Company that could require a substantial portion of his time and attention. Although we expect that Mr. Weisberg will continue to devote a substantial portion of his business time and attention to us, we cannot accurately predict the amount of time and attention that will be required of Mr. Weisberg to perform such ongoing duties. To the extent that Mr. Weisberg is required to dedicate time and attention to Progressive Care, Inc. and/or Weisberg and Company, his ability to devote a substantial portion of his business time and attention to our business and affairs may be limited and could adversely affect our operations.

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

RISK RELATING TO OUR DATA MANAGEMENT SERVICES

Competition with some customers, or decisions by customers to perform internally some of the same solutions or services that we offer, could harm our business, results of operations or financial condition.

Some of our existing customers compete with us, or may do so in the future, and some customers belong to alliances that compete with us, or may do so in the future, either with respect to the solutions or services we provide to them now, or with respect to other lines of business. To the extent that customers elect to perform internally any of the business processes our solutions address, either because they believe they can provide such processes more efficiently internally or otherwise, we may lose such customers, or the volume of our business with such customers may be reduced, which could harm our business, results of operations or financial condition.

If our solutions do not interoperate with our customers' or their vendors' networks and infrastructures, or if customers or their vendors implement new system updates that are incompatible with our solutions, sales of those solutions could be adversely affected.

Our solutions must interoperate with our customers' and their vendors' existing infrastructures, which often have different specifications, rapidly evolve, utilize multiple protocol standards, and applications from multiple vendors, and contain multiple generations of products that have been added to that infrastructure over time. Some of the technologies supporting our customers and their vendors are changing rapidly and we must continue to adapt to these changes in a timely and effective manner at an acceptable cost. In addition, our customers and their vendors may implement new technologies into their existing networks and systems infrastructures that may not immediately interoperate with our solutions.

Our continued success will depend on our ability to adapt to changing technologies, manage and process ever-increasing amounts of data and information and improve the performance, features and reliability of our services in response to changing customer and industry demands. If we encounter complications related to network configurations or settings, we may have to modify our solutions to enable them to interoperate with customers' and their vendors' networks and manage customers' transactions in the manner intended.

Our ability to generate revenue could suffer if we do not continue to update and improve existing solutions and develop new ones.

We must continually improve the functionality of our existing solutions in a timely manner and introduce new and valuable healthcare IT and service solutions in order to respond to technological and regulatory developments and customer demands and, thereby, retain existing customers and attract new ones. For example, from time to time, government agencies may alter format and data code requirements applicable to electronic transactions. In addition, customers may request that solutions be customized to satisfy particular security protocols, modifications, and other contractual terms in excess of industry norms and standard configurations. We may not be successful in responding to technological and regulatory developments or changing customer needs. In addition, these regulatory or customer-imposed requirements may impact the profitability of particular solutions and customer engagements. The pace of change in the markets served by us is rapid, and there are frequent new product and service introductions by competitors in their offerings. If we do not respond successfully to technological and regulatory changes, as well as evolving industry standards and customer demands, our solutions may become obsolete. Technological changes also may result in the offering of competitive solutions at lower prices than we are charging for our solutions, which could result in us losing sales unless we lower the prices we charge or provide additional efficiencies or capabilities to the customer. If we lower our prices on some of our solutions, we will need to increase margins on other solutions in order to maintain overall profitability.

There are increased risks of performance problems and breaches during times when we are making significant changes to our solutions or systems we use to provide our solutions. In addition, changes to our solutions or systems, including cost savings initiatives, may cost more than anticipated, may not provide the benefits expected, may take longer than anticipated to develop and implement or may increase the risk of performance problems.

In order to respond to technological changes, such as continuing development in the areas of data analytics as well as regulatory changes and evolving security risks and industry standards, our solutions and the software and systems we use to provide our solutions must be continually updated and enhanced. We cannot be certain that errors will not arise in connection with any such changes, updates, enhancements or new versions, especially when first introduced. Even if our new, updated or enhanced solutions do not have performance problems, technical and customer service personnel may have difficulties installing them or providing any necessary training and support to customers, and customers may not follow our guidance on appropriate training, support and implementation for such new, updated or enhanced solutions. In addition, changes in technology and systems may not provide the additional functionality or other benefits that were expected.

Implementation of changes in our technology and systems may cost more or take longer than originally expected and may require more testing than initially anticipated. While new, updated or enhanced solutions will be tested before they are used in production, we cannot be sure that the testing will uncover all problems that may occur in actual use.

If significant problems occur as a result of these changes, we may fail to meet our contractual obligations to customers, which could result in claims being made against us or in the loss of customer relationships.

Breaches and failures of our IT systems and the security measures protecting them, and the sensitive information we transmit, use and store, expose us to potential liability and reputational harm.

Our business relies on sophisticated information systems to obtain, rapidly process, analyze, and manage data, affecting our ability to provide services. To the extent our IT systems are not successfully implemented or fail, our business and results of operations may be adversely affected.

Our business and results of operations may also be adversely affected if a vendor servicing our IT systems does not perform satisfactorily, or if the IT systems are interrupted or damaged by unforeseen events, including the actions of third parties. Further, our business relies to a significant degree upon the secure transmission, use and storage of sensitive information, including protected health information and other personally identifiable information, financial information and other confidential information and data within these systems. To protect this information, we seek to implement commercially reasonable security measures and maintain information security policies and procedures informed by requirements under applicable law and recommended practices, in each case, as applicable to the data collected, hosted and processed. Despite our security management efforts with respect to physical and technological infrastructure, employee training,

vendor controls and contractual relationships, our infrastructure, data or other operation centers and systems used in connection with our business operations, including the internet and related systems of our vendors are vulnerable to, and from time to time experience, unauthorized access to data and/or breaches of confidential information due to criminal conduct, physical break-ins, hackers, employee or insider malfeasance and/or improper employee or contractor access, computer viruses, programming errors, denial-of-service attacks, ransomware events, phishing schemes, fraud, terrorist attacks, human error or other breaches by insiders or third parties or similar disruptive problems. It is not possible to prevent all security threats to our systems and data. Techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and may be difficult to detect for long periods of time.

Because our products and services involve the storage, use and transmission of personal information of consumers, we and other industry participants have been and expect to routinely be the target of attempted cyber and other security threats by outside third parties, including technically sophisticated and well-resourced bad actors attempting to access or steal the data we store. Vendor, insider or employee cyber and security threats also occur and are a significant concern for all companies, including us. While we maintain liability insurance coverage including coverage for errors and omissions and cyber-liability, claims may not be covered or could exceed the amount of our applicable insurance coverage, if any, or such coverage may not continue to be available on acceptable terms or in sufficient amounts.

We collect, process, store, share, disclose and use personal information and other data, and our actual or perceived failure to protect such information and data could damage our reputation and brand and harm our business and operating results.

We collect, process, store, share, disclose and use personal information and other data provided by patients and healthcare providers. We rely on encryption and authentication technology licensed from third parties to effect secure transmission of such information. We may need to expend significant resources to protect against security breaches or to address problems caused by breaches. Any failure or perceived failure to maintain the security of personal and other data that is provided to us by patients and healthcare providers could harm our reputation and brand and expose us to a risk of loss or litigation and possible liability, any of which could harm our business and operating results. In addition, from time to time, it is possible that concerns will be expressed about whether our products, services, or processes compromise the privacy of our users. Concerns about our practices with regard to the collection, use or disclosure of personal information or other privacy related matters, even if unfounded, could harm our business and operating results.

There are numerous federal, state and local laws around the world regarding privacy and the collection, processing, storing, sharing, disclosing, using and protecting of personal information and other data, the scope of which are changing, subject to differing interpretations, and which may be costly to comply with and may be inconsistent between countries and jurisdictions or conflict with other rules. We generally comply with industry standards and are subject to the terms of our privacy policies and privacy-related obligations to third parties. We strive to comply with all applicable laws, policies, legal obligations and industry codes of conduct relating to privacy and data protection, to the extent possible. However, it is possible that these obligations may be interpreted and applied in new ways or in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices or that new regulations could be enacted. Any failure or perceived failure by us to comply with our privacy policies, our privacy-related obligations to consumers or other third parties, or our privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of sensitive information, which may include personally identifiable information or other user data, may result in governmental enforcement actions, litigation or public statements against us by consumer advocacy groups or others and could cause consumers and power/rec vehicle dealers to lose trust in us, which could have an adverse effect on our business. Additionally, if vendors, developers or other third parties that we work with violate applicable laws or our policies, such violations may also put consumer or dealer information at risk and could in turn harm our reputation, business and operating results.

If we are unable to successfully execute on cross-selling opportunities of our solutions the growth of our business and financial performance could be harmed.

Our ability to generate growth partly depends on our ability to cross-sell solutions to existing customers and new

customers. We have identified our ability to successfully cross-sell our solutions as a key part of our business strategy and therefore one of the most significant factors influencing growth. We may not be successful in cross-selling our solutions because customers may find additional solutions unnecessary, unattractive or cost-ineffective. Failure to sell additional solutions to existing and new customers could negatively affect our ability to grow our business.

We rely on internet infrastructure, bandwidth providers, other third parties and our own systems in providing certain of our solutions to our customers, and any failure or interruption in the services provided by these third parties or our own systems could negatively impact our relationships with customers, adversely affecting our brand and our business.

Our ability to deliver our solutions is dependent on the development and maintenance of the infrastructure of the internet and other telecommunications services by third parties. This includes maintenance of a reliable network connection with the necessary speed, data capacity and security for providing reliable internet access and services and reliable telephone and facsimile services. As a result, our information systems require an ongoing commitment of significant resources to maintain and enhance existing systems and develop new systems in order to keep pace with continuing changes in information technology, emerging cybersecurity risks and threats, evolving industry and regulatory standards and changing preferences of our customers.

Our solutions are designed to operate without interruption in accordance with our service level commitments. However, we have experienced limited interruptions in these systems in the past, including server failures that temporarily slow down the performance of our solutions, and we may experience more significant interruptions in the future. We rely on internal systems as well as vendors, including bandwidth and telecommunications equipment providers, to provide our solutions. We do not maintain redundant systems or facilities for some of these services. Interruptions in these systems, whether due to system failures, computer viruses, physical or electronic break-ins or other catastrophic events, could affect the security or availability of our solutions and prevent or inhibit the ability of our customers to access our solutions.

If a catastrophic event were to occur with respect to one or more of these systems or facilities, we may experience an extended period of system unavailability, which could result in substantial costs to remedy those problems or negatively impact our relationship with our partners, our business, results of operations and financial condition. To operate without interruption, both us and our vendors must guard against:

- damage from fire, power loss, tornado and other natural disasters;
- telecommunications failures;
- software and hardware errors, failures and crashes;
- security breaches, computer viruses and similar disruptive problems; and
- other potential interruptions.

Any disruption in the network access, telecommunications or co-location services provided by vendors, or any failure of or by vendors' systems or our own systems to handle current or higher volume of use could significantly harm our business. We exercise limited control over these vendors, which increases our vulnerability to problems with services they provide. Any errors, failures, interruptions or delays experienced in connection with these vendor technologies and information services or our own systems could negatively impact our relationships with partners and adversely affect our business and could expose us to liabilities. Although we maintain insurance for our business, the coverage under our policies may not be adequate to compensate us for all losses that may occur. In addition, we cannot provide assurance that we will continue to be able to obtain adequate insurance coverage at an acceptable cost.

RISKS RELATING TO OUR STOCK

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

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

Our stock price is likely to be highly volatile because of several factors, including a limited public float.

The market price of our common stock has been volatile in the past and is likely to be highly volatile in the future because there has been a relatively thin trading market for our stock, which causes trades of small blocks of stock to have a significant impact on our stock price. You may not be able to resell shares of our common stock following periods of volatility because of the market's adverse reaction to volatility.

Other factors that could cause such volatility may include, among other things:

- actual or anticipated fluctuations in our operating results;
- the absence of securities analysts covering us and distributing research and recommendations about us;
- overall stock market fluctuations;
- announcements concerning our business or those of our competitors;
- actual or perceived limitations on our ability to raise capital when we require it, and to raise such capital on favorable terms;
- conditions or trends in the industry;
- litigation;
- changes in market valuations of other similar companies;
- future sales of common stock;
- departure of key personnel or failure to hire key personnel; and
- general market conditions.

Any of these factors could have a significant and adverse impact on the market price of our common stock. In addition, the stock market in general has at times experienced extreme volatility and rapid decline that has often been unrelated or disproportionate to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock, regardless of our actual operating performance.

We provide indemnification of our officers and directors and we may have limited recourse against these individuals.

Our Articles of Incorporation and Bylaws contain broad indemnification and liability limiting provisions regarding our officers and directors, including the limitation of liability for certain violations of fiduciary duties. If we were called upon to indemnify an officer or director, then the portion of our available funds expended for that purpose would reduce the amount otherwise available for our business. The indemnification obligations and the resultant

costs associated with indemnification may also discourage us from bringing a lawsuit against our directors and officers for breaches of their fiduciary duties and may similarly discourage the filing of derivative litigation by our shareholders against our directors and officers even though such actions, if successful, might otherwise benefit us and our shareholders. We would bear the expenses of such litigation for any of its directors or officers upon such person's promise to repay us if it is ultimately determined that any such person shall not have been entitled to indemnification. This could result in significant expenditures which we may be unable to recoup.

We have never paid dividends and do not anticipate paying any dividends to holders of our common shares for the foreseeable future.

We have never paid cash dividends on our common stock and do not anticipate paying any for the foreseeable future. Payment of any future dividends will be at the discretion of our board of directors after considering many factors, including our earnings, operating results, financial condition and current and anticipated cash needs. As a result, investors may not receive any return on an investment in our common shares unless they sell their common shares for a price greater than that which such investors paid for them.

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

Currently, our directors, executive officers, and principal shareholders beneficially own a majority of the voting control of the Company. Thus, they will be able to exert substantial influence over the election of our board of directors and the vote on issues submitted to our shareholders. As of the date of this filing, our officers, directors and principal shareholders beneficially owned 51,066,207 shares (9.82%) of our common stock and 51 shares of our Series A super voting preferred stock (100%), which number excludes shares of common stock held in street name by non-affiliated individuals.

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

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

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

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

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

Pharmco 901

During December 2020, PharmCo 901 moved the majority of its pharmacy operations from their North Miami Beach, Florida location to the new 11,000 square foot pharmacy facility at 400 Ansin Blvd., Hallandale Beach, Florida which was purchased by PharmCo 901 in 2018. PharmCo 901 will continue to rent approximately 1,050 square foot of retail and pharmacy space for approximately $2,700 per month at the North Miami Beach, Florida location. We also leased space for a satellite pharmacy location in the Century Village residential community at 13460 SW 10th St, Suite 102, Pembroke Pines, FL. We have terminated the lease and do not operate out of this location as of February 2021.

Pharmco 1103

We lease operating facilities of approximately 5,250 square feet located at 6191 Orange Drive, Suite 6177N, Davie, FL 33314 for a monthly rent of approximately $7,600. The lease expires in August 2021. We also lease operating facilities of approximately 685 square feet at 2285 S. Semoran Blvd., Orlando, FL 32822 for a monthly rent of approximately $1,400. This lease expired in April 2020 and was renewed on a month-to-month basis through February 2021 at which time the pharmacy was moved to a new leased facility at 1160 South Semoran Blvd., Suites D, E, F, Orlando, Florida. The new lease was entered into and commenced on August 1, 2020 with a 66-month term and expires on February 1, 2026. The lease agreement calls for monthly payments beginning February 1, 2021 of $4,310, with an escalating payment schedule each year thereafter.

Pharmco 1002

We also rent pharmacy space at 3208 2nd Avenue North, Bays 2, 3 and 4, Palm Springs, FL 33461 for a monthly rent of approximately $4,100. The lease expires in March 2021 and is expected to be renewed.

Progressive Care

Progressive Care's administrative offices have been located at the 400 Ansin Blvd. building since its acquisition. The monthly mortgage payment is approximately $12,000.

PART D - MANAGEMENT STRUCTURE AND FINANCIAL INFORMATION

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

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

As of March 31, 2021:

Alan Jay Weisberg
Chief Executive Officer
Common Shares Beneficially Owned: 6,127,091 – 1.18%

Cecile Munnik
Chief Financial Officer
Common Shares Beneficially Owned: 0 – 0%

Birute Norkute
Chief Operating Officer
Common Shares Beneficially Owned: 1,550,000 – 0.30%

Yelena Braslavskya 2020 Gift Trust Dmitry Kristal Trustee
Control Entity
Preferred Shares Beneficially Owned: 51 – 100%

Oleg Firer
Director
Common Shares Beneficially Owned: 1,000,000 – 0.19%

Jervis Bennett Hough
Director
Common Shares Beneficially Owned: 1,000,000 – 0.19%

B. Legal/Disciplinary History.

None.

C. Disclosure of Family Relationships.

None.

D. Disclosure of Related Party Transactions.

During the years ended December 31, 2020 and 2019, the Company had a consulting arrangement with Spark Financial Consulting ("Spark"), which is a consulting company owned by an employee and beneficial owner of more than five percent of the Company's common stock. Spark provides business development services including but not limited to recruiting, targeting and evaluation of potential mergers and acquisitions, finding third party contractors and assisting with related negotiations in exchange for a monthly fee of $16,000 in 2020 and 2019. Additionally, Spark may be entitled to additional fees for additional consulting services. During the years ended December 31, 2020 and 2019, the Company paid Spark $224,400 and $238,158, respectively. The Company had a receivable from Spark on its Consolidated Balance Sheet as of December 31, 2020 of $615.The Company had an accrued balance payable to Spark on its Consolidated Balance Sheets as of December 31, 2019 of $400.

The Company has an employment agreement (the "Agreement") with a certain pharmacist, Head of the Compounding Department, who is the first paternal cousin to an employee and beneficial owner of more than five percent of the Company's common stock. In consideration for duties performed including but not limited to marketing, patient consultation, formulary development, patient and physician education, training, recruitment, sales management, as well as pharmacist responsibilities, the Company agreed to provide monthly compensation of $15,000 or $10,000 per month plus 5% commission on monthly gross profits generated by the Compounding Department, whichever is greater. During the years ended December 31, 2020 and 2019, payments to the pharmacist were approximately $144,000 and $211,000, respectively.

E. Disclosure of Conflicts of Interest.

None.

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

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

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

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

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

The Company's consolidated financial statements for the two preceding fiscal periods are included in the Company's Annual Report for the fiscal years ended December 31, 2019 and 2018, which are separately posted on the OTCQB website and can be accessed at www.otcmarkets.com and are incorporated by reference in this Annual Report. The consolidated financial statements include the following reports: (i) consolidated balance sheets; (ii) consolidated statements of operations; (iii) consolidated statements of cash flows; (iv) consolidated statements of shareholders' equity (deficit); and (v) notes to consolidated financial statements.

Item 14. Beneficial Owners

As of the date of this filing, our officers, directors and principal shareholders beneficially owned 51,066,207

shares (9.82%) of our common stock and 51 shares of our Series A super voting preferred stock (100%), which number excludes shares of common stock held in street name by non-affiliated individuals. The names and numbers of shares held are listed in Item 11 of this Annual Report.

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

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

Legal Counsel

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

Auditor

Firm: Daszkal Bolton, LLP
Address 1: 490 Sawgrass Corporate Parkway
Address 2: Suite 200
Address 3: Sunrise, Florida 33325
Phone: (561) 367-1040
Email: swalters@dbllp.com

Tax Accountant:

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

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

The following discussion should be read in conjunction with the attached audited consolidated financial statements and notes thereto. In addition to historical information, the following discussion contains forward-looking statements that involve risks, uncertainties and assumptions. Where possible, we have tried to identify these forward-looking statements by using words such as "anticipate," "believe," "intends" or similar expressions. Our actual results may differ materially from those anticipated by the forward-looking statements due to important factors and risks including, but not limited to, those set forth under "Risk Related to our Business" beginning on page 16 of this Annual Report.

Overview

Progressive Care Inc. ("Progressive") was incorporated under the laws of the state of Delaware on October 31, 2006 under the name Progressive Training, Inc. We changed our name to Progressive Care Inc. in connection with a merger with Progressive Care Inc. on November 23, 2010. Progressive, through its wholly-owned subsidiaries, PharmCo, LLC (referred to as "PharmCo 901"), Touchpoint RX, LLC doing business as PharmCo Rx 1002, LLC (referred to as "PharmCo 1002"), Family Physicians RX, Inc. doing business as PharmCoRx 1103 (referred to as "FPRX" historically or "PharmCo 1103" currently) (pharmacy subsidiaries collectively referred to as "PharmCo"), and ClearMetrX Inc. (collectively with all entities referred to as the "Company", or "we") is a personalized healthcare services and technology company which provides prescription pharmaceutical and risk and data management services to healthcare organizations and providers.

We provide prescription pharmaceuticals, compounded medications, tele-pharmacy services, anti-retroviral medications, medication therapy management, the supply of prescription medications to long term care facilities, contracted pharmacy services for 340B Covered Entities under the 340B Drug Discount Pricing Program, and health practice risk management. We are focused on improving lives of patients with complex chronic diseases through our partnerships with patients, payors, pharmaceutical manufacturers and distributors, and physicians. We offer a broad range of innovative solutions to address the dispensing, delivery, dosing, and reimbursement of clinically intensive, high-cost drugs. PharmCo also offers e-commerce of over-the-counter products, certain disease testing, and vaccinations.

We have filled over 530,000 prescriptions during 2020, compared to over 456,000 prescriptions in 2019. Increases in prescriptions filled, physician referrals, and patients serviced stem from our value-added services and our performance as measured by Health Insurance Plan and PBMs. In 2020 and 2019, per EQuIPP®, a performance information management tool that provides standardized, benchmarked data to help shape strategies and guide medication-related performance improvement, our performance score was five star with a relative ranking in the top 20% of all pharmacies. As a result of our pharmacy performance and value-added services we have received performance bonuses of approximately $904,000 and $724,000 in 2020 and 2019, respectively, attracting new customers and increasing customer retention.

PharmCo provides contracted pharmacy services for 340B Covered Entities under the 340B Drug Discount Pricing Program. Under the terms of these agreements, we act as a pass through for reimbursements on prescription claims adjudicated on behalf of the 340B Covered Entities in exchange for a dispensing fee per prescription. These fees vary by the covered entity and the level of service provided by us.

According to data provided to Drug Channels by HRSA, discounted 340B purchases were at least $29.9 billion in 2019 with a compound average growth rate of 27.1% from 2014 through 2019. ClearMetrX includes data management and TPA services for 340B Covered Entities, pharmacy analytics, and programs to manage HEDIS Quality Measures including Medication Adherence. These offerings cater to the glaring need for frontline providers to understand best practices, patient behaviors, care management processes, and the financial mechanisms behind these decisions. We provide data access, and also deliver actionable insights that providers and support organizations can use to improve their practice and patient care.

Our revenue is derived from customized care management programs we deliver to our patients, including the dispensing of their medications. We also provide patient health risk reviews and free same-day delivery.

Our focus is on complex chronic diseases, which generally require multiyear or lifelong therapy, which drives recurring revenue and sustainable growth. Our pharmacy services revenue growth is from 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, benefit of free delivery to the patient, and clinical expertise. We also expect expanded revenue growth through the signing of new contract pharmacy service and data management contracts with 340B Covered Entities and expansion of data management and analytics services to healthcare organizations.

On June 1, 2019, we acquired 100% of the issued and outstanding common stock of FPRX, a Florida based pharmacy with locations in Davie and Orlando, Florida. The initial purchase price for the acquisition of FPRX was $3,000,000, whereby $2.3 million was payable in cash over the two-year period following the closing, and $700,000 was payable in 10,000,000 shares of our common stock, at $0.07 per share. On November 8, 2019, the purchase agreement was modified to include a reduced purchase price to approximately $2.5 million, which included approximately $417,000 for the fair value of FPRX inventory at the closing date and approximately $157,000 for FPRX cash balances. In connection with the amendment to the purchase agreement, the sellers agreed to the return and rescission of the shares issued and retention of net accounts receivable, and various modifications to the employment agreements entered into with the sellers. This acquisition expanded our delivery radius to the Orlando/Tampa Central Florida corridor and the Treasure Coast region of Florida

During the year ended December 31, 2020, we devoted significant time and effort to improving the financial performance of all the subsidiaries. We realized significant cost savings by eliminating non-essential services and removing redundancies and quickly committed resources to areas of the business that have opportunities for higher gross margins. Management actively negotiated better rates on drug purchases from the primary wholesale vendor, secured new relationships with two new 340B covered entities, and improved operational performance across the board. We formed ClearMetrX in June 2020, the Company's first wholly-owned data management company with services designed to support health care organizations across the country. We believe Artificial Intelligence ("AI") will improve preventive healthcare by helping physicians make informed decisions in the medication therapy management process. Through ClearMetrX, third party administrative and data management fees for the year ended December 31, 2020 was approximately $0.7 million. These fees have gross margins significantly greater than those generated from our pharmacy operations. ClearMetrX focuses on providing insights and technological development. The Company has transitioned data service customers from the pharmacies to the ClearMetrX platform to better scale the products and improve the capabilities of existing analytics options.

We have continued to expand our market share and development in the Southeast Florida area. We have isolated and prioritized key marketing methods which have yielded the lowest cost of customer acquisition and the most opportunity for growth. Social media, website maintenance, and thought leadership are being optimized to promote brand awareness and recognition, which increases the likelihood of securing physician referrals and customer loyalty. As a result, net pharmacy revenue for the years ended December 31, 2020 and 2019 was approximately $38.9 million and $32.6 million, respectively, which included revenue from FPRX of approximately $13.8 million and $10.0 million for 2020 and 2019 (for the period June 1, 2019 (acquisition date) to December 31, 2019), respectively. We have filled over 530,000 and 456,000 prescriptions during 2020 and 2019, respectively, a 16% year over year increase in the number of prescriptions filled (3% increase year over year excluding FPRX). We have also experienced a significant growth in the number of prescriptions filled under our 340B contracts with healthcare providers. Dispensing fee and third party administration revenue earned on these contracts increased over 323% for the year ended December 31, 2020 as compared to the same period in 2019 ($2.8 million in 2020; $0.7 million in 2019).

We provide services to approximately 25,000 patients, on an annualized basis, of diverse demographics across South and Central Florida. Patient growth trends were also due to expanded marketing efforts, directed advertising, and word-of-mouth of all pharmacies' five star performance rating and the ability of the pharmacy to improve the performance ratings of the physicians it serves. We have increased our attention to key 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, all pharmacies maintain a five star rating based on the ratings provided by various insurance carriers. We have received performance scores that resulted in full performance bonuses from a major PBM for all four of our pharmacy locations.

Our dispensing 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. While manufacturers have increased the price of drugs, payers have generally decreased reimbursement rates as a percentage of drug cost. We have experienced an overall reduction in the gross profit per prescription prescribed as PBMs have implemented contractual rate adjustments known as generic and brand effective rates. The post adjudication adjustments can in many cases result in reimbursements being below dispensed drug costs. We continue to promote the health and well-being of the community through ensuring necessary medications are received by the patient regardless of cost to us, and we are working with physicians and patients alike to optimize medication practices to dispense drugs that do not result in losses.

In addition, we have actively secured opportunities and relationships that will greatly improve sales and profitability. We believe that monetization of pharmacy administrative and clinical services are the keys offsetting dispensing reimbursement rate contraction.

Pharmacy benefits contraction across all insurance carriers has limited patient access to a wide variety of medication options. Compounded medications were the most adversely effected, but many drugs have been removed from formularies. We expect formulary restriction and pricing pressures from third-party payers to continue given the high and increasing costs of drugs. As a result of this industry-wide pressure, we have experienced compression in profit margins on our contracts, particularly with HIV related medications, which has adversely affected our profitability. We have been implementing processes to improve the profitability of our specialty services and general practices.

DIR fees and other PBM fees continued to apply significant downward pressure on our 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 a significant increase in the fees charged. During the year ended December 31, 2020, DIR and other PBM fees was $1.4 million, an increase of over 285% when compared to DIR and other PBM fees of $0.4 million in the same period in 2019. The increase in DIR and other PBM fees is primarily due to insurance carriers changing PBMs starting the beginning of 2020, which resulted in a high concentration of claims being processed by a single PBM with significant higher DIR and other PBM fees. Pharmacies have no control over which PBM an insurance carrier works with and therefore have no control over the fees being charged. We have experienced an increase in DIR and other PBM fees from all of the PBMs from their 2020 contracts compared to the fees charged in 2019. We have implemented policy changes to our existing pharmacy procedures to account for anticipated PBM clawbacks, including an increased focus on performance as some PBMs may reduce or return PBM fees, as a performance bonus, based on the performance of the pharmacy within their network.

In December 2020, we completed the move of our PharmCo 901 pharmacy into our new 11,000 square foot pharmacy facility in Hallandale Beach, Florida. PharmCo 901 will continue to operate approximately 1,050 square foot at North Miami Beach, Florida location. The consolidation of space is expected to save us approximately $130,000 annually in lease and associated occupancy expenses in 2021. In January 2021, we completed our move of our PharmCo 1103 Orlando location into its new 3,700 square foot location in January 2021. We anticipate our expanded facility in Orlando will drive important performance gains, advances in productivity, volume, and market reach due to the expanded space and anticipated efficiency.

Management expects that future growth will be driven by new data management and virtual healthcare service lines; expansion of 340B Covered Entities Third Party Administrative services; market penetration in existing geographies; development of enhanced healthcare B2B services; development of cash based products and services; and continued implementation of MTM protocols.

We also expect future acquisitions, which could provide continued expansion into new market territories; diversification into direct healthcare service relationships and cash based products; concentrated efforts toward developing our compliance and adherence services provided to medical providers; and enhancement of technological opportunities that boost loyalty and customer satisfaction.

Additionally, profitability and cash flow will be positively impacted by the elimination of non-recurring expenses and diversification to revenue streams outside of the third-party insurance payor model.

COVID-19 Pandemic

In March 2020, the World Health Organization declared the outbreak of a novel strain of coronavirus, or COVID-19, as a pandemic, which has spread to almost every country in the world and all 50 states within the United States. Global health concerns relating to the outbreak of COVID-19 have been weighing on the macroeconomic environment, and the outbreak has significantly increased economic uncertainty. The outbreak has resulted in authorities implementing numerous measures to try to contain the virus, such as travel bans and restrictions, quarantines, shelter-in-place orders, and business shutdowns. Although certain of these measures are beginning to ease in some geographic regions, overall measures to contain the COVID-19 outbreak may remain in place for a significant period of time, and certain geographic regions are experiencing a resurgence of COVID-19 infections. The spread of COVID-19 has caused us to modify our business practices, including implementing a work from home policy for all employees who are able to perform their duties remotely and restricting all nonessential travel, and we expect to continue to take actions as may be required or recommended by government authorities or as we determine are in the best interests of our employees, the patients we serve and other business partners in light of COVID-19.

The Governor of the State of Florida issued an Executive Order late in March 2020, under which we are considered an essential business, allowing us to continue operations with minimal interruptions during COVID-19. However, various government measures, community self-isolation practices and shelter-in-place requirements, as well as the perceived need by individuals to continue such practices to avoid infection, have generally reduced the extent to which patients visit healthcare professionals in-person, seek treatment for certain conditions or ailments, and receive and fill prescriptions.

As the lockdown measures became more stringent, many physicians' practices were closed for in-person patient visits and limited visits to telemedicine. We believe that, through our contactless prescription delivery offering, we were able to meet patients' demand and continue operations during the pandemic. March through July of 2020 were most significantly impacted by COVID-19, and we saw a 15% month-over-month increase in the number of prescriptions dispensed from February 2020 to March 2020. This was right at the start of the pandemic when the executive orders were enforced. For the period April through June 2020, we experienced a 6% decline in prescriptions dispensed as compared to March 2020, which we believe is a result of the limits on in-person physicians visits and social distancing practiced among the general public. Starting in July 2020, we experienced an 8% month over month increase from June 2020, which appeared to result from pent-up demand as patients were more comfortable with in-patient visits that were held off during March through June 2020. Management noted that a resurgence in Covid-19 cases and related measures caused reduced patient visits and more restricted physician office protocols in August, particularly in the Orlando region, which caused a drop in new prescription orders that are often dependent upon recent doctor visits. However, refill prescription orders performed well during the month. While we have experienced an increase in prescriptions dispensed, there can be no assurance that the levels of interest, demand and use of our offering will continue at current levels or will not decrease during or after the pandemic. Any such decrease could have an adverse effect on our growth and the success of our business.

During the third quarter of 2020, the Company launched an aggressive expansion of its COVID-19 testing service registered through the FDA under its Emergency Use Authorization ("EUA") guidelines, featuring Polymerase Chain Reaction ("PCR") and Antigen testing systems that produces rapid detection of the SARS-CoV-2 virus with market-leading accuracy in 15 to 45 minutes. The systems we use for Rapid Detection of the SARS-CoV-2 virus is a molecular test using a lab technique called PCR, an antigen-based testing system designed to detect proteins from the virus that causes COVID-19. The Company provides these new testing systems to patients at its North Miami Beach location and provides Antigen testing at Palm Springs and Orlando pharmacies. To date, the Company has successfully tested approximately 5,000 patients and built a reputation as a preferred provider for in-patient and out-patient COVID-19 Rapid Testing solution. For the year ended December 31, 2020, we have earned approximately $0.6 million from COVID-19 testing.

In February 2021, we entered into a service agreement with EagleForce Health, LLC to integrate its proprietary telehealth platform, called "myVax", and develop a platform for the Company's Digital Passport for COVID-19 testing and vaccination results. We anticipate that this platform will be operational in the second quarter of 2021, and it will include complete patient scheduling, telehealth, and tele-pharmacy platform services. The platform will

manage an individual's COVID-19 vaccine and test journey documenting all transitions, including healthcare appointments, billing, and telehealth services. This will also include a Digital Passport or Digital Wallet that is QR-coded for registration, verification, and documentation of COVID-19 vaccination and/or test results. This is expected to provide a powerful tool for various processes that the Company believes will come to depend upon accurate real-time virus spread risk abatement, including merchants such as cruise lines, airlines, sports venues, high-population-density, manufacturing, packing, or shipping facilities, and institutions such as school districts, universities, court proceedings, public transportation systems, and other service providers.

The ultimate extent of the impact of any epidemic, pandemic, outbreak, or other public health crisis on our business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic, outbreak, or other public health crisis and actions taken to contain or prevent further spread, among others. Accordingly, we cannot predict the extent to which our business, financial condition and results of operations will be affected. We will continue to work diligently with our partners and stakeholders to continue supporting patient access to their prescribed medications to the extent safe to do so for patients, caregivers and healthcare practitioners, as well as ensuring the continuity of our supply chain.

Results of Operations

The following table summarizes our results of operations for the years ended December 31, 2020 and 2019:

	For the Twelve Months Ended December 31,			
	2020	**2019**	**$ Change**	**% Change**
Total revenues, net	$ 38,937,838	$ 32,629,127	$ 6,308,711	19%
Total cost of revenue	29,970,337	24,661,186	5,309,151	22%
Total gross profit	8,967,501	7,967,941	999,560	13%
Operating expenses	10,114,320	8,901,891	1,212,429	14%
Loss from operations	(1,146,819)	(933,950)	(212,869)	23%
Other expense	(296,210)	(1,569,389)	1,273,179	81%
Loss before provision for income taxes	(1,443,029)	(2,503,339)	1,060,310	42%
Provision for income taxes	(6,780)	(2,689)	(4,091)	-152%
Net loss	$ (1,449,809)	$ (2,506,028)	$ 1,056,219	42%

For the year ended December 31, 2020, we recognized overall revenue from operations of approximately $38.9 million, which increased approximately $6.3 million when compared to the same period in 2019 due to the increase in fees earned from 340B contracts of $2.2 million, organic growth of approximately $1.0 million, the addition of our FPRX acquisition in 2019 of approximately $3.6 million (seven month in 2019 and twelve months in 2020), COVID-19 testing revenue of $0.6 million, and offset by an increase in DIR and other PBM fees of $1.0 million. Total revenues for the year ended December 31, 2020 and 2019 included approximately $2.8 million and $0.7 million, respectively, of fees earned on dispensing prescription medications and third party administration service to patients under 340B programs managed by seven non-profit healthcare organizations in Florida. Total billings collected on behalf of and remitted to these organizations was $19.2 million and $8.3 million for the years ended December 31, 2020 and 2019, respectively.

Gross profit margins decreased from 24% for the year ended December 31, 2019 to 23% for the same period in 2020. Gross margin for 2020 was negatively impacted by DIR and other PBM fees of approximately $1.0 million that we record as a component of net revenues, as well as continued reimbursement compression by third party payors.

The loss from operations increased by approximately $0.2 million for the year ended December 31, 2020 when compared to the same period in 2019 as a result of decreased gross margin as discussed above, as well as increased

personnel costs related to new hires in pharmacy operations associated with our continued growth and development.

Revenue

Our revenues were as follows:

	Years Ended December 31,									
	2020			2019						
	Dollars	% of Revenue		Dollars	% of Revenue		$ Change	% Change		
Prescription revenue	$ 36,898,020	95	%	$ 32,314,746	99	%	$ 4,583,274	14	%	
340B contract revenue	2,837,085	7		670,513	2		2,166,572	323		
Testing revenue	599,851	2		-	-		599,851	100		
Rent revenue	13,136	-		39,901	-		(26,765)	(67)		
Subtotal	40,348,092	104		33,025,160	101		7,322,932	22		
PBM Fees	(1,403,966)	(4)		(364,386)	(1)		(1,039,580)	285		
Sales returns	(6,288)	-		(31,647)	-		25,359	(80)		
Revenues, net	$ 38,937,838	100	%	$ 32,629,127	100	%	$ 6,308,711	19	%	

For the year ended December 31, 2020, we recognized overall revenue from operations of approximately $38.9 million, which was a $6.3 million or 19% year over year increase when compared to the same period in 2019. The increase is mainly due to an increase in 340B fees earned on dispensing prescription medications and third party administration service to patients under 340B programs of approximately $2.2 million, organic growth of approximately $1.0 million, revenue from addition of our FPRX acquisition in 2019 of approximately of $3.6 million (seven month in 2019 and twelve months in 2020), and COVID-19 testing revenue of approximately $0.6 million. This was offset by a year over year increase in DIR and other PBM fees of approximately $1.0 million.

Pharmacy revenues exceeded 91% of all revenue for years ended December 31, 2020 and 2019. Pharmacy revenues as a percentage of total net revenues, for the year ended December 31, 2020, have decreased when compared to 2019 due to the increase in revenue from 340B contracts in 2020. Revenue from 340B contracts is 7% and 2% as a percentage of total net revenues for the years ended December 31, 2020 and 2019, respectively. The revenue from 340B contracts has increased by $2.2 million or 323% for the year ended December 31, 2020 when compared to 2019.

Total prescriptions dispensed increased to over 530,000 for the year ended December 31, 2020 from approximately 456,000 during the same period in 2019, a 16% increase.

Operating Expenses

Our operating expenses increased by approximately $1.2 million, or 14%, for the year ended December 2020, as compared to the same period in 2019. The increase was mainly attributable to the additional operating costs of the FPRX pharmacy acquired in June 2019 of approximately $0.5 million (seven month in 2019 and twelve months in 2020), and additional operating costs of approximately $0.7 million due to year over year revenue growth.

Other Expense

Other expense decreased by approximately $1.3 million for the year ended December 31, 2020 as compared to the same period in 2019. The decrease was mainly attributable to an increase of $1.1 million in the change in fair value of the derivative liability associated with the Chicago Venture and Iliad Research note agreements and the gain of $0.6 million recognized in November 2020 due to the forgiveness of the Paycheck Protection Program (“PPP”)

loans that were issued during the second quarter of 2020, which was offset by an increase in interest expense of $0.4 million associated with notes payable.

Net Loss

We had net losses for both years ended December 31, 2020 and 2019. As discussed above, the net losses are mainly attributable to the increase in DIR and other PBM fees and interest expense offset by the favorable change in the fair value of our embedded derivative and the PPP loan forgiveness.

Non-GAAP Financial Measures

We define Adjusted EBITDA as net income (loss) before interest expense, income taxes, depreciation and amortization, share-based compensation, and certain other items that we do not consider indicative of our ongoing operating performance (which items are itemized below). Adjusted EBITDA is a non-GAAP financial measure.

We consider Adjusted EBITDA to be a supplemental measure of our operating performance. We present Adjusted EBITDA because it is used by our Board and management to evaluate our operating performance. It is also used as a factor in determining incentive compensation, for budgetary planning and forecasting overall financial and operational expectations, for identifying underlying trends and for evaluating the effectiveness of our business strategies. Further, we believe it assists us, as well as investors, in comparing performance from period to period on a consistent basis. Adjusted EBITDA is not in accordance with, or an alternative to, measures prepared in accordance with U.S. GAAP. In addition, this non-GAAP measure is not based on any comprehensive set of accounting rules or principles.

As a non-GAAP measure, Adjusted EBITDA has limitations in that it does not reflect all of the amounts associated with our results of operations as determined in accordance with U.S. GAAP and therefore you should not consider Adjusted EBITDA in isolation from, or as a substitute for, financial information prepared in accordance with U.S. GAAP. You should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in the presentation, and we do not infer that our future results will be unaffected by unusual or non-recurring items. Adjusted EBITDA does not include:

- depreciation expense from property and equipment or amortization expense from acquired intangible assets (and although they are non-cash charges, the assets being depreciated/amortized will often have to be replaced in the future)
- interest expense on our debt and capital leases or interest income we earn on cash and cash equivalents;
- the amounts we paid in taxes or other components of our tax provision (which reduces cash available to us);
- change in fair value of derivatives;
- certain expenses associated with our acquisition activities; or
- the impact of share-based compensation or other matters we do not consider to be indicative of our ongoing operations.

Further, other companies in our industry may calculate Adjusted EBITDA differently than we do and these calculations may not be comparable to our Adjusted EBITDA metric. Because of these limitations, you should consider Adjusted EBITDA alongside other financial performance measures, including net income (loss) attributable to us and our financial results presented in accordance with U.S. GAAP.

The table below presents a reconciliation of the most directly comparable U.S. GAAP measure, net income (loss) attributable to us, to Adjusted EBITDA for the periods indicated below:

	For the Years Ended December 31,	
	2020	2019
Net loss	$(1,449,809)	$(2,506,028)
Interest expense	1,702,858	1,245,526
Change in fair value of derivative liability	(814,000)	321,000
Income tax expense	6,780	2,689
Depreciation and amortization expense	561,183	457,830
Consolidated Adjusted EBITDA	$ 7,012	$ (478,983)

EBITDA has increased by approximately $0.5 million for the year ended December 31, 2020 when compared to the same period in 2019. The increase is mainly attributable to the increase in interest expense offset by the favorable change in the fair value of our embedded derivative and funding received to cover certain payroll expenses during the pandemic.

Cash Flows

The following table summarizes our cash flows for the years ended December 31, 2020 and 2019:

	Years Ended December 31,	
	2020	2019
Net change in cash from:		
Operating activities	$ 1,149,265	$ (614,739)
Investing activities	(669,611)	(2,244,282)
Financing activities	804,404	3,588,827
Change in cash	$ 1,284,058	$ 729,806
Cash at end of year	$ 2,100,695	$ 816,637

Net cash provided by operating activities totaled $1.1 million for the year ended December 31, 2020 compared to net cash used in operating activities of $0.6 million for the year ended December 31, 2019. Operational cash flow was positively impacted by the increase in accounts payable and accrued liabilities for the year ended December 31, 2020, which was largely due to the significant increase in billing activity from the 340B contracts.

Net cash used in investing activities was $0.7 million for the year ended December 31, 2020 attributable to equipment purchases, construction in progress at the Hallandale Beach and Orlando buildings, and leasehold improvements.

Net cash provided by financing activities was $0.8 million for the year ended December 31, 2020 as a result of loan proceeds in the amount of $1.0 million received from the U.S. CARES Act loans received during the second quarter of 2020, reduced by payments on notes payable and lease liabilities.

Liquidity and Capital Resources

Current and Future Financing Needs

We have an accumulated deficit of $8.7 million and $7.3 million for the years ended December 31, 2020 and 2019, respectively. We have spent, and expect to continue to spend, additional amounts in connection with implementing our business strategy.

We believe that our cash and cash equivalents on hand for the year ended December 31, 2020, along with the cash we expect to generate from pharmacy sales and the available funding from our borrowing arrangements, will allow us to operate over the next 12 months. However, additional funding will be necessary to complete our business plan, which includes public registration with the SEC to become a fully reporting public company, and an uplisting to a

national stock exchange. We also will need additional funding for future 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 markets when conditions are favorable due to our long-term capital requirements.

Paycheck Protection Program Loans

On various dates in April and May 2020, the Company received loan proceeds in the amount of $1,013,900 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("U.S. CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight-weeks or twenty-four-weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, mortgage interest payments, employee benefits, rent and utilities, and maintains its payroll levels. The PPP loan regulations were later revised to allow the borrower the option of costs incurred over a twenty-four week period to determine loan forgiveness. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week or twenty-four week periods. The unforgiven portion of the PPP loans is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. Thereafter, any unforgiven principal and interest are payable in 18 equal monthly installments.

During the period from March 2020 to August 2020, the Company used the entire proceeds for qualifying expenses. Therefore, the Company applied for forgiveness of the PPP loans. On November 10, 2020, the Company received notification from the lender that the U.S. Small Business Administration approved the forgiveness of the U.S. CARES Act PPP Loans for PharmCo 901 in the amount of $511,000 and PharmCo 1002 in the amount of $81,500. The total debt forgiveness in the amount of $592,500 was recorded as a gain on debt extinguishment in the Company's consolidated statement of operations for the year ended December 31, 2020.

The Company has applied for forgiveness of the PPP loan received by PharmCo 1103 in April 2020 in the amount of $421,400 and on January 7, 2021 received notification from the lender that the U.S. Small Business Administration approved the forgiveness of the U.S. CARES Act PPP Loan for PharmCo 1103. The total debt forgiveness in the amount of $421,400 will be recorded as a gain on debt extinguishment in the Company's consolidated statement of operations during the first quarter of 2021.

On December 27, 2020, a supplemental appropriations bill was signed into law that provided additional COVID-19 relief in the form of added Paycheck Protection Program (PPP) funds for businesses and organizations needing either a first loan or a second round of funding. We applied for an additional PPP loan in the amount of $421,400 under the new law for PharmCo 1103. The loan was approved, and we received the funds on February 16, 2021. The funds will be used for eligible purposes, including payroll, mortgage interest payments, employee benefits, rent and utilities, and to maintain payroll levels.

Critical Accounting Policies

Revenue Recognition

The Company recognizes pharmacy revenue from dispensing prescription drugs at the time the drugs are physically delivered to a customer or when a customer picks up their prescription or purchases merchandise at the store, which is the point in time when control transfers to the customer. Each prescription claim is considered an arrangement with the customer and is a separate performance obligation. The Company records unearned revenue for prescriptions that are filled but not yet delivered at period-end. Billings for most prescription orders are with third-party payers, including Medicare, Medicaid, and insurance carriers. Customer returns are nominal. Pharmacy revenues exceeded 87% of total revenue for all periods presented.

The Company accrues an estimate of fees, including direct and indirect remuneration fees ("DIR fees"), which are assessed or expected to be assessed by payers at some point after adjudication of a claim, as a reduction of revenue

at the time revenue is recognized. Changes in the estimate of such fees are recorded as an adjustment to revenue when the change becomes known.

Lease Accounting

In February 2016, the FASB issued Accounting Standards Update ("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 as off-balance sheet lease arrangements. Recognition, measurement, and presentation of expenses will depend on classification as a finance or operating lease. Topic 842 establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the consolidated balance sheet for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the recognition, measurement, and presentation of expenses in the income statement. Topic 842 was subsequently amended by ASU No. 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU No. 2018-10, Codification Improvements to Topic 842, Leases; and ASU No. 2018-11, Targeted Improvements.

In adopting Topic 842, a modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. An entity may choose to use either (1) its effective date or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. If an entity chooses the second option, the transition requirements for existing leases also apply to leases entered into between the date of initial application and the effective date. The entity must also recast its comparative period financial statements and provide the disclosures required by the new standard for the comparative periods. The Company adopted the guidance in Topic 842 on January 1, 2020 ("the transition date") and we elected to adopt the transition relief provisions from ASU 2018-11 to use this date as our date of initial application. Consequently, financial information has not been updated and the disclosures required under Topic 842 have not been provided for dates and periods before January 1, 2020. The Company's reporting for 2019 presented in the consolidated financial statements includes the disclosures required under ASC Topic 840. There was no cumulative effect adjustment to the opening balance of accumulated deficit required.

Topic 842 provides a number of optional practical expedients in transition. We have elected all of Topic 842's available transition practical expedients which permit us not to reassess under Topic 842 our prior conclusions about lease identification, lease classification and initial direct costs. We did not elect the practical expedient pertaining to land easements as it is not applicable to us. We have also elected the practical expedient for short-term lease recognition exemption for two of our real estate leases. This means that for these leases we will not recognize ROU assets or lease liabilities for existing short-term leases of those assets in transition. We also elected the practical expedient to not separate lease and non-lease components for all of our leases.

Deferred taxes

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

Off-Balance Sheet Arrangements

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

Recent Accounting Pronouncements

See Note 3 to our consolidated financial statements, which begins on page A-9 of this report.

PART E - ISSUANCE HISTORY

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

On July 1, 2019, the Company issued 400,000 shares of its Common Stock to Made Consulting in satisfaction of an accrued compensation liability from the 2nd quarter 2019. The shares were issued in consideration of investor and public relations services provided to the Company and initially valued at $28,000. The control person for Made Consulting was Donna Schreier.

On July 1, 2019, the Company issued 250,000 shares of its Common Stock to Mass Ventures Corp. in satisfaction of an accrued compensation liability from the 2nd quarter 2019. The shares were issued in consideration of website development services provided to the Company and initially valued at $15,000. The control person for Mass Venture Corp. was Marcello Jaspan.

On December 14, 2019, mortgage note principal and accrued but unpaid interest of $330,000 was converted by 400Ansin LLC, the noteholder, into 6,832,299 shares of Progressive Care, Inc.'s common stock at the stock's closing price at the conversion date. The shares were issued on January 4, 2020. The control persons for 400Ansin LLC were Zusia Tenenbaum and Yisroel Lieberman.

On January 7, 2020, Chicago Venture Partners, L.P. ("Chicago Venture") made a partial redemption request on its note agreement with Progressive Care. The redemption request resulted in a conversion of $50,000 of note principal into 1,288,527 shares of Progressive Care common stock. The control person for Chicago Venture was John F. Fife.

On January 29, 2020, Chicago Venture made a partial redemption request on its note agreement with Progressive Care. The redemption request resulted in a conversion of $100,000 of note principal into 2,536,526 shares of Progressive Care common stock. The control person for Chicago Venture was John F. Fife.

On February 24, 2020, Chicago Venture made a partial redemption request on its note agreement with Progressive Care. The redemption request resulted in a conversion of $100,000 of note principal into 2,570,958 shares of Progressive Care common stock. The control person for Chicago Venture was John F. Fife.

On April 1, 2020, Chicago Venture made a partial redemption request on its note agreement with Progressive Care. The redemption request resulted in a conversion of $100,000 of note principal into 3,794,778 shares of Progressive Care common stock. The control person for Chicago Venture was John F. Fife.

On May 14, 2020, Chicago Venture made a partial redemption request on its note agreement with Progressive Care. The redemption request resulted in a conversion of $200,000 of note principal into 6,650,705 shares of Progressive Care common stock. The control person for Chicago Venture was John F. Fife.

On June 30, 2020, Chicago Venture made a partial redemption request on its note agreement with Progressive Care. The redemption request resulted in a conversion of $450,000 of note principal into 13,567,294 shares of Progressive Care common stock. The control person for Chicago Venture was John F. Fife.

On June 30, 2020, Progressive Care issued 1,000,000 shares of Progressive Care common stock valued at $48,200 to Victoria Shuster, an independent contractor, as payment of a commission on the purchase of the 400 Ansin Blvd. building.

On August 6, 2020, Chicago Venture made a partial redemption request on its note agreement with Progressive Care. The redemption request resulted in a conversion of $230,079 of note principal into 5,750,831 shares of Progressive Care common stock. The control person for Chicago Venture was John F. Fife.

On July 1, 2019, we issued 10,000,000 shares of Common Stock to the former owners of FPRX, Inc. for the acquisition of 100% of its issued and outstanding common stock. The shares were initially valued at $700,000. The amended FPRX purchase agreement entered on November 8, 2019 contained a provision wherein the former owners were required to return the 10,000,000 shares of common stock to us, at which point the common stock shares would be cancelled. On September 30, 2020, 10,000,000 shares of common stock were cancelled which was recorded as a reduction in the number of outstanding shares as of September 30, 2020.

On November 3, 2020, Chicago Venture made a final redemption request on its note agreement with Progressive Care. The redemption request resulted in a conversion of $177,580 of note principal into 6,043,418 shares of Progressive Care common stock. The control person for Chicago Venture was John F. Fife.

On December 3, 2020, Iliad Research made a partial redemption request on its note agreement with Progressive Care. The redemption request resulted in a conversion of $200,000 of note principal into 9,451,796 shares of Progressive Care common stock. The control person for Iliad Research Venture was John F. Fife.

On January 29, 2021, Iliad Research made a partial redemption request on its note agreement with Progressive Care. The redemption request resulted in a conversion of $200,000 of note principal into 8,138,683 shares of Progressive Care common stock. The control person for Iliad Research was John F. Fife.

On February 8, 2021, the Company issued 1,989,390 shares of its Common Stock to Stanley Campbell, CEO of EagleForce Health, LLC under a service agreement dated February 8, 2021. The shares were initially valued at $75,000. The control person of EagleForce Health, LLC is Stanley Campbell.

On February 12, 2021, Iliad Research made a partial redemption request on its note agreement with Progressive Care. The redemption request resulted in a conversion of $200,000 of note principal into 8,038,585 shares of Progressive Care common stock. The control person for Iliad Research was John F. Fife.

On March 1, 2021, Iliad Research made a partial redemption request on its note agreement with Progressive Care. The redemption request resulted in a conversion of $380,880 of note principal into 10,580,000 shares of Progressive Care common stock. The control person for Iliad Research was John F. Fife.

On March 8, 2021, Iliad Research made a partial redemption request on its note agreement with Progressive Care. The redemption request resulted in a conversion of $119,250 of note principal into 2,922,794 shares of Progressive Care common stock. The control person for Iliad Research was John F. Fife.

On March 15, 2021, Iliad Research made a partial redemption request on its note agreement with Progressive Care. The redemption request resulted in a conversion of $141,850 of note principal into 2,551,259 shares of Progressive Care common stock. The control person for Iliad Research was John F. Fife.

PART F – EXHIBITS

Item 18. Material Contracts

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

- Contracted Pharmacy Service Agreement – Community AIDS Network, dated as of January 9, 2017.
- Contracted Pharmacy Service Agreement – Empower U, dated as of October 1, 2017.
- Contracted Pharmacy Service 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
- Contracted Pharmacy Service Agreement – Midway Specialty Care Center, dated as of October 12, 2018.
- Contracted Pharmacy Service Agreement – Positive Health Alliance, Inc., dated as of April 1, 2019

- Contracted Pharmacy Service Agreement – MJD Wellness and Community Center, Inc., Curam LLC, and PharmCo 901, dated as of November 1, 2019.
- Contracted Pharmacy Service Agreement – Embrace Arms Foundation, Inc., Curam LLC, and PharmCo 1002, dated as of January 1, 2020.
- Contracted Pharmacy Service Agreement – WHEAT Community Services, Inc., and PharmCo 901, dated as of April 1, 2020.
- 340B Program Services Agreement – Alive and Well Community Partners, LLC and ClearMetrX, Inc., dated as of July 1, 2020.
- 340B Program Services Agreement – Community Life Support, Inc.and ClearMetrX, Inc., dated as of September 8, 2020.
- Contracted Pharmacy Service Agreement – Flex 4 Medical Center, and PharmCo 901, dated as of October 15, 2020.
- Contracted Pharmacy Service Agreement – Community Care Resources of Florida and PharmCo 901., dated as of January 11, 2021.
- Contracted Pharmacy Service Agreement – Barroso Medical Services, LLC and PharmCo 901., dated as of January 12, 2021.
- Membership Interest Purchase Agreement – Touchpoint RX, LLC, dated as of March 30, 2018
- Stock Purchase Agreement – Family Physicians RX, Inc., dated as of March 8, 2019
- Amended Stock Purchase Agreement – Family Physicians RX, Inc. dated as of November 8, 2019
- 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.
- Lease agreement for 6191 Orange Drive, Suite 6177-N and 6157-D, Davie, Florida, dated as of September 1, 2018 between Rodeo Square LLC and the Company.
- Lease agreement for 1160 South Semoran Blvd., Suites D,E,F, Orlando, Florida dated as of August 1, 2020 between JonOsh Properties, LLC and the Company.
- Equipment finance agreement for prescription dispensing equipment between Group Financial Services and the Company dated September 13, 2019.
- Equipment finance agreement for prescription dispensing equipment between Americorp Financial, LLC and the Company dated October 15, 2019.
- Equipment finance agreement for equipment between Americorp Financial, LLC and the Company dated January 21, 2021.
- Software development agreement between MyApps Corp. and ClearMetrX, LLC dated November 11, 2020.
- 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 Birute Norkute and the Company, dated as of January 3, 2020.
- Executive Employment Agreement by and between Alan Jay Weisberg and the Company, dated as of October 15, 2020.
- Executive Employment Agreement by and between Cecile Munnik and the Company, dated as of October 15, 2020.

Copies of these agreements will be available for inspection at the office of the Company located at 400 Ansin Boulevard, Suite A, Hallandale Beach, Florida 33009 during ordinary business hours.

Item 19. Articles of Incorporation and Bylaws

The information required by this Item 19 has been included in the Company's previous filings with the SEC and is herein incorporated by reference. On September 23, 2019, the Company's board of directors and shareholders approved an amendment to the Company's certificate of incorporation wherein the total number of shares of all classes of capital stock which the Company shall have the authority to issue is 1,010,000,000 shares, of which 1,000,000,000 shares are designated as common stock, par value $0.0001 per share, and 10,000,000 shares are designated as Series A preferred stock, par value $0.00001 per share.

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

There were no purchases of equity securities by the Company or Affiliated Purchasers as defined in Item 20 of the OTC Disclosure Guidelines during 2020.

Item 21. Issuer's Certifications

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Alan Jay Weisberg, certify that:

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

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

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

Date: March 31, 2021
/s/ Alan Jay Weisberg
Alan Jay Weisberg
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Cecile Munnik, certify that:

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

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

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

Date: March 31, 2021
/s/ Cecile Munnik
Cecile Munnik
Chief Financial Officer

PROGRESSIVE CARE INC.
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Audited Financial Statements for the Year Ended December 31, 2020

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DASZKALBOLTON
accountants & advisors

Report of Independent Registered Public Accounting Firm

To the Board of Directors
Stockholders of Progressive Care, Inc.
Hallandale Beach, FL

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Progressive Care, Inc. (the "Company") at December 31, 2020, and the related consolidated statement operations, stockholders' equity and cash flows for the year ended December 31, 2020, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020, and the results of its operations and its cash flows for the year ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

Continued from previous page

Critical Audit Matter

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

Intangible Assets Impairment Assessments

As described in Notes 3 and 6 to the consolidated financial statements, the Company has intangible assets and goodwill at December 31, 2020. In most cases, no directly observable market inputs are available to measure the fair value less costs of disposal that is used to determine if the asset is impaired. Therefore, an estimate is derived indirectly and is based on net present value techniques utilizing post-tax cash flows and discount rates. The estimates that management used in calculating the net present values depend on assumptions specific to the nature of the management service activities with regard to the amount and timing of projected future cash flows; long-term professional service forecasts; actions of competitors (competing services), future tax and discount rates.

The principal consideration for our determination that performing procedures relating to the intangible assets impairment assessments is a critical audit matter is the significant judgment by management when developing the net present value of the intangible assets. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumptions related to the amount and timing of projected future cash flows and the discount rate. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing management's process for developing the fair value estimate; evaluating the appropriateness of the net present value techniques; testing the completeness and accuracy of underlying data used in the model; and evaluating the significant assumptions used by management, including the amount and timing of projected future cash flows and the discount rate. Evaluating management's assumptions related to the amount and timing of projected future cash flows and the discount rate involved evaluating whether the assumptions used by management were reasonable considering the current and past performance of the intangible assets, the consistency with external market and industry data, and whether these assumptions were consistent with evidence obtained in other areas of the audit.

We have served as the Company's auditor since 2020

Boca Raton, Florida
March 31, 2021

Progressive Care Inc. and Subsidiaries
Consolidated Balance Sheet
December 31, 2020

Assets		
Current Assets		
Cash and cash equivalents	$	2,100,695
Accounts receivable – trade, net		2,580,509
Accounts receivable - other		811,235
Inventory, net		945,274
Prepaid expenses		466,490
Total Current Assets		6,904,203
Property and equipment, net		2,532,433
Other Assets		
Goodwill		1,387,860
Intangible assets, net		247,142
Right of use assets, net		436,368
Deposits		36,401
Total Other Assets		2,107,771
Total Assets	**$**	**11,544,407**
Liabilities and Deficiency in Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$	6,551,230
Notes payable, net of unamortized debt discount and debt issuance costs		570,914
Lease liabilities - current portion		197,975
Unearned revenue		450,155
Derivative liability		2,043,000
Total Current Liabilities		9,813,274
Long-term Liabilities		
Notes payable, net of current portion		3,130,622
Lease liabilities - net of current portion		320,563
Total Liabilities		13,264,459
Commitments and Contingencies		
Deficiency in Shareholders' Equity		
Preferred Stock, Series A par value $0.001; 10,000,000 shares authorized, 51 shares issued and outstanding as of December 31, 2020		-
Common stock, par value $0.0001; 1,000,000,000 shares authorized, 485,768,076 issued and outstanding as of December 31, 2020		48,577
Additional paid-in capital		6,978,301
Accumulated Deficit		(8,746,930)
Total Deficiency in Shareholder' Equity		(1,720,052)
Total Liabilities and Deficiency in Shareholders' Equity	**$**	**11,544,407**

See Accompanying Notes to Consolidated Financial Statements

Progressive Care Inc. and Subsidiaries
Consolidated Statement of Operations
Year Ended December 31, 2020

Revenues, net	$ 38,937,838
Cost of revenue	29,970,337
Gross profit	8,967,501
Selling, general and administrative expenses	
Bad debt expense	130,792
Other selling, general and administrative expense	9,983,528
Total Selling, general and administrative expenses	10,114,320
Loss from operations	(1,146,819)
Other Income (Expense)	
Change in fair value of derivative liability	814,000
Gain on debt extinguishment	592,500
Interest income	148
Interest expense	(1,702,858)
Total other income (expense) - net	(296,210)
Loss before provision for income taxes	(1,443,029)
Provision for income taxes	(6,780)
Net loss	$ (1,449,809)
Basic and diluted net loss per common share	$ -
Weighted average number of common shares outstanding during the year - basic and diluted	462,185,453

See Accompanying Notes to Consolidated Financial Statements.

Progressive Care Inc. and Subsidiaries
Consolidated Statement of Deficiency in Shareholders' Equity
Year Ended December 31, 2020

	Preferred Series A $0.001 Par Value		Common Stock $0.0001 Par Value		Additional Paid-in	Accumulated	Total Deficiency In Shareholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Equity
Balance, December 31, 2019	**51**	**$ -**	**436,280,944**	**$ 43,628**	**$ 4,997,391**	**$ (7,297,121)**	**$ (2,256,102)**
Issuance of common stock for settlement of debt principal and interest			58,487,132	5,849	1,931,810		1,937,659
Issuance of common stock for services rendered			1,000,000	100	48,100		48,200
Rescission of common stock previously issued in business acquisition			(10,000,000)	(1,000)	1,000		
Net loss for the year ended December 31, 2020						(1,449,809)	(1,449,809)
Balance December 31, 2020	**51**	**$ -**	**485,768,076**	**$ 48,577**	**$ 6,978,301**	**$ (8,746,930)**	**$ (1,720,052)**

See Accompanying Notes to Consolidated Financial Statements
Progressive Care Inc. and Subsidiaries
Consolidated Statement of Cash Flows
Year Ended December 31,

		2020
Cash Flows from Operating Activities:		
Net loss	$	(1,449,809)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation		188,551
Change in provision for doubtful accounts		20,200
Share-based compensation		48,200
Amortization of debt issuance costs and debt discounts		1,247,752
Gain on debt extinguishment		(592,500)
Amortization of right of use assets-Finance leases		30,432
Amortization of right of use assets-Operating leases		291,437
Change in fair value of derivative liability		(814,000)
Amortization of intangible assets		342,200
Accrued interest on lease liabilities		20,647
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable		(596,008)
Inventory		(223,130)
Prepaid expenses		(312,107)
Deposits		(14,585)
Increase (decrease) in:		
Accounts payable and accrued liabilities		3,027,357
Operating lease liabilities		(353,273)
Unearned revenue		287,901
Net Cash Provided by Operating Activities		1,149,265
Cash Flows from Investing Activities:		
Purchase of property and equipment		(669,611)
Net Cash (Used in) Investing Activities		(669,611)
Cash Flows from Financing Activities:		
Proceeds from issuance of notes payable		1,013,900
Payments of notes payable		(161,249)
Payments on lease liabilities		(48,247)
Net Cash Provided by Financing Activities		804,404
Net increase in cash and cash equivalents		1,284,058

Cash and cash equivalents at beginning of year		**816,637**
Cash and cash equivalents at end of year	**$**	**2,100,695**
Supplemental disclosures of cash flow information:		
Cash paid for interest	$	241,781
Cash paid for income taxes	$	6,780
Supplemental Schedule of non-cash investing and financing activities:		
Adoption of ASC Topic 842 for operating lease obligations:		
Right of use assets	$	694,383
Lease liabilities	$	728,828
Equipment under capital lease	$	(136,486)
Accumulated depreciation	$	(65,368)
Deferred rent liability	$	(36,285)
Debt principal and interest repaid through conversion into common stock shares	$	1,937,659
Issuance of common stock for services rendered	$	48,200
Insurance premiums financed through issuance of note payable	$	72,115

See Accompanying Notes to Consolidated Financial Statements

Progressive Care Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
Year Ended December 31, 2020

Note 1 Organization & Nature of Operations

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

Progressive, through its wholly-owned subsidiaries, PharmCo, LLC (referred to as "PharmCo 901"), Touchpoint RX, LLC doing business as PharmCo Rx 1002, LLC (referred to as "PharmCo 1002"), Family Physicians RX, Inc. doing business as PharmCoRx 1103 (referred to as "FPRX" historically or "PharmCo 1103" currently) (pharmacy subsidiaries collectively referred to as "PharmCo"), and ClearMetrX Inc. (collectively with all entities referred to as the "Company", or "we") is a personalized healthcare services and technology company that provides prescription pharmaceutical and risk and data management services to healthcare organizations and providers.

During December 2020, PharmCo 901 moved the majority of its pharmacy operations from its North Miami Beach, Florida location to a new 11,000 square foot pharmacy facility in Hallandale Beach, Florida. PharmCo 901 will continue to operate an approximately 1,050 square foot pharmacy at the North Miami Beach, Florida location. PharmCo 901 was formed on November 29, 2005 as a Florida Limited Liability Company and is a 100% owned subsidiary of Progressive. PharmCo 901 was acquired by Progressive on October 21, 2010. We currently deliver prescriptions to Florida's diverse population and ship compounded medications to patients in states where we hold non-resident pharmacy licenses as well. We hold a community pharmacy permit in Florida and we hold non-resident pharmacy licenses that allow us to dispense to patients in the following states: Arizona, Colorado, Connecticut, Georgia, Illinois, Massachusetts, Minnesota, Nevada, New Jersey, New York, Pennsylvania, Texas, and Utah. In addition to its retail pharmacy license, PharmCo 901 is licensed as a closed door pharmacy, which will enable it to obtain additional contracts with long-term care facilities.

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

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

RXMD Therapeutics was formed on October 1, 2019. RXMD Therapeutics had no operating activity in 2020.

ClearMetrX was formed on June 10, 2020 and provides data analytics and reporting services to support and improve care management for health care organizations across the country. ClearMetrX also provides third party administration services to 340B covered entities.

Note 2 Basis of Presentation

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

Note 3 Summary of Significant Accounting Policies

Principles of Consolidation

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

Use of Estimates

The preparation of consolidated 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 consolidated financial statements and accompanying notes. Such estimates and assumptions impact both assets and liabilities, including but not limited to: net realizable value of accounts receivable and inventories, estimated useful lives and potential impairment of property and equipment, estimated fair value of derivative liabilities using the Monte Carlo simulation model, fair value of assets acquired and liabilities assumed in business combinations, and estimates of current and deferred tax assets and liabilities.

Making estimates requires management to exercise significant judgment. The full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations and financial condition, including sales, expenses, and reserves and

allowances, will depend on future developments that are highly uncertain, including as a result of new information that may emerge concerning COVID-19 and the actions taken to contain it or treat COVID-19, as well as the economic impact on local, regional, and national customers and markets. We have made estimates of the impact of COVID-19 within our consolidated financial statements and there may be changes to those estimates in future periods. Actual results may differ from these estimates.

Cash and Cash Equivalents

The Company maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. The Company had $989,759 in excess cash at December 31, 2020. 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 and cash equivalent balances, since our deposits are held with high quality financial institutions that are well capitalized,

Cash Equivalents: The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. As of December 31, 2020, the Company's cash equivalents consist of a money market account.

Accounts Receivable and Allowance for Doubtful Accounts

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

Risks and Uncertainties

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

Billing Concentrations

The Company's trade receivables are primarily from prescription medications billed to various insurance providers. Ultimately, the insured is responsible for payment should the insurance company not reimburse the Company. The Company generated reimbursements from three significant insurance providers for the year ended December 31, 2020:

Payors	
A	22%
B	15%
C	13%

The Company generated reimbursements from three significant pharmacy benefit managers (PBMs) for the year ended December 31, 2020:

PBMs	
A	53%
B	35%
C	5%

Inventory

Inventory is valued on a lower of first-in, first-out (FIFO) cost or net realizable value basis. Inventory primarily consists of prescription medications, pharmacy supplies, and retail items. The Company provides a valuation allowance for obsolescence and slow-moving items. The Company recorded an allowance for obsolescence of $40,000 as of December 31, 2020.

Property and Equipment

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

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

Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. There were no impairment charges for the year ended December 31, 2020.

Business acquisitions

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 and goodwill. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Acquisition-related expenses and restructuring costs are recognized separately from the business combination and are expensed as incurred.

Goodwill

Goodwill represents the excess of the purchase price of FPRX and PharmCo 1002 over the value assigned to their net tangible and identifiable intangible assets. FPRX and PharmCo 1002 are considered to be the reporting units for goodwill. Acquired intangible assets other than goodwill are amortized over their useful lives unless the lives are determined to be indefinite. For intangible assets purchased in a business combination, the estimated fair values of the assets received are used to establish their recorded values. Valuation techniques consistent with the market approach, income approach, and/or cost approach are used to measure fair value. Goodwill and other indefinite-lived intangible assets are tested annually for impairment in the fourth fiscal quarter and in interim periods if events or changes in circumstances indicate that the assets may be impaired.

For both reporting units in 2020, we qualitatively assessed whether it is more likely than not that the respective fair values of the reporting units are less than their carrying amounts, including goodwill. Based on that assessment, we determined that this condition for the PharmCo 1002 reporting unit does not exist. As such, performing the first step of the two-step impairment test for the PharmCo 1002 reporting unit was not necessary.

For the FPRX reporting unit, we determined that it was more likely than not that the fair value of this reporting unit may be less than its carrying amount and therefore determined that step one of the two-step impairment test was necessary. We compared the fair value of the FPRX reporting unit, inclusive of assigned goodwill, to its carrying amount. We estimated the fair value of the FPRX reporting unit by weighting results from the market approach and the income approach. Significant assumptions inherent in the valuation methodologies for goodwill are employed and include, but are not limited to, prospective financial information, growth rates, terminal value, discount rates, and comparable multiples from publicly traded companies in our industry. Based on this quantitative test, we determined that the fair value of the FPRX reporting unit exceeded its carrying amount and, therefore, we concluded that goodwill was not impaired in 2020.

Intangible Assets

Amortizing identifiable intangible assets generally represent the cost of client relationships and tradenames acquired, as well as non-compete agreements to which the Company is a party. In valuing these assets, the Company makes assumptions regarding useful lives and projected growth rates, and significant judgment is required. The Company periodically reviews its identifiable intangible assets for impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If the carrying amounts of those assets exceed their respective fair values, additional impairment tests are performed to measure the amount of the impairment losses, if any.

Fair Value Measurements

Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") Topic 820 establishes a framework for measuring fair value that includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities (both common stock and preferred stock) that are traded in an active exchange market, as well as U.S. Treasury securities.

Level 2: Unadjusted observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. Government, agency mortgage-backed debt securities, non-agency structured securities, corporate debt securities and preferred stocks.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2020:

Description	Level 1	Level 2	Level 3	Balance at December 31, 2020	Total Gains (Losses)
Derivative Liabilities	$ -	$ -	$2,043,000	$2,043,000	$814,000

Total gains for the year ended December 31, 2020 are included in net loss for the period.

The following table is a reconciliation of the opening and closing balances for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended December 31, 2020.

	Derivative Liabilities	Total
Opening balance December 31, 2019	$ 2,857,000	$ 2,857,000
Transfers into (out of) Level 3	-	-
Total (gains) or losses for the year		
Included in net loss for the year	(814,000)	(814,000)
Closing balance December 31, 2020	**$ 2,043,000**	**$ 2,043,000**

Fair Value of Financial Instruments

The Company's financial instruments consisted of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, capital lease obligations, and notes payable. The carrying amounts of the Company's financial instruments other than notes payable and capital lease obligations generally approximate their fair values at December 31, 2020 due to the short-term nature of these instruments. The carrying amount of notes payable approximated fair value due to variable interest rates at customary terms and rates the Company could obtain in current financing. The carrying value of the capital lease obligations approximate fair value due to the implicit rate in the lease in relation to the Company's borrowing rate and the duration of the leases.

Derivative Liabilities

U.S. 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 recognizes pharmacy revenue from dispensing prescription drugs at the time the drugs are physically delivered to a customer or when a customer picks up their prescription or purchases merchandise at the store, which is the point in time when control transfers to the customer. Each prescription claim is considered an arrangement with the customer and is a separate performance obligation. Payments are received directly from the customer at the point of sale, or the customers' insurance provider is billed electronically. For third party medical insurance and other claims, authorization to ensure payment is obtained from the customer's insurance provider before the medication is dispensed to the customer. Authorization is obtained for these sales electronically and a corresponding authorization number is issued by the customers' insurance provider.

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 exceeded 91% of total revenue for the year ended December 31, 2020.

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

The following table disaggregates net revenue by categories for the year ended December 31, 2020:

Prescription revenue	$	36,898,020
340B contract revenue		2,837,085
Testing revenue		599,851
Rent revenue		13,136
Subtotal		40,348,092
PBM fees		(1,403,966)
Sales returns		(6,288)
Revenues, net	$	38,937,838

Cost of Revenue

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

DIR Fees

The Company reports Direct and Indirect Remuneration ("DIR") fees as a reduction of revenue on the accompanying Consolidated Statement of Operations. DIR Fees are fees charged by Pharmacy Benefit Managers ("PBMs") to pharmacies for network participation as well as periodic reimbursement reconciliations. For some PBMs, DIR fees are charged at the time of the settlement of a pharmacy claim. Other PBMs do not determine DIR fees at the claim settlement date, and therefore DIR fees are collected from pharmacies after claim settlement, often as clawbacks of reimbursements based on factors that vary from plan to plan. For example, two PBMs calculate DIR fees on a trimester basis and charge the Company for these fees as reductions of reimbursements paid to the Company 2-3 months after the end of the trimester (e.g., DIR fees for January – April 2020 claims were charged by these PBMs in July – August 2020). For DIR fees that are not collected at the time of claim settlement, the Company records an accrued liability at each reporting date for estimated DIR fees that are expected to be collected by the PBMs in a future period. The estimated liability for these fees is highly subjective and the actual amount collected may differ from the

accrued liability. The uncertainty of management's estimates is due to inadequate disclosure to the Company by the PBMs as to exactly how these fees are calculated either at the time the DIR fees are actually assessed and reported to the Company. The detail level of the disclosure of assessed DIR fees varies based on the information provided by the PBM.

Vendor Concentrations

For the year ended December 31, 2020, the Company had significant vendor concentrations with one vendor. The purchases from this significant vendor were 95% of total vendor purchases in 2020.

Selling, General and Administrative Expenses

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

Advertising

Costs incurred for producing and communicating advertising for the Company are charged to operations as incurred. Advertising expense was $204,399 for the year ended December 31, 2020.

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 selling, general and administrative expenses in the Consolidated Statement of Operations.

Income Taxes

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

Progressive Care Inc., RXMD Therapeutics and PharmCoRx 1103 are taxed as C corporations. PharmCo 901 and PharmCo 1002 are taxed as partnerships, wherein each member is responsible for the tax liability, if any, related to its proportionate share of PharmCo 901 and PharmCo 1002's taxable income. Progressive Care Inc. has a 100% ownership interest in PharmCo 901 and PharmCo 1002; therefore, all of PharmCo 901 and PharmCo 1002's taxable income attributable to the period of ownership is included in Progressive Care Inc.'s taxable income.

The provision for income taxes for the year ended December 31, 2020 on the Consolidated Statement of Operations represents the minimum state corporate tax payments. There was no current tax provision for the year ended December 31, 2020 because the Company did not have taxable income for 2020. Total available net operating losses to be carried forward to future taxable years was approximately $9.3 million as of December 31, 2020, $6 million of which will expire in various years through 2038. The temporary differences giving rise to deferred income taxes principally relate to accelerated depreciation on property and equipment and amortization of goodwill recorded for tax purposes, reserves for estimated doubtful accounts and inventory obsolescence and net operating losses recorded for financial reporting purposes. The Company's net deferred tax asset at December 31, 2020 was fully offset by a 100% valuation allowance as it was not more likely than not that the tax benefits of the net deferred tax asset would be realized. The change in the valuation allowance was approximately $471,000 for the year ended December 31, 2020.

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 year ended December 31, 2020.

Earnings (Loss) per Share

Basic earnings(loss) per share ("EPS") is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the year, excluding the effects of any potentially dilutive securities. Diluted EPS gives effect to all dilutive potential of shares of common stock outstanding during the period including stock warrants, using the treasury stock method (by using the average stock price for the period to determine the number of shares assumed to be purchased from the exercise of stock warrants), and convertible debt, using the if converted method. Diluted EPS excludes all dilutive potential of shares of common stock if their effect is anti-dilutive. The effect of including common stock equivalents in weighted average common shares outstanding for 2020 is anti-dilutive, and therefore a separate computation of diluted earnings per share for 2020 is not presented.

Recently Adopted Accounting Standards

Lease Accounting

In February 2016, the FASB issued Accounting Standards Update ("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 as off-balance sheet lease arrangements. Recognition, measurement, and presentation of expenses will depend on classification as a finance or operating lease. Topic 842 establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the Consolidated Balance Sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the recognition, measurement, and presentation of expenses in the income statement. Topic 842 was subsequently amended by ASU No. 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU No. 2018-10, Codification Improvements to Topic 842, Leases; and ASU No. 2018-11, Targeted Improvements.

In adopting Topic 842, a modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. An entity may choose to use either (1) its effective date or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. If an entity chooses the second option, the transition requirements for existing leases also apply to leases entered into between the date of initial application and the effective date. The entity must also recast its comparative period financial statements and provide the disclosures required by the new standard for the comparative periods. The Company adopted the guidance in Topic 842 on January 1, 2020 ("the transition date") and we elected to adopt the transition relief provisions from ASU 2018-11 to use this date as our date of initial application. Consequently, financial information has not been updated and the disclosures required under Topic 842 have not been provided for dates and periods before January 1, 2020. There was no material cumulative effect adjustment to the opening balance of accumulated deficit required.

Topic 842 provides a number of optional practical expedients in transition. We have elected all of Topic 842's available transition practical expedients which permit us not to reassess under Topic 842 our prior conclusions about lease identification, lease classification and initial direct costs. We did not elect the practical expedient pertaining to land easements as it is not applicable to us. We have also elected the practical expedient for short-term lease recognition exemption for two of our real estate leases. This means that for these leases we will not recognize ROU assets or lease liabilities for existing short-term leases of those assets in transition. We also elected the practical expedient to not separate lease and non-lease components for all of our leases.

Goodwill

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 and should be applied prospectively. The adoption of this guidance on January 1, 2020 did not have a material effect on the Company's consolidated financial statements.

Stock Compensation

In June 2018, the FASB issued ASU 2018-07, Compensation-Stock Compensation (Topic 718) - Improvements to Nonemployee

Share-Based Payment Accounting, which aligns the measurement and classification guidance for share-based payments to nonemployees with the guidance for share-based payments to employees, with certain exceptions. Under the guidance, the measurement of equity-classified nonemployee awards will be fixed at the grant date. This guidance is effective for the Company's fiscal year ending December 31, 2020 and interim periods within fiscal years beginning after December 15, 2020. The adoption of this guidance on January 1, 2020 did not have a material effect on the Company's consolidated financial statements.

Fair Value

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 82)): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement, which modified the disclosure requirements on fair value measurements found with ASC Topic 820, Fair Value Measurements. Specifically, the following disclosure requirements were removed from ASC 820:

- The amount and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy.
- The policy for timing of transfers between levels.
- The valuation processes for Level 3 fair value measurements.

The following disclosure requirements were added to ASC 820:

- The changes in unrealized gains and losses for the period included in OCI for recurring Level 3 fair value measurements held at the end of the reporting period.
- The range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements.

ASU 2018-13 was effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. However, early adoption was permitted. The Company has adopted the modified disclosure requirements in its annual and interim financial statements for the year ended December 31, 2020.

Accounting Standards Issued but Not Yet Adopted

Income Taxes

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740)—Simplifying the Accounting for Income Taxes, which removes certain exceptions to the general principles in Topic 740 and amends existing guidance to improve consistent application. ASU 2019-12 is required to be adopted for annual periods beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted. Management is currently evaluating the impact of the adoption of this guidance on the Company's consolidated financial statements.

Debt

In August 2020, the FASB issued ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity, which among other things, simplifies the accounting models for the allocation of proceeds attributable to the issuance of a convertible debt instrument. As a result, after adopting the ASU's guidance, entities will not separately present in equity an embedded conversion feature in such debt. Instead, they will account for a convertible debt instrument wholly as debt, and for convertible preferred stock wholly as preferred stock (i.e., as a single unit of account), unless (i) a convertible instrument contains features that require bifurcation as a derivative under ASC 815 or (ii) a convertible debt instrument was issued at a substantial premium. The standard becomes effective for the Company in the first quarter of 2022 and early adoption is permitted. Management is currently evaluating the impact of the adoption of this guidance 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.

Note 4. Accounts Receivable – Trade, net

Accounts receivable consisted of the following at December 31, 2020:

Gross accounts receivable - trade	$ 2,686,009
Less: Allowance for doubtful accounts	(105,500)

Accounts receivable – trade, net	$ 2,580,509

For the year ended December 31, 2020, the Company recognized bad debt expense in the amount of $130,792.

Note 5. Property and Equipment, net

Property and equipment, net consisted of the following at December 31, 2020:

Building	$ 1,651,069
Building improvements	437,733
Land	184,000
Leasehold improvements and fixtures	385,902
Furniture and equipment	330,291
Computer equipment and software	101,230
Vehicles	108,011
Website	67,933
Total	3,266,169
Less: accumulated depreciation	(872,198)
Subtotal	2,393,971
Construction in progress	138,462
Property and equipment, net	$ 2,532,433

Depreciation expense for the year ended December 31, 2020 was 188,551.

Note 6. Intangible Assets

Intangible assets consisted of the following at December 31, 2019:

Trade names	$ 362,000
Pharmacy records	263,000
Non-compete agreements	166,000
Subtotal	791,000
Less accumulated amortization	(543,858)
Net intangible assets	$ 247,142

Amortization of intangible assets amounted to $342,200 for 2020. The following table represents the total estimated amortization of intangible assets for the five succeeding years:

Year	Amount
2021	$ 163,700
2022	36,200
2023	36,200
2024	11,042
Total	**$ 247,142**

Note 7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following at December 31, 2020:

Accounts payable - trade	$ 5,157,472
Accrued payroll and payroll taxes	114,851

Accrued interest payable	574,512
Accrued DIR fees and other PBM fees	477,053
Other accrued liabilities	227,342
Totals	**$ 6,551,230**

Note 8. Notes Payable

Notes payable consisted of the following at December 31, 2020:

A. Convertible notes payable - collateralized	$ 2,878,619
B. Mortgage note payable – commercial lender - collateralized	1,376,826
C. Note payable – uncollateralized	25,000
D. Note payable - collateralized	59,094
E. U.S. CARES Act PPP Loans - uncollateralized	421,400
Insurance premium financing	31,148
Subtotal	**4,792,087**
Less Unamortized debt discount	(953,846)
Less Unamortized debt issuance costs	(3,909)
Less Unamortized investment length premium	(132,796)
Total	**3,701,536**
Less: Current portion of notes payable	(570,914)
Long-term portion of notes payable	**$ 3,130,622**

The corresponding notes payable above are more fully discussed below:

(A) Convertible Notes Payable – collateralized

Chicago Venture Partners, L.P.

On January 2, 2019, Progressive entered a Securities Purchase Agreement (the "Purchase Agreement") with Chicago Venture Partners, L.P. ("Chicago Venture"), a Utah limited partnership, in the amount of $2,710,000, which included a $200,000 Original Issue Discount ("OID") and $10,000 in debt issuance costs for the transaction. The note is comprised of seven tranches consisting of an initial tranche in the amount of $1,090,000 and six additional tranches each in the amount of $270,000. The initial tranche consisted of the initial cash purchase price of $1,090,000, $80,000 of the OID and the debt issuance costs of $10,000. The remaining OID will be allocated $20,000 to each of the remaining six tranches. The note was convertible into shares of common stock ($0.0001 par value per share) at the average of the five lowest closing trading prices during the twenty trading days immediately preceding the applicable conversion. The note accrued interest at the rate of 9% per annum. Progressive received the initial tranche of $1,090,000 at the closing of the transaction, which included $90,000 of OID and legal costs. Progressive granted the Investor a security interest in all right, title, interest and claims of Progressive. On October 25, 2019, the Company drew down the second tranche against the note in the amount of $162,000, which included $12,000 of the OID.

On October 25, 2019, the Company drew down the second tranche against the note in the amount of $162,000, which included $12,000 of the OID.

The note balance was satisfied through a series of redemption notices for conversion of note principal and accrued interest into shares of Progressive common stock at various conversion rates, the determination of which is explained in the preceding paragraph. The last redemption request and conversion of note principal and accrued interest was completed on November 3, 2020. The balance of the Chicago Venture note was $0 at December 31, 2020.

The Company has identified conversion features embedded within the Chicago Venture note. The Company has determined that the conversion features represent an embedded derivative. Accordingly, the embedded conversion feature was bifurcated from the debt host and accounted for as a derivative liability. On January 2, 2019, the Company recorded a derivative liability on the note in the amount of $571,000. For the year ended December 31, 2020, the Company recorded a Change in Fair Value of the Derivative Liability

in the amount of $758,000. The derivative liability balance on the Consolidated Balance Sheet at December 31, 2020 was $0.

At inception, the fair value of the derivative instrument has been recorded as a liability on the Consolidated Balance Sheets with the corresponding amount recorded as a discount to the note. The discount was accreted from the issuance date through settlement of the note on November 3, 2020, with a corresponding charge to interest expense. The change in the fair value of the derivative liability was recorded in other income or expenses in the Consolidated Statement of Operations at the end of 2020, with the offset to the derivative liability on the consolidated balance sheet as of December 31, 2020. 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 on January 2, 2019. Debt Discount consists of the discount recorded upon recognition of the derivative liability upon issuance of the first tranche. Debt issuance costs and debt discount are amortized to interest expense over the term of the related debt using the effective interest method. Total amortization expense for the year ended December 31, 2020 was $452,525.

Iliad Research and Trading, L.P.

On March 6, 2019, Progressive entered a Securities Purchase Agreement (the "Purchase Agreement") with Iliad Research and Trading, L.P. ("Iliad Research"), a Utah limited partnership, in the amount of $3,310,000, which included a $300,000 Original Issue Discount ("OID") and $10,000 in debt issuance costs for the transaction. The note is comprised of two tranches consisting of an initial tranche in the amount of $2,425,000 and a second tranche in the amount of $885,000. The initial tranche consisted of the initial cash purchase price of $2,425,000, $115,000 of the OID and the debt issuance costs of $10,000. The remaining OID of $185,000 has been allocated to the second tranche. The note is convertible into shares of common stock ($0.0001 par value per share) in 1 year at the average of the two lowest closing trading prices during the twenty trading days immediately preceding the applicable conversion. The note matures on March 6, 2022 (the "Maturity Date"). The note accrues interest at the rate of 10% per annum and the entire unpaid principal balance plus all accrued and unpaid interest are due on the Maturity Date.

Progressive received the initial tranche of $2,425,000 at the closing of the transaction, which included $115,000 of OID and legal costs. Progressive granted the Investor a security interest in all right, title, interest and claims of Progressive. PharmCo 901 has agreed to guarantee Progressive's obligations under the Purchase Agreement, the note and the Security Agreement by entering into a Guaranty Agreement in favor of Iliad Research. Pursuant to the Guaranty Agreement, Progressive has agreed to pay to PharmCo 901 10% of all proceeds it received from Iliad Research, as consideration to secure Progressive's obligations. Progressive used the net proceeds as part of the total purchase price of the acquisition of 100% of the FPRX ownership interests.

The first tranche of $2,425,000 less the OID and debt issuance costs was disbursed and held in escrow by Iliad Research on March 6, 2019. $1 million of the escrow deposit was disbursed to the owners of FPRX at the purchase closing date, June 1, 2019. The second tranche of $885,000 less the OID was disbursed to Progressive on June 4, 2019 and was used to complete the total purchase price of the FPRX acquisition. On November 8, 2019, the Company entered into an amendment of the FPRX Purchase Agreement, which in part included a reduction of the purchase price. As a result of the amended Purchase Agreement, the Company returned $400,000 of the second tranche to Iliad Research and Trading, L.P. on November 12, 2019.

An investment length premium in the amount of $168,619 was applied to the outstanding balance of the Iliad Research note in September 2020. The investment length premium was calculated at a 5% premium on the outstanding note balance when the note was still outstanding at (a) eighteen months from the effective date, (b) twenty-four months from the effective date, and (c) thirty months from the effective date.

The balance outstanding on the Iliad Research note payable was $2,878,619 at December 31, 2020. Accrued interest on the note payable at December 31, 2020 was $574,512 and such amount is included in accounts payable and accrued liabilities in the accompanying Consolidated Balance Sheet.

The Company has identified conversion features embedded within the Iliad Research note. The Company has determined that the conversion features represent an embedded derivative. Accordingly, the embedded conversion feature was bifurcated from the debt host and accounted for as a derivative liability. On March 6, 2019, the Company recorded a derivative liability on the first tranche in the amount of $1,351,000. On June 4, 2019, the Company recorded a derivative liability on the second tranche in the amount of $614,000. For the year ended December 31, 2020, the Company recorded a Change in Fair Value of the Derivative Liability in the amount of $814,000. The derivative liability balance on the Iliad Research note at December 31, 2020 was $2,043,000.

At inception, the fair value of the derivative instrument has been recorded as a liability on the consolidated balance sheets with the corresponding amount recorded as a discount to the note. The discount was accreted from the issuance date to December 31, 2020, with a corresponding charge to interest expense. The change in the fair value of the derivative liability was recorded in other income or expenses in the consolidated statement of operations at the end of 2020, 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, Debt Discount and Investment Length Premium:

Debt Issuance Costs consist of fees incurred through securing financing from Iliad Research on March 6, 2019. Debt Discount consists of the discount recorded upon recognition of the derivative liability upon issuance of the first and second tranches. Investment length premium is calculated at a 5% premium on the outstanding balance when the note is still outstanding at (a) eighteen months from the effective date, (b) twenty-four months from the effective date, and (c) thirty months from the effective date.

Debt issuance costs, debt discount and investment length premium are amortized to interest expense over the term of the related debt using the effective interest method. Total amortization expense for the year ended December 31, 2020 was $795,227.

(B) Mortgage Note Payable – collateralized

In 2018, PharmCo 901 closed on the purchase of land and building located at 400 Ansin Boulevard, Hallandale Beach, Florida. The purchase price was financed in part through a mortgage note and security agreement entered into with a commercial lender in the amount of $1,530,000. The promissory note is collateralized by the land and building, bears interest at a fixed rate of 4.75% per annum, matures on December 14, 2028 and is subject to a prepayment penalty. Principal and interest will be repaid through 119 regular payments of $11,901 that began in January 2019, with the final payment of all principal and accrued interest not yet paid on December 14, 2028. Note repayment is guaranteed by Progressive Care Inc. The balance outstanding on the mortgage payable was $1,376,826 at December 31, 2020.

(C) Note Payable – Uncollateralized

As of December 31, 2020, the uncollateralized note payable represents a non-interest-bearing loan that is due on demand from an investor.

(D) Note Payable – Collateralized

In September 2019, the Company entered into a note obligation with a commercial lender, the proceeds from which were used to pay off a capital lease obligation on pharmacy equipment in the amount of $85,429. The terms of the promissory note payable require 48 monthly payments of $2,015, including interest at 6.5%. The balance outstanding on the note payable was $59,093 at December 31, 2020. The promissory note is secured by equipment with a net book value of $55,217 at December 31, 2020.

(E) U.S. CARES Act PPP Loans – Uncollateralized

On various dates in April and May 2020, the Company received loan proceeds in the amount of $1,013,900 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“U.S. CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight-weeks or twenty-four-weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, mortgage interest payments, employee benefits, rent and utilities, and maintains its payroll levels. The PPP loan regulations were later revised to allow the borrower the option of costs incurred over a twenty-four week period to determine loan forgiveness. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week or twenty-four week periods. The unforgiven portion of the PPP loans are payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. Thereafter, any unforgiven principal and interest are payable in 18 equal monthly installments.

During the period from March 2020 to August 2020, the Company used the entire proceeds for qualifying expenses. Therefore, the Company applied for forgiveness of the PPP loans. On November 10, 2020, the Company received notification from the lender that the U.S. Small Business Administration approved the forgiveness of the U.S. CARES Act PPP Loans for PharmCo 901 in the amount of $511,000 and PharmCo 1002 in the amount of $81,500. The total debt forgiveness in the amount of $592,500 was recorded as a gain on debt extinguishment in the Company’s Consolidated Statement of Operations for the year ended December 31, 2020.

The Company has applied for forgiveness of the PPP loan received by PharmCo 1103 in April 2020 in the amount of $421,400 and on January 7, 2021 received notification from the lender that the U.S. Small Business Administration approved the forgiveness of the U.S. CARES Act PPP Loan for PharmCo 1103. The total debt forgiveness in the amount of $421,400 will be recorded as a gain on debt extinguishment in the Company's Consolidated Statement of Operations during the first quarter of 2021.

On December 27, 2020, a supplemental appropriations bill was signed into law that provided additional COVID-19 relief in the form of added Paycheck Protection Program (PPP) funds for businesses and organizations needing either a first loan or a second round of funding. We applied for an additional PPP loan in the amount of $421,400 under the new law for PharmCo 1103. The loan was approved, and we received the funds on February 16, 2021. The funds will be used for eligible purposes, including payroll, mortgage interest payments, employee benefits, rent and utilities, and to maintains payroll levels.

Future principal maturities of notes payable are as follows:

Year	Amount
2021	$ 570,914
2022	2,983,632
2023	102,386
2024	90,856
2025	95,267
Thereafter	949,032
Total	**$ 4,792,087**

Interest expense on these notes payable exclusive of debt discount and debt issue cost amortization, was $445,341 for the year ended December 31, 2020.

Note 9. Lease Obligations

The Company has entered into a number of lease arrangements under which we are the lessee. Three of our leases are classified as finance leases and three of our leases are classified as operating leases. In addition, we have elected the short-term lease practical expedient in ASC Topic 842 related to real estate leases with terms of one year or less and short-term leases of equipment used in our pharmacy locations. The following is a summary of our lease arrangements.

Finance Leases

In May 2018, the Company entered into a finance lease obligation to purchase pharmacy equipment with a cost of $114,897. The terms of the lease agreement require monthly payments of $1,678 plus applicable tax over 84 months ending March 2025 including interest at the rate of 6%. The finance lease obligation is secured by equipment with a net book value of $71,118 as of December 31, 2020.

The Company assumed an equipment finance lease obligation for medication dispensing equipment from the acquisition of PharmCo 1002 in July 2018. The lease expires in March 2022 and required monthly installments of $2,855 including interest at the rate of 2.36%. The finance lease obligation was secured by equipment with a net book value of $0 as of December 31, 2020.

In December 2020, the Company entered into an interest-free finance lease obligation to purchase computer servers with a cost of $50,793. The terms of the lease agreement require monthly payments of $1,411 plus applicable tax over 36 months ending November 2023. The finance lease obligation is secured by equipment with a net book value of $49,382 as of December 31, 2020.

Operating Leases

The Company entered into a lease agreement for its Orlando pharmacy on August 1, 2020. The lease commencement date was August 1, 2020. The term of the lease is 66 months with a termination date of February 1, 2026. The lease agreement calls for monthly payments beginning February 1, 2021 of $4,310, with an escalating payment schedule each year thereafter. The Company also leases its Davie and Palm Beach County pharmacy locations under operating lease agreements expiring in various months through August 2021. The Company's office space rentals are subject to scheduled fixed rent increases throughout the terms of the related leases.

The Company recognized lease costs associated with all leases for the year ended December 31, 2020 as follows:

Operating lease cost:		
Fixed rent expense	$	428,838
Finance lease cost:		
Amortization of right of use assets (included in depreciation expense)		30,432
Interest expense		9,748
Total Lease Costs	**$**	**469,018**

Supplemental cash flow information related to leases was as follows:

Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	353,273
Financing cash flows from finance leases		48,247
Total cash paid for lease liabilities	**$**	**401,520**

Supplemental balance sheet information related to leases was as follows:

Operating leases:		
Operating lease right-of-use assets, net	$	365,250
Operating lease liabilities:		
Current portion		112,210
Long-term portion		228,772
Finance leases:		
Finance lease right-of-use assets, net		71,118
Finance lease liabilities:		
Current portion		85,765
Long-term portion		91,791

Maturities of lease liabilities were as follows:

Year Ending December 31,:	**Finance Lease**	**Operating Lease**	**Total Future Lease Commitments**
2021	$ 92,434	$ 124,845	$ 217,279
2022	37,073	58,503	95,576
2023	35,662	60,746	96,408
2024	20,142	62,568	82,710
2025	5,035	64,445	69,480
Thereafter	-	5,384	5,384
Total lease payments to be paid	190,346	376,491	566,837
Less: Future interest expense	(12,790)	(35,509)	(48,299)
Lease liabilities	177,556	340,982	518,538
Less: current maturities	(85,765)	(112,210)	(197,975)
Long-term portion of lease liabilities	**$ 91,791**	**$ 228,772**	**$ 320,563**

Note 10. Deficiency in Shareholders' Equity

Common Stock Issued for Business Acquisition

On July 1, 2019, the Company issued 10,000,000 shares of its common stock to the former owners of FPRX for the acquisition of 100% of its issued and outstanding common stock. The shares were initially valued at $700,000. The amended FPRX Purchase Agreement entered into on November 8, 2019 contained a rescission of the shares issued to the former owners. The common stock shares were returned by the former owners during the third quarter of 2020 and were cancelled by the Company.

Preferred Stock

The Series A preferred stock 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 shareholders are entitled to give consent, the holders of the outstanding shares of Series A Preferred Stock shall vote together with the holders of common stock without regard to class, except as to those matters on which separate class voting is required by applicable law or the Certificate of Incorporation or By-laws.

On July 11, 2014, the board of directors approved the issuance of 51 shares of the Company's Series A Preferred Stock to a certain employee of the Company, which is equal to 50.99% of the total voting power of all issued and outstanding voting capital of the Company in satisfaction of $20,000 in past due debt. These issued shares of preferred stock are outstanding as of December 31, 2020. As of December 31, 2020, the individual is employed by the Company. On January 7, 2021, the preferred shares were transferred to a trust whose beneficiary is related to the employee.

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.

Note 12. Related Party Transactions

During the year ended December 31, 2020, the Company had a consulting arrangement with Spark Financial Consulting ("Spark"), which is a consulting company owned by an employee and preferred stock controlling shareholder of the Company. Spark provides business development services including but not limited to recruiting, targeting and evaluation of potential mergers and acquisitions, finding third party contractors and assisting with related negotiations in exchange for a monthly fee of $16,000 in 2020. Additionally, Spark may be entitled to additional fees for additional consulting services. During the year ended December 31, 2020, the Company paid Spark $224,400.

The Company has an employment agreement (the "Agreement") with a certain pharmacist, Head of the Compounding Department, who is the first paternal cousin of the preferred stock controlling shareholder and employee of the Company. In consideration for duties performed including but not limited to marketing, patient consultation, formulary development, patient and physician education, training, recruitment, sales management, as well as pharmacist responsibilities, the Company agreed to provide monthly compensation of $15,000 or $10,000 per month plus 5% commission on monthly gross profits generated by the Compounding Department, whichever is greater. During the year ended December 31, 2020, payments to the pharmacist was approximately $144,000.

Note 13. Retirement Plan

The Company sponsors a 401(k) retirement plan ("the Plan") covering qualified employees of PharmCo 901, PharmCo 1002 and FPRX, as defined. Employees who have been employed more than one year are eligible to participate in the Plan. The Company matches the employee's contribution up to a maximum of 3% of the eligible employee's compensation. The Company contributed approximately $19,500 in matching contributions for the year ended December 31, 2020.

Note 14. Subsequent Events

Management has evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through March 31, 2021, the date the consolidated financial statements were available to be issued.

New 340B contract

On January 11, 2021, the Company entered into pharmacy service agreements for our PharmCo 901 and PharmCo 1103 locations with Community Care Resources of Florida ("CCR"), which is a covered entity as defined in Section 340B of the Public Health Service Act. The Company will maintain sufficient supplies of covered drugs to meet the day-to-day needs of Eligible Patients. CCR will replenish the Company's inventory for Covered Drugs dispensed to Eligible Patients for which payment under this Agreement was received by the Company. CCR will arrange to be billed directly for Covered Drugs by the manufacturer/wholesaler(s) and arrange for shipment of such drugs directly to the Company.

On February 5, 2021, the Company entered into a pharmacy service agreement for our PharmCo 901 location with Barroso Medical Services, LLC ("BMS"), which is a covered entity as defined in Section 340B of the Public Health Service Act. The Company will maintain sufficient supplies of covered drugs to meet the day-to-day needs of Eligible Patients. BMS will replenish the Company's inventory for Covered Drugs dispensed to Eligible Patients for which payment under this Agreement was received by the Company. BMS will arrange to be billed directly for Covered Drugs by the manufacturer/wholesaler(s) and arrange for shipment of such drugs directly to the Company.

Iliad Research partial note redemptions

On January 29, 2021, Iliad Research made a partial redemption request on its note agreement with Progressive Care. The redemption request resulted in a conversion of $200,000 of note principal into 8,138,683 shares of Progressive Care common stock.

On February 12, 2021, Iliad Research made a partial redemption request on its note agreement with Progressive Care. The redemption request resulted in a conversion of $200,000 of note principal into 8,038,585 shares of Progressive Care common stock.

On February 8, 2021, the Company issued 1,989,390 shares of its Common Stock to Stanley Campbell, CEO of EagleForce Health, LLC under a service agreement dated February 8, 2021. The shares were initially valued at $75,000.

On March 1, 2021, Iliad Research made a partial redemption request on its note agreement with Progressive Care. The redemption request resulted in a conversion of $380,880 of note principal into 10,580,000 shares of Progressive Care common stock.

On March 8, 2021, Iliad Research made a partial redemption request on its note agreement with Progressive Care. The redemption request resulted in a conversion of $119,250 of note principal into 2,922,794 shares of Progressive Care common stock.

On March 15, 2021, Iliad Research made a partial redemption request on its note agreement with Progressive Care. The redemption request resulted in a conversion of $141,850 of note principal into 2,551,259 shares of Progressive Care common stock.

U.S. CARES Act PPP Loan Forgiveness

The Company applied for forgiveness of the PPP loan received by PharmCo 1103 in April 2020 in the amount of $421,400 and received notification from the lender on January 7, 2021 that the U.S. Small Business Administration approved the forgiveness of the PPP Loan. The total debt forgiveness in the amount of $421,400 will be recorded as a gain on debt extinguishment in the Company's consolidated statement of operations during the first quarter of 2021.

Acceptance of U.S. CARES Act PPP Program Loan Funds

In February 2021, PharmCo 1103 entered into a Second Draw of the PPP (the "PPP2 Note") with a financial institution in the amount of $421,400. The PPP2 Note was issued pursuant to the Consolidated Appropriation Act, 2021, (the "Act") which was signed into law on December 27, 2020. The PPP2 Note bears interest at 1% per annum and matures in February 2026. PharmCo 1103 may apply for forgiveness of a portion or the entire balance of its PPP2 Note based on eligible costs including payroll, rent, utilities, and mortgage interest incurred during the covered period following the disbursement of the funds by the financial institution (between 8 weeks and 24 weeks).

PROGRESSIVE CARE INC.
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Audited Financial Statements for the Year Ended December 31, 2019

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Berkowitz Pollack Brant Advisors +CPAs

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Consolidated Financial Statements

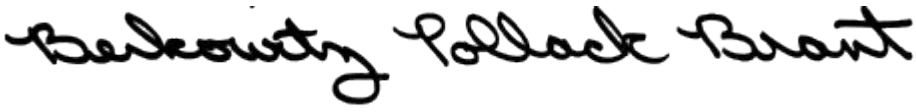
We have audited the accompanying consolidated balance sheet of Progressive Care, Inc. (a Delaware corporation) and Subsidiaries as of December 31, 2019 and the related consolidated statements of operations, stockholder's (deficit) equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements. In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Progressive Care, Inc. and Subsidiaries as of December 31, 2019, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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



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

Miami, Florida
March 22, 2021

Progressive Care Inc. and Subsidiaries
Consolidated Balance Sheet
December 31, 2019

Assets	
Current Assets	
Cash and cash equivalents	$ 816,637
Accounts receivable – trade, net	2,167,159
Accounts receivable - other	648,778
Inventory, net	722,144
Prepaid expenses	82,268
Total Current Assets	4,436,986
Property and equipment, net	2,151,512
Other Assets	
Goodwill	1,387,860
Deposits	21,816
Intangible assets, net	589,342
Total Other Assets	1,999,018
Total Assets	**$ 8,587,516**
Liabilities and Stockholders' Deficit	
Current Liabilities	
Accounts payable and accrued liabilities	$ 3,715,682
Notes payable, net of unamortized debt discount and debt issuance costs	1,916,553
Capital lease obligations - current portion	42,327
Unearned revenue	162,254
Derivative liability	2,857,000
Total Current Liabilities	8,693,816
Long-term Liabilities	
Notes payable, net of current portion	1,985,261
Deferred rent liability	36,285
Capital lease obligations, net of current portion	128,256
Total Liabilities	10,843,618
Commitments and Contingencies	
Stockholders' Deficit	
Preferred Stock, Series A par value $0.001; 10,000,000 shares authorized, 51 shares issued and outstanding as of December 31, 2019	-
Common stock, par value $0.0001; 1,000,000,000 shares authorized, 436,280,944 issued and outstanding as of December 31, 2019	43,628
Additional paid-in capital	4,997,391
Accumulated Deficit	(7,297,121)
Total Stockholders' Deficit	(2,256,102)
Total Liabilities and Stockholders' Deficit	**$ 8,587,516**

See Accompanying Notes to Consolidated Financial Statements

Progressive Care Inc. and Subsidiaries
Consolidated Statement of Operations
Year Ended December 31, 2019

Revenues, net	$ 32,629,127
Cost of revenue	24,661,186
Gross profit	7,967,941
Selling, general and administrative expenses	
Bad debt expense	139,030
Share-based compensation	43,000
Other selling, general and administrative expense	8,719,861
Total Selling, general and administrative expenses	8,901,891
Loss from operations	(933,950)
Other Income (Expense)	
Change in fair value of derivative liability	(321,000)
Automobile casualty loss	(1,545)
Loss on disposal of property and equipment	(1,973)
Other income	143
Interest income	512
Interest expense	(1,245,526)
Total other income (expense) - net	(1,569,389)
Loss before provision for income taxes	(2,503,339)
Provision for income taxes	(2,689)
Net loss	$ (2,506,028)
Basic and diluted net loss per common share	$ 0.00
Weighted average number of common shares outstanding during the year - basic and diluted	430,999,711

See Accompanying Notes to Consolidated Financial Statements.

Progressive Care Inc. and Subsidiaries
Consolidated Statement of Stockholders' Equity (Deficit)
Year Ended December 31, 2019

	Preferred Series A $0.001 Par Value		Common Stock $0.0001 Par Value		Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Equity (Deficit)
Balance, December 31, 2018	**51**	**$ -**	**425,630,944**	**$ 42,563**	**$4,958,620**	**$ (4,791,093)**	**$ 210,090**
Issuance of common stock for services rendered	-	-	650,000	65	42,935	-	43,000
Issuance of common stock for FPRX business acquisition	-	-	10,000,000	1,000	699,000	-	700,000
Purchase price adjustments – FPRX business acquisition					(3,164)	-	(3,164)
Receivable from shareholders for return of common stock issued in FPRX business acquisition					(700,000)		(700,000)
Net loss for the year ended December 31, 2019	-	-	-	-	-	(2,506,028)	(2,506,028)
Balance, December 31, 2019	**51**	**$ -**	**436,280,944**	**$ 43,628**	**$4,997,391**	**$ (7,297,121)**	**$ (2,256,102)**

See Accompanying Notes to Consolidated Financial Statements

Progressive Care Inc. and Subsidiaries
Consolidated Statement of Cash Flows
Year Ended December 31,

	2019
Cash Flows from Operating Activities:	
Net loss	$ (2,506,028)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	457,830
Change in provision for doubtful accounts	74,960
Amortization of debt issuance costs and debt discounts	783,956
Change in fair value of derivative liability	321,000
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(992,759)
Inventory	209,843
Prepaid expenses	38,059
Deposits	5,550
Other assets	1,480
Increase (decrease) in:	
Accounts payable and accrued liabilities	1,088,534
Unearned revenue	(70,351)
Deferred rent payable	(26,813)
Net Cash Used in Operating Activities	(614,739)
Cash Flows from Investing Activities:	
Cash paid for business acquisition	(2,464,529)
Cash acquired in business acquisition	256,268
Purchase of property and equipment	(36,021)
Net Cash Used in Investing Activities	(2,244,282)
Cash Flows from Financing Activities:	
Proceeds from issuance of notes payable	3,770,000
Payment of debt issue costs	(20,000)
Payments of notes payable	(76,441)
Payments of capital lease obligations	(84,732)
Net Cash Provided by Financing Activities	3,588,827
Net increase in cash and cash equivalents	729,806
Cash and cash equivalents at beginning of year	86,831
Cash and cash equivalents at end of year	**$ 816,637**

Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	$	112,001
Cash paid for income taxes	$	2,689
Supplemental Schedule of Non-Cash Investing and Financing Activities:		
Payment of insurance premiums through financing agreement	$	36,578
Capital lease obligation refinanced by issuance of note payable	$	85,429
Issuance of common stock shares for business acquisition	$	700,000
Receivable from shareholders for cancellation of stock issuance for business acquisition	$	(700,000)
Issuance of common stock shares for consulting services	$	43,000
Acquisition:		
Fair value of assets acquired	$	1,817,802
Fair value of liabilities assumed	$	441,203
Recognition of debt discount and derivative liability associated with conversion feature in note agreement	$	2,536,000

See Accompanying Notes to Consolidated Financial Statements

Note 1 Organization & Nature of Operations

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

Progressive, through its wholly-owned subsidiaries, PharmCo, LLC ("PharmCo 901"), RXMD Therapeutics, Inc. ("RXMD Therapeutics"), Family Physicians RX, Inc., doing business as PharmCoRx 1103 ("FPRX" or "PharmCo 1103"), and Touchpoint RX, LLC, doing business as PharmCo Rx 1002, LLC ("PharmCo 1002"), (collectively, "PharmCo", and/or "the Company") is a Florida technology and health services organization that provides prescription pharmaceuticals, compounded medications, tele-pharmacy services, anti-retroviral medications, medication therapy management, the supply of prescription medications to long term care facilities, 340B services to charitable organizations, and health practice risk management. The Company is focused on developing the PharmCo brand and adding business elements that cater to specific under-served markets and demographics. This effort includes community and network-based marketing strategies, the introduction of new locations, acquisitions and strategic collaboration(s) with community, government and charitable organizations.

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

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

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

RXMD Therapeutics was formed on October 1, 2019 and specializes in cannabinoid-based and alternative therapy product lines. RXMD Therapeutics had no operating activity in 2019 and expects to commence operations in 2020.

Note 2 Basis of Presentation

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

Note 3 Summary of Significant Accounting Policies

Principles of Consolidation

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

Use of Estimates

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

The Company maintains its cash and cash equivalents 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 and cash equivalent balances.

Cash Equivalents: The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. As of December 31, 2019, the Company's cash equivalents consist of a money market account.

Accounts Receivable and Allowance for Doubtful Accounts

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

Risks and Uncertainties

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

Billing Concentrations

The Company's trade receivables are primarily from prescription medications billed to various insurance providers. Ultimately, the insured is responsible for payment should the insurance company not reimburse the Company. The Company generated reimbursements from three significant insurance providers for the year ended December 31, 2019:

Payors	
A	23%
B	18%
C	8%

The Company generated reimbursements from three significant pharmacy benefit managers (PBMs) for the year ended December 31, 2019:

PBMs	
A	33%
B	26%
C	24%

Inventory

Inventory is valued on a lower of first-in, first-out (FIFO) cost or net realizable value basis. Inventory primarily consists of prescription medications, pharmacy supplies, and retail items. The Company provides a valuation

allowance for obsolescence and slow-moving items. The Company recorded an allowance for obsolescence of $40,000 as of December 31, 2019.

Property and Equipment

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

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

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

Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. There were no impairment charges for the year ended December 31, 2019.

Business acquisitions

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 and goodwill. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Acquisition-related expenses and restructuring costs are recognized separately from the business combination and are expensed as incurred.

Goodwill

Goodwill represents the excess of purchase price of FPRX and PharmCo 1002 over the value assigned to their net tangible and identifiable intangible assets. FPRX and PharmCo 1002 are considered to be the reporting units for goodwill. Acquired intangible assets other than goodwill are amortized over their useful lives unless the lives are determined to be indefinite. For intangible assets purchased in a business combination, the estimated fair values of the assets received are used to establish their recorded values. Valuation techniques consistent with the market approach, income approach, and/or cost approach are used to measure fair value. Goodwill and other indefinite-lived intangible assets are tested annually for impairment in the fourth fiscal quarter and in interim periods if events or changes in circumstances indicate that the assets may be impaired. There were no facts or circumstances occurring during 2019 suggesting possible impairment and, therefore, the Company did not record an impairment charge during the year ended December 31, 2019.

Intangible Assets

Amortizing identifiable intangible assets generally represent the cost of client relationships and tradenames acquired, as well as non-compete agreements to which the Company is a party. In valuing these assets, the Company makes assumptions regarding useful lives and projected growth rates, and significant judgment is required. The Company periodically reviews its identifiable intangible assets for impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If the carrying amounts of those assets

exceed their respective fair values, additional impairment tests are performed to measure the amount of the impairment losses, if any.

Fair Value of Financial Instruments

The Company's financial instruments consisted of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, capital lease obligations, and notes payable. The carrying amounts of the Company's financial instruments other than notes payable and capital lease obligations generally approximate their fair values at December 31, 2019 due to the short-term nature of these instruments. The carrying amount of notes payable approximated fair value due to variable interest rates at customary terms and rates the Company could obtain in current financing. The carrying value of the capital lease obligations approximate fair value due to the implicit rate in the lease in relation to the Company's borrowing rate and the duration of the leases.

Derivative Liabilities

U.S. 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 recognizes pharmacy revenue from dispensing prescription drugs at the time the drugs are physically delivered to a customer or when a customer picks up their prescription or purchases merchandise at the store, which is the point in time when control transfers to the customer. Each prescription claim is considered an arrangement with the customer and is a separate performance obligation. The Company records unearned revenue for prescriptions that are filled but not yet delivered at period-end. Billings for most prescription orders are with third-party payers, including Medicare, Medicaid and insurance carriers. Customer returns are nominal. Pharmacy revenues were approximately 98% of total revenue in 2019.

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

The following table disaggregates net revenue by categories for the year ended December 31, 2019:

Prescription revenue	$32,314,746
340B contract revenue	670,513
Rent revenue	39,901
Subtotal	33,025,160
PBM fees	(364,386)
Sales returns	(31,647)
Revenues, net	$32,629,127

Cost of Revenue

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

Vendor Concentrations

For the year ended December 31, 2019, the Company had significant vendor concentrations with one vendor. The purchases from this significant vendor were 91% of total vendor purchases in 2019.

Selling, General and Administrative Expenses

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

Advertising

Costs incurred for producing and communicating advertising for the Company are charged to operations as incurred. Advertising expense was $86,615 for the year ended December 31, 2019.

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 selling, general and administrative expenses in the consolidated statement of operations.

Income Taxes

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

Progressive Care Inc., RXMD Therapeutics and FPRX are taxed as C corporations. PharmCo 901 and PharmCo 1002 are taxed as partnerships, wherein each member is responsible for the tax liability, if any, related to its proportionate share of PharmCo 901 and PharmCo 1002's taxable income. Progressive Care Inc. has a 100% ownership interest in PharmCo 901 and PharmCo 1002; therefore, all of PharmCo 901 and PharmCo 1002's taxable income attributable to the period of ownership is included in Progressive Care Inc.'s taxable income.

The provision for income taxes for the year ended December 31, 2019 on the Consolidated Statement of Operations represents the minimum state corporate tax payments. There was no current tax provision for the year ended December 31, 2019 because the Company did not have taxable income for 2019. Total available net operating losses to be carried forward to future taxable years was approximately $7.5 million as of December 31, 2019, $6 million of which will expire in various years through 2038. The temporary differences giving rise to deferred income taxes principally relate to accelerated depreciation on property and equipment and amortization of goodwill recorded for tax purposes, share-based compensation, reserves for estimated doubtful accounts and inventory obsolescence and net operating losses recorded for financial reporting purposes. The Company's net deferred tax asset at December 31, 2019 was fully offset by a 100% valuation allowance as it was not more likely than not that the tax benefits of the net deferred tax asset would be realized. The change in the valuation allowance was approximately $496,000 for the year ended December 31, 2019.

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 year ended December 31, 2019.

Earnings (Loss) per Share

Basic earnings/loss per share ("EPS") is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the year, excluding the effects of any potentially dilutive securities. Diluted EPS gives effect to all dilutive potential of shares of common stock outstanding during the period including stock warrants, using the treasury stock method (by using the average stock price for the period to determine the number of shares assumed to be purchased from the exercise of stock warrants), and convertible debt, using the if converted method. Diluted EPS excludes all dilutive potential of shares of common stock if their effect is anti-dilutive. The effect of including common stock equivalents in weighted average common shares outstanding for 2019 is anti-dilutive, and therefore a separate computation of diluted earnings per share for 2019 is not presented.

New Accounting Standards

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

Topic 606 permits two methods of adoption:

a) Retrospectively to each prior reporting period presented (full retrospective method), or

b) Retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (modified retrospective transition method).

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

On January 1, 2019, the Company adopted Topic 606 using the modified retrospective transition method, under which the opening balance of retained earnings as of January 1, 2019 would be adjusted for the cumulative effect of initially applying the guidance at January 1, 2019 (the date of initial application). The adoption of Topic 606 resulted in a reclassification of DIR fees from cost of revenues to revenue, as the Company accrues an estimate of fees, including DIR fees that are assessed or expected to be assessed by payers at some point after adjudication of a claim, as a reduction of revenue at the time revenue is recognized. However, the effect of this change did not result in a cumulative effect adjustment to beginning retained earnings as of January 1, 2019.

An additional effect of the adoption of Topic 606 was the Company realized a shift in the timing of revenue recognition of dispensing prescription drugs for home delivery from the date the drugs are shipped under the Company's previous accounting policy to the date the drugs are physically delivered (which better reflects when control transfers) under the new accounting policy adopted in connection with Topic 606. The effect of this change is not significant as there is a very short timeframe (generally 1 – 3 days) from the shipment date to the physical delivery date of the prescription drugs.

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 as off-balance sheet lease arrangements. 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, 2020. 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 has adopted this standard update in its 2020 interim and annual consolidated financial statements beginning January 1, 2020.

In June 2016, the FASB issued ASU 2016-13 Financial Instruments, Measurement of Credit Losses on Financial Instruments. In November 2018, the FASB issued ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments-Credit Losses. The main objective of these updates is to replace the incurred loss impairment methodology under current U.S. GAAP, with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Trade receivables that management has the intent and ability to hold for the foreseeable future until payoff shall be reported in the balance sheet at outstanding principal adjusted for any charge-offs and the allowance for credit losses (no longer referred to as the allowance for doubtful accounts). The effective date of these updates is for fiscal years beginning after December 15, 2022. Management does not expect these updates will have a material impact 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, 2022, with early adoption permitted, and should be applied prospectively. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07, Compensation-Stock Compensation (Topic 718) - Improvements to Nonemployee Share-Based Payment Accounting, which aligns the measurement and classification guidance for share-based payments to nonemployees with the guidance for share-based payments to employees, with certain exceptions. Under the guidance, the measurement of equity-classified nonemployee awards will be fixed at the grant date. This guidance is effective for the Company's fiscal year ending December 31, 2020 and interim periods within fiscal years beginning after December 15, 2020. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740)—Simplifying the Accounting for Income Taxes, which removes certain exceptions to the general principles in Topic 740 and amends existing guidance to improve consistent application. ASU 2019-12 is required to be adopted for annual periods beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted. Management is currently evaluating the impact of the adoption of this guidance 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.

Note 4. Acquisition of Family Physicians RX, Inc.

On March 8, 2019, Progressive entered into an agreement ("the Purchase Agreement") for the acquisition of 100% of the issued and outstanding common stock of Family Physicians RX, Inc. ("FPRX"), aka Five Star RX, a Florida based pharmacy with locations in Davie and Orlando, Florida. The purchase price for the acquisition of FPRX was $3,000,000, whereby $2.3 million is payable in cash to the former owners over the two-year period following the

closing, and $700,000 is payable in common stock of the Company, valued at the lower of the closing price of the Company's common stock on the closing date or $0.07 per share. In addition, Progressive also agreed to pay to the former owners consideration equal to the following, all value at the closing date: the fair value of FPRX inventory at the closing date plus an amount equal to the book value of FPRX accounts receivable minus accounts payable and all other accrued liabilities as of the closing date, plus an amount equal to the FPRX cash balances. The closing date of the acquisition was May 31, 2019.

On November 8, 2019, the Purchase Agreement was modified to include a reduced purchase price to approximately $2.5 million, which included approximately $417,000 for the fair value of FPRX inventory at the closing date and approximately $157,000 for FPRX cash balances; a rescission of the common stock shares issued, retention of net accounts receivable, and various modifications to the Employment Agreements. At December 31, 2019, the rescission of common stock shares issued was accounted for as a reduction of additional paid-in capital in the accompanying Consolidated Statement of Stockholders' Equity (Deficit) and the shares were cancelled on September 30, 2020.

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

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

Cash consideration	$ 2,473,645
Recognized amounts of identifiable assets acquired, and liabilities assumed:	
Cash	$ 256,268
Accounts receivable	336,449
Inventory	419,473
Identifiable intangible assets	791,000
Other financial assets	14,612
Financial liabilities	(441,203)
Goodwill	1,097,046
	$ 2,473,645

The Company incurred acquisition-related costs in the amount of $83,000 in 2019 (included in other selling, general administrative expenses in the Company's consolidated statement of operations).

The following unaudited pro forma financial statements have been prepared to give effect to the June 1, 2019 acquisition of Family Physicians RX, Inc. ("FPRX") by Progressive Care, Inc. (the "Company" or "Progressive Care"), under the acquisition method of accounting. The unaudited pro forma statements of operations and pro forma balance sheet give effect to the acquisition. The unaudited pro forma balance sheet information as of May 31, 2019 has been prepared as if such transactions had occurred on that date, and the unaudited pro forma statement of operations for the five months ended May 31, 2019 has been prepared as if such transactions had occurred at January 1, 2019. The adjustments are described in the accompanying schedule of pro forma adjustments.

Unaudited pro forma financial information is presented for illustrative purposes only and is not necessarily indicative of the financial position or results of operations that would have actually been reported had the acquisition occurred at the beginning of the period presented, nor is it necessarily indicative of future financial position or results of operations. The unaudited pro forma financial statements presented herein are based upon the respective historical consolidated financial statements of Progressive Care and FPRX and notes thereto. These unaudited pro forma financial statements do not include, nor do they assume, any benefits from cost savings or synergies of operations of the combined companies.

The unaudited pro forma financial statements should be read in conjunction with the historical consolidated financial statements of Progressive Care and FPRX.

Progressive Care Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
Year ended December 31, 2019

Progressive Care Inc. and Subsidiaries
Pro Forma Combined Balance Sheet as of May 31, 2019

	Progressive Care Inc. and Subsidiaries (Unaudited)	FPRX (Unaudited)	Pro Forma Adjustments		Total
Cash and cash equivalents	$ 32,956	$ 256,268	$ -		$ 289,224
Accounts receivable, net	1,168,676	336,449			1,505,125
Inventory, net	270,107	419,473			689,579
Prepaid expenses	57,528	13,612			71,140
Property and equipment	2,352,312	-			2,352,312
Escrow	3,300,000		(2,873,645)		426,355
Goodwill	290,814		2,197,046	3	2,487,860
Deposits	27,846	1,000			28,846
Intangible assets, net			791,000	2	791,000
Total Assets	$ 7,500,239	$ 1,026,802	$ 114,401		$ 8,641,442
Accounts payable and accrued liabilities	$ 2,306,174	$ 330,073	$ 99,262	1	$ 2,735,510
Notes payable	3,292,522				3,292,522
Capital lease obligations	279,075	11,868			290,943
Unearned revenue	175,051				175,051
Deferred rent liability	56,395				56,395
Derivative liability	1,935,000		-		1,935,000
Total Liabilities	8,044,217	341,941	99,262		8,485,421
Stockholders' Deficit					
Preferred stock	0				0
Common stock	42,563	100	900	4	43,563
Additional paid-in capital	4,949,434	125,898	573,102	1,4	5,648,434
(Accumulated deficit) retained earnings	(5,535,975)	558,863	(558,863)		(5,535,975)
Total Stockholders' Deficit	(543,978)	684,861	15,139		156,022
Total Liabilities and Stockholders' Deficit	$ 7,500,239	$ 1,026,802	$ 114,401		$ 8,641,442

Progressive Care Inc. and Subsidiaries
Pro Forma Combined Statement of Operations for the Five Months Ended May 31, 2019

	Progressive Care Inc. and Subsidiaries (Unaudited)	FPRX (Unaudited)	Pro Forma Adjustments	Total
Revenues, net	$ 8,883,395	$ 7,042,391	$ -	$ 15,925,786
Cost of revenue	7,170,935	5,760,202	-	12,931,137
Gross profit	1,712,460	1,282,189	-	2,994,649
Total Selling, general and administrative expenses	2,275,946	1,546,405	-	3,822,351
Loss from operations	(563,486)	(264,216)	-	(827,702)
Other Income (Expense), net	(190,581)	(1,771)	-	(192,352)
Loss before provision for income taxes	(754,067)	(265,987)	-	(1,020,054)
Provision for income taxes	(2,689)	-	-	(2,689)
Net loss	$ (756,756)	$ (265,987)	$ -	$ (1,022,743)

SCHEDULE OF PRO FORMA ADJUSTMENTS

Pro forma consolidated balance sheet adjustments (1) through (4) below assume that the acquisition occurred as of May 31, 2019. Certain amounts in the FPRX historical statements of operations have been reclassified to conform to classifications used by Progressive Care.

1 To record the purchase price of FPRX.
2 To record the fair value of FPRX's identifiable intangible assets.
3 To record acquired goodwill.
4 To eliminate FPRX's equity accounts.

Note 5. Accounts Receivable – Trade, net

Accounts receivable consisted of the following at December 31, 2019:

Gross accounts receivable - trade	$ 2,252,459
Less: Allowance for doubtful accounts	(85,300)
Accounts receivable – trade, net	$ 2,167,159

For the year ended December 31, 2019, the Company recognized bad debt expense in the amount of $139,030.

Note 6. Property and Equipment, net

Property and equipment, net consisted of the following at December 31, 2019 was:

Building	$ 1,651,069
Land	184,000
Leasehold improvements and fixtures	365,411
Furniture and equipment	425,028
Computer equipment and software	95,397
Vehicles	82,668
Website	67,933
Total	2,871,506
Less: accumulated depreciation and amortization	(719,994)
Property and equipment, net	$ 2,151,512

Depreciation and amortization expense for the year ended December 31, 2019 was $256,172.

Note 7. Intangible Assets

Intangible assets consisted of the following at December 31, 2019:

Trade names	$ 362,000
Pharmacy records	263,000
Non-compete agreements	166,000
Subtotal	791,000
Less accumulated amortization	(201,658)
Net intangible assets	$ 589,342

Amortization of intangible assets amounted to $201,658 for 2019. The following table represents the total estimated amortization of intangible assets for the five succeeding years:

Year	Amount
2020	$ 345,700
2021	163,408
2022	33,200
2023	33,200
2024	13,834
Total	**$ 589,342**

Note 8. Notes Payable

Notes payable consisted of the following at December 31, 2019:

A. Convertible notes payable - collateralized	$ 4,162,000
B. Mortgage note payable – commercial bank - collateralized	1,459,325
B. Mortgage note payable – sellers - collateralized	330,000
C. Note payable – uncollateralized	25,000
D. Note payable - collateralized	80,348
Insurance premium financing	14,823
Subtotal	6,071,496
Less Unamortized debt discount	(2,155,755)
Less Unamortized debt issuance costs	(13,927)
Total	3,901,814
Less: Current portion of notes payable	(1,916,553)
Long-term portion of notes payable	$ 1,985,261

The corresponding notes payable above are more fully discussed below:

(A) Convertible Notes Payable – collateralized

Chicago Venture Partners, L.P.

On January 2, 2019, Progressive entered a Securities Purchase Agreement (the "Purchase Agreement") with Chicago Venture Partners, L.P. ("Chicago Venture"), a Utah limited partnership, in the amount of $2,710,000, which included a $200,000 Original Issue Discount ("OID") and $10,000 in debt issuance costs for the transaction. The note is comprised of seven tranches consisting of an initial tranche in the amount of $1,090,000 and six additional tranches each in the amount of $270,000. The initial tranche consisted of the initial cash purchase price of $1,090,000, $80,000 of the OID and the debt issuance costs of $10,000. The remaining OID will be allocated $20,000 to each of the remaining six tranches. The note is convertible into shares of common stock ($0.0001 par value per share) in 1 year at the average of the five lowest closing trading prices during the twenty trading days immediately preceding the applicable conversion. The note matures on January 2, 2022 (the "Maturity Date"). The note accrues interest at the rate of 9% per annum and the entire unpaid principal balance plus all accrued and unpaid interest are due on the Maturity Date. Progressive received the initial tranche of $1,090,000 at the closing of the transaction, which included $90,000 of OID and legal costs. Progressive granted the Investor a security interest in all right, title, interest and claims of Progressive. PharmCo 901 has agreed to guarantee Progressive's obligations under the Purchase Agreement, the note and the Security Agreement by entering into a Guaranty Agreement in favor of Chicago Venture. Pursuant to the Guaranty Agreement, Progressive has agreed to pay to PharmCo 901 10% of all proceeds it received from Chicago Venture, as consideration to secure Progressive's obligations, and an additional 50% of all proceeds from Chicago Venture for PharmCo's ongoing business operations. Progressive intends to use

the net proceeds for its general working capital and the general working capital of PharmCo 901 to further both companies' ongoing growth and development.

The first tranche of $1,090,000 less the OID and debt issuance costs was disbursed to the Company on January 7, 2019.

On October 25, 2019, the Company drew down the second tranche against the note in the amount of $162,000, which included $12,000 of the OID. The balance outstanding on the Chicago Venture note was $1,252,000 at December 31, 2019. Accrued interest on the first and second tranches at December 31, 2019 was $100,187 and such amount is included in accounts payable and accrued expenses in the accompanying consolidated balance sheet.

The Company has identified conversion features embedded within the Chicago Venture note. The Company has determined that the conversion features represent an embedded derivative. Accordingly, the embedded conversion feature was bifurcated from the debt host and accounted for as a derivative liability. On January 2, 2019, the Company recorded a derivative liability on the note in the amount of $571,000. For the year ended December 31, 2019, the Company recorded a Change in Fair Value of the Derivative Liability in the amount of $187,000. The derivative liability balance on the consolidated balance sheet at December 31, 2019 was $758,000.

At inception, the fair value of the derivative instrument has been recorded as a liability on the consolidated balance sheets with the corresponding amount recorded as a discount to the note. The discount was accreted from the issuance date to December 31, 2019, with a corresponding charge to interest expense. The change in the fair value of the derivative liability was recorded in other income or expenses in the consolidated statement of operations at the end of 2019, with the offset to the derivative liability on the consolidated balance sheet as of December 31, 2019. 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 on January 2, 2019. Debt Discount consists of the discount recorded upon recognition of the derivative liability upon issuance of the first tranche. Debt issuance costs and debt discount are amortized to interest expense over the term of the related debt using the effective interest method. Total amortization expense for the year ended December 31, 2019 was $220,475.

Iliad Research and Trading, L.P.

On March 6, 2019, Progressive entered a Securities Purchase Agreement (the "Purchase Agreement") with Iliad Research and Trading, L.P. ("Iliad Research"), a Utah limited partnership, in the amount of $3,310,000, which included a $300,000 Original Issue Discount ("OID") and $10,000 in debt issuance costs for the transaction. The note is comprised of two tranches consisting of an initial tranche in the amount of $2,425,000 and a second tranche in the amount of $885,000. The initial tranche consisted of the initial cash purchase price of $2,425,000, $115,000 of the OID and the debt issuance costs of $10,000. The remaining OID of $185,000 has been allocated to the second tranche. The note is convertible into shares of common stock ($0.0001 par value per share) in 1 year at the average of the two lowest closing trading prices during the twenty trading days immediately preceding the applicable conversion. The note matures on March 6, 2022 (the "Maturity Date"). The note accrues interest at the rate of 10% per annum and the entire unpaid principal balance plus all accrued and unpaid interest are due on the Maturity Date.

Progressive received the initial tranche of $2,425,000 at the closing of the transaction, which included $115,000 of OID and legal costs. Progressive granted the Investor a security interest in all right, title, interest and claims of Progressive. PharmCo 901 has agreed to guarantee Progressive's obligations under the Purchase Agreement, the note and the Security Agreement by entering into a Guaranty Agreement in favor of Iliad Research. Pursuant to the Guaranty Agreement, Progressive has agreed to pay to PharmCo 901 10% of all proceeds it received from Iliad Research, as consideration to secure Progressive's obligations. Progressive used the net proceeds as part of the total purchase price of the acquisition of 100% of the FPRX ownership interests.

The first tranche of $2,425,000 less the OID and debt issuance costs was disbursed and held in escrow by Iliad Research on March 6, 2019. $1 million of the escrow deposit was disbursed to the owners of FPRX at the purchase closing date, June 1, 2019. The second tranche of $885,000 less the OID was disbursed to Progressive on June 4, 2019 and was used to complete the total purchase price of the FPRX acquisition. On November 8, 2019, the Company entered into an amendment of the FPRX Purchase Agreement, which in part included a reduction of the purchase price (Note 4). As a result of the amended Purchase Agreement, the Company returned $400,000 of the second tranche to Iliad Research and Trading, L.P. on November 12, 2019.

The balance outstanding on the Iliad Research note payable was $2,910,000 at December 31, 2019. Accrued interest on the note payable at December 31, 2019 was $248,893 and such amount is included in accounts payable and accrued liabilities in the accompanying consolidated balance sheet.

The Company has identified conversion features embedded within the Iliad Research note. The Company has determined that the conversion features represent an embedded derivative. Accordingly, the embedded conversion feature was bifurcated from the debt host and accounted for as a derivative liability. On March 6, 2019, the Company recorded a derivative liability on the first tranche in the amount of $1,351,000. On June 4, 2019, the Company recorded a derivative liability on the second tranche in the amount of $614,000. For the year ended December 31, 2019, the Company recorded a Change in Fair Value of the Derivative Liabilities in the amount of $134,000. The derivative liability balance on the Iliad Research note on the consolidated balance sheet December 31, 2019 was $2,099,000.

At inception, the fair value of the derivative instrument has been recorded as a liability on the consolidated balance sheets with the corresponding amount recorded as a discount to the note. The discount was accreted from the issuance date to December 31, 2019, with a corresponding charge to interest expense. The change in the fair value of the derivative liability was recorded in other income or expenses in the consolidated statement of operations at the end of 2019, with the offset to the derivative liability on the consolidated balance sheets. The fair value of the embedded derivative liability was determined using the Monte Carlo Simulation model on the issuance date.

Debt Issuance Costs and Debt Discount:

Debt Issuance Costs consist of fees incurred through securing financing from Iliad Research on March 6, 2019. Debt Discount consists of the discount recorded upon recognition of the derivative liability upon issuance of the first and second tranches. 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 year ended December 31, 2019 was $557,843.

(B) Mortgage Notes Payable – collateralized

On December 14, 2018, PharmCo 901 closed on the purchase of land and building located at 400 Ansin Boulevard, Hallandale Beach, Florida. The purchase price was financed through the issuance of two mortgage notes and security agreements entered into with a commercial bank and the sellers. PharmCo 901 entered into a mortgage note and security agreement with Regions Bank for $1,530,000. The promissory note is collateralized by the land and building, bears interest at a fixed rate of 4.75% per annum, matures on December 14, 2028 and is subject to a prepayment penalty. Principal and interest will be repaid through 119 regular payments of $11,901 that began in January 2019, with the final payment of all principal and accrued interest not yet paid on December 14, 2028. Note repayment is guaranteed by Progressive Care Inc. In February 2020, the mortgage note was purchased from Regions Bank by another financial entity. All of the original mortgage and security agreement terms remained unchanged. The balance outstanding on the mortgage payable was $1,459,325 at December 31, 2019. Interest expense was $72,134 for the year ended December 31, 2019.

PharmCo 901 also entered into a mortgage note and security agreement with the sellers of the 400 Ansin Boulevard land and building for $300,000. The note bore interest at an annual rate of 10% and matured on December 14, 2019. The note was secured by the land and building, but such security interest was subordinated to the bank's security interest in the land and building. On December 14, 2019, principal and accrued but unpaid interest of $330,000 was

converted into 6,832,299 shares of Progressive Care Inc.'s common stock at the stock's closing price at the conversion date. Since the common shares were not issued to the note holder until January 4, 2020, the $330,000 amount is included in notes payable – current portion in the accompanying consolidated balance sheet as of December 31, 2019. (Note 10). Interest expense was $30,000 for the year ended December 31, 2019. The seller's security interest in the 400 Ansin Boulevard land and building will be retained until such time that the sellers are able to sell the common stock shares.

(C) Note Payable – Uncollateralized

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

(D) Note Payable – Collateralized

In September 2019, the Company entered into a note obligation with a bank, the proceeds from which were used to pay off a capital lease obligation on pharmacy equipment in the amount of $85,429 (Note 9). The terms of the promissory note payable require 48 monthly payments of $2,015, including interest at 6.5%. The balance outstanding on the note payable was $80,348 at December 31, 2019. The promissory note is secured by equipment with a net book value of $74,706 at December 31, 2019. Interest expense on the note payable was $965 for the year ended December 31, 2019.

Future maturities of notes payable are as follows (this table reflects Chicago Venture and Iliad Research partial note redemptions disclosed in Note 14, Subsequent Events):

Year	Amount
2020	$ 1,916,553
2021	1,135,346
2022	1,773,032
2023	104,074
2024	90,856
Thereafter	1,051,635
Total	**$ 6,071,496**

Interest expense on these notes payable was $453,860 for the year ended December 31, 2019.

Note 9. Capital Lease Obligations

In July 2016, the Company entered into a capital lease obligation to purchase pharmacy equipment with a cost of $163,224. The terms of the capital lease agreement required 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 $4,882 for the year ended December 31, 2019, which has been included in interest expense on the accompanying consolidated statement of operations. The unamortized discount was $0 at December 31, 2019. The capital lease obligation matured in September 2019 and the remaining unpaid capital lease balance of $85,429 was refinanced from the proceeds of a promissory note payable (Note 8).

In May 2018, the Company entered into a capital lease obligation to purchase pharmacy equipment with a cost of $114,897. The terms of the capital lease agreement require monthly payments of $1,678 plus applicable tax over 84 months at an interest rate of 6%. The lease is secured by equipment with a net book value of $87,529 at December 31, 2019. As of December 31, 2019, the outstanding capital lease balance totals approximately $92,000.

The Company assumed an equipment capital lease obligation for medication dispensing equipment from the acquisition of PharmCo 1002 in July 2018. The lease expires in March 2020 and requires monthly installments of

$2,855 including interest at the rate of 2.36%. The capital lease obligation is secured by equipment with a net book value of $12,610 at December 31, 2019. As of December 31, 2019, the outstanding capital lease balance totals approximately $79,000.

Minimum lease payments for years subsequent to December 31, 2019 are as follows:

Year	Amount
2020	$ 52,158
2021	76,492
2022	20,142
2023	20,142
2024	20,142
Thereafter	5,034
Subtotal	194,110
Less: interest	23,527
Total	170,583
Less: current maturities	42,327
Long-term portion of capital lease obligation	$ 128,256

The current portion of the capital lease obligations was $42,327 as of December 31, 2019. Interest expense for the year ended December 31, 2019 was $13,452. Depreciation expense related to the assets under the capital leases was approximately $71,000 for the year ended December 31, 2019 and was included in depreciation and amortization expense in the accompanying consolidated statement of operations.

Note 10. Stockholders' Equity

Share-Based Compensation

On July 1, 2019, the Company issued 650,000 shares of its common stock to an outside consultant in satisfaction of an accrued compensation liability from the second quarter 2019. The shares were issued in consideration of investor and public relations services provided to the Company and initially valued at $43,000.

Common Stock Issued for Business Acquisition

On July 1, 2019, the Company issued 10,000,000 shares of its common stock to the former owners of FPRX for the acquisition of 100% of its issued and outstanding common stock (Note 4). The shares were initially valued at $700,000. The amended FPRX Purchase Agreement entered into on November 8, 2019 contained a rescission of the shares issued to the former owners. The common stock shares would be cancelled upon return by the former owners. The common stock shares were returned to the Company in March 2020.

Common Stock Issued for Mortgage Note Conversion

On December 14, 2019, mortgage note principal and accrued but unpaid interest of $330,000 was converted into 6,832,299 shares of Progressive Care Inc.'s common stock at the stock's closing price at the conversion date (Note 8).

Amendment to Certificate of Incorporation

On September 23, 2019, the Company's board of directors and stockholders approved an amendment to the Company's certificate of incorporation wherein the total number of shares of all classes of capital stock which the Company shall have the authority to issue is 1,010,000,000 shares, of which 1,000,000,000 shares are designated as common stock, par value $0.0001 per share, and 10,000,000 shares are designated as Series A preferred stock, par value $0.00001 per share.

Preferred Stock

The Series A preferred stock is a non-dividend producing instrument that ranks superior to the Company's common stock. Each one (1) share of the Series A Preferred Stock shall have voting rights equal to (x) 0.019607 *multiplied by* the total issued and outstanding common stock and Preferred Stock eligible to vote at the time of the respective vote (the "**Numerator**"), *divided by* (y) 0.49, *minus* (z) the Numerator.

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

On July 11, 2014, the board of directors approved the issuance of 51 shares of the Company's Series A Preferred Stock to a certain employee of the Company, which is equal to 50.99% of the total voting power of all issued and outstanding voting capital of the Company in satisfaction of $20,000 in past due debt. These issued shares of preferred stock are outstanding as of December 31, 2019. As of December 31, 2019, the individual is employed by the Company.

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 North Miami Beach pharmacy location under a non-cancelable operating lease agreement expiring in December 2020. This lease is guaranteed by a shareholder and an unrelated individual. The Company also leases its Davie, Orlando, and Palm Beach County pharmacy locations under operating lease agreements expiring in various months through March 2021. Rent expense was $365,838 for the year ended December 31, 2019.

The Company's 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 $36,285 as of December 31, 2019.

At December 31, 2019, rental commitments for currently occupied space for the fiscal years of 2020 through 2021 are as follows:

Year	Amount
2020	$ 320,921
2021	12,731
Total	$ 333,652

Note 12. Related Party Transactions

During the year ended December 31, 2019, the Company had a verbal consulting arrangement with Spark Financial Consulting ("Spark"), which is a consulting company owned by an employee and preferred stock controlling shareholder of the Company. Spark provides business development services including but not limited to recruiting, targeting and evaluation of potential mergers and acquisitions, finding third party contractors and assisting with related negotiations in exchange for a monthly fee of $16,000 in 2019. Additionally, Spark may be entitled to additional fees for additional consulting services. During the year ended December 31, 2019, the Company paid

Spark $238,158. The Company had accrued balances payable to Spark on its Consolidated Balance Sheet as of December 31, 2019 of $400.

The Company has an employment agreement (the "Agreement") with a certain pharmacist, Head of the Compounding Department, who is the first paternal cousin to the preferred stock controlling shareholder and employee of the Company. In consideration for duties performed including but not limited to marketing, patient consultation, formulary development, patient and physician education, training, recruitment, sales management, as well as pharmacist responsibilities, the Company agreed to provide monthly compensation of $15,000 or $10,000 per month plus 5% commission on monthly gross profits generated by the Compounding Department, whichever is greater. During the year ended December 31, 2019, payments to the pharmacist were approximately $211,000.

Note 13. Retirement Plan

The Company sponsors a 401(k) retirement plan ("the Plan") covering qualified employees of PharmCo 901, PharmCo 1002 and FPRX, as defined. Employees who have been employed more than one year are eligible to participate in the Plan. The Company matches the employee's contribution up to a maximum of 3% of the eligible employee's compensation. The Company contributed approximately $44,600 in matching contributions for the year ended December 31, 2019.

Note 14. Subsequent Events

Management has evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through March 22, 2021, the date the consolidated financial statements were available to be issued.

New 340B contracts

On January 1, 2020, the Company entered into a pharmacy service agreement with Embrace Arms Foundation, Inc., which is a covered entity as defined in Section 340B of the Public Health Service Act. The Company will maintain sufficient supplies of covered drugs to meet the day-to-day needs of Eligible Patients. Embrace Arms will replenish the Company's inventory for Covered Drugs dispensed to Eligible Patients for which payment under this Agreement was received by the Company. Embrace Arms will arrange to be billed directly for Covered Drugs by the manufacturer/ wholesaler(s) and arrange for shipment of such drugs directly to the Company.

The Company entered into a contracted pharmacy service agreement with Alive and Well Community Partners, LLC ("Alive and Well") on July 31, 2020, under which the Company will provide drug program services for Alive and Well's 340B Drug Program. The Company will receive dispensing and administrative fees for its services under this agreement.

Executive Employment Agreement

The Company entered into an executive employment agreement with Birute Norkute on January 3, 2020. The Company has appointed and will employ Ms. Norkute as its Chief Operating Officer. Her employment duties will include reporting directly to the board of directors of the Company for the full time high quality performance of directing, supervising and having responsibility for overseeing operations and the general affairs of the Company. The term of the agreement is 3 years.

Chicago Venture Partners L.P. Partial Note Redemptions

On January 7, 2020, Chicago Venture made a partial redemption request on its note agreement with Progressive Care. The redemption request resulted in a conversion of $50,000 of note principal into 1,288,527 shares of Progressive Care common stock.

On January 29, 2020, Chicago Venture made a partial redemption request on its note agreement with Progressive Care. The redemption request resulted in a conversion of $100,000 of note principal into 2,536,526 shares of Progressive Care common stock.

On February 24, 2020, Chicago Venture made a partial redemption request on its note agreement with Progressive Care. The redemption request resulted in a conversion of $100,000 of note principal into 2,570,958 shares of Progressive Care common stock.

On April 1, 2020, Chicago Venture made a partial redemption request on its note agreement with Progressive Care. The redemption request resulted in a conversion of $100,000 of note principal into 3,794,778 shares of Progressive Care common stock.

On May 14, 2020, Chicago Venture made a partial redemption request on its note agreement with Progressive Care. The redemption request resulted in a conversion of $200,000 of note principal into 6,650,705 shares of Progressive Care common stock.

On June 30, 2020, Chicago Venture made a partial redemption request on its note agreement with Progressive Care. The redemption request resulted in a conversion of $450,000 of note principal into 13,567,294 shares of Progressive Care common stock. .

On August 6, 2020, Chicago Venture made a partial redemption request on its note agreement with Progressive Care. The redemption request resulted in a conversion of $230,079 of note principal into 5,750,831 shares of Progressive Care common stock.

On July 1, 2019, the Company issued 10,000,000 shares of Common Stock to the former owners of FPRX, Inc. for the acquisition of 100% of its issued and outstanding common stock. The shares were initially valued at $700,000. The amended FPRX purchase agreement entered on November 8, 2019 contained a provision wherein the former owners were required to return the 10,000,000 shares of common stock to us, at which point the common stock shares would be cancelled. On September 30, 2020, 10,000,000 shares of common stock were cancelled which was recorded as a reduction in the number of outstanding shares as of September 30, 2020.

On November 3, 2020, Chicago Venture made a final redemption request on its note agreement with Progressive Care. The redemption request resulted in a conversion of $177,580 of note principal into 6,043,418 shares of Progressive Care common stock.

Acceptance of U.S. CARES Act PPP Program Loan Funds

On April 6, 2020, the Company applied for Federal Payment Protection Program (PPP) Loan funds available under the U.S. CARES Act for all subsidiaries of Progressive Care. Given the level of uncertainty surrounding the healthcare industry and the number of medical practices closed or operating at fractional capacity, the Company worked to secure loan funding to ensure that it would provide support to its employees who provide frontline medicinal services to Florida communities. On April 20, 2020, the Company received approval for an FPRX loan in the amount of $421,400 through the Small Business Administration's (SBA) preliminary round of funding for the PPP Program. On May 1, 2020, the Company received approval of PPP loans for PharmCo 901 and PharmCo 1002 in the amount of $511,000 and $81,500, respectively, through the SBA's secondary PPP funding round. FPRX, PharmCo 901 and PharmCo 1002 received the proceeds from the PPP Loans on April 24, May 4, and May 6, 2020, respectively. The PPP Loans carry a 1% annual interest rate and mature 2 years from date of issuance with a 6-month deferment period for repayment. Under the terms of the PPP, certain amounts of the PPP loans may be forgiven if they are used for qualifying expenses as described in the U.S. CARES Act, including qualifying payroll costs, covered rent payments, covered utilities and covered mortgage interest payments.

In February 2021, PharmCo 1103 entered into a Second Draw of the PPP (the "PPP2 Note") with a financial institution in the amount of $421,400. The PPP2 Note was issued pursuant to the Consolidated Appropriation Act, 2021, (the "Act") which was signed into law on December 27, 2020. The PPP2 Note bears interest at 1% per annum

and matures in February 2026. PharmCo 1103 may apply for forgiveness of a portion or the entire balance of its PPP2 Note based on eligible costs including payroll, rent, utilities, and mortgage interest incurred during the covered period following the disbursement of the funds by the financial institution (between 8 weeks and 24 weeks).

Resignation of Chief Executive Officer and Appointment of Chief Executive Officer

The Company's Chief Executive Officer and Board Member, Shital Parikh Mars, notified the Board of Directors of her resignation from those positions on August 10, 2020. The Board of Directors accepted her resignation on August 13, 2020 and appointed Alan Jay Weisberg, Chairman of the Board of Directors, to serve as Chief Executive Officer of the Company on an interim basis.

Operating Lease – Orlando

The Company entered into a non-cancelable operating lease agreement for the rental of its Orlando, Florida pharmacy on August 1, 2020. The lease term is 66 months and expires on February 1, 2026. The lease agreement requires monthly rental payments of $4,310 commencing on February 1, 2021, with an escalating payment schedule each year thereafter.

Appointment of Chief Executive Officer and Chief Financial Officer

On October 15, 2020, the Board of Directors appointed Alan Jay Weisberg as Chief Executive Officer of the Company and Cecile Munnik as Chief Financial Officer of the Company.

U.S. CARES Act PPP Loan Forgiveness

On November 10, 2020, the Company received notification from Regions Bank that the U.S. Small Business Administration approved the forgiveness of the U.S. CARES Act PPP Loans for PharmCo 901 in the amount of $511,000 and PharmCo 1002 in the amount of $81,500. The total debt forgiveness in the amount $592,500 was recorded as a gain on debt extinguishment in the Company's consolidated statement of operations for the year ended December 31, 2020.

The Company has applied for forgiveness of the PPP loan received by PharmCo 1103 in April 2020 in the amount of $421,400 and received notification from the lender on January 7, 2021 that the U.S. Small Business Administration approved the forgiveness of the PPP Loan. The total debt forgiveness in the amount of $421,400 will be recorded as a gain on debt extinguishment in the Company's consolidated statement of operations during the first quarter of 2021.

Iliad Research Partial Note Redemptions

On December 3, 2020, Iliad Research made a partial redemption request on its note agreement with Progressive Care. The redemption request resulted in a conversion of $200,000 of note principal into 9,451,796 shares of Progressive Care common stock.

On January 29, 2021, Iliad Research made a partial redemption request on its note agreement with Progressive Care. The redemption request resulted in a conversion of $200,000 of note principal into 8,138,683 shares of Progressive Care common stock.

On February 12, 2021, Iliad Research made a partial redemption request on its note agreement with Progressive Care. The redemption request resulted in a conversion of $200,000 of note principal into 8,038,585 shares of Progressive Care common stock.

On March 1, 2021, Iliad Research made a partial redemption request on its note agreement with Progressive Care. The redemption request resulted in a conversion of $380,880 of note principal into 10,580,000 shares of Progressive Care common stock.

On March 8, 2021, Iliad Research made a partial redemption request on its note agreement with Progressive Care. The redemption request resulted in a conversion of $119,250 of note principal into 2,922,794 shares of Progressive Care common stock.

On March 15, 2021, Iliad Research made a partial redemption request on its note agreement with Progressive Care. The redemption request resulted in a conversion of $141,850 of note principal into 2,551,259 shares of Progressive Care common stock.