
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)



**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2022.**

or



**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ☐ to ☐**

Commission File Number: 000-52684

Progressive Care Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

400 Ansin Blvd., Suite A, Hallandale Beach, FL
(Address of principal executive offices)

32-0186005
(I.R.S. Employer
Identification No.)

33009
(Zip Code)

(305) 760-2053

(Registrant's telephone number, including area code)

N/A

(Former name or former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," "non-accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Accelerated filer ☐

Smaller reporting company ☒

Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Title of Each Class:

Outstanding as of October 31, 2022

Common Stock, \$0.0001 Par Value

669,467,647

Securities registered pursuant to Section 12(b) of the Act: None

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SPECIAL NOTE ABOUT FORWARD LOOKING STATEMENTS

Statements contained herein that are not based upon current or historical fact are forward-looking in nature and constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements reflect Progressive Care Inc. and its subsidiaries' ("Company") expectations about its future operating results, performance, and opportunities that involve substantial risks and uncertainties. When used herein, the words "anticipate," "believe," "estimate," "upcoming," "plan," "target," "intend" and "expect" and similar expressions, as they relate to Progressive Care Inc., its subsidiaries, or its management, are intended to identify such forward-looking statements. These forward-looking statements are based on information currently available to the Company and are subject to a number of risks, uncertainties, and other factors that could cause the Company's actual results, performance, prospects, and opportunities to differ materially from those expressed in, or implied by, these forward-looking statements.

PART 1 FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Progressive Care Inc. and Subsidiaries
Condensed Consolidated Financial Statements

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Progressive Care Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

	September 30, 2022 (unaudited)	December 31, 2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 7,347,577	\$ 1,412,108
Accounts receivable – trade, net	2,792,959	2,187,848
Receivables - other	1,895,314	382,324
Inventory, net	898,184	1,150,390
Prepaid expenses	353,192	813,310
Total Current Assets	13,287,226	5,945,980
Property and equipment, net	2,447,674	2,423,497
Other Assets		
Goodwill	1,387,860	1,387,860
Intangible assets, net	138,880	152,791
Right of use assets, net	546,405	682,946
Deposits	38,637	38,637
Total Other Assets	2,111,782	2,262,234
Total Assets	\$ 17,846,682	\$ 10,631,711
Liabilities and Stockholders' (Deficit) Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 7,915,341	\$ 6,000,034
Notes payable and accrued interest, net of unamortized debt discount and debt issuance costs	218,271	202,184
Lease liabilities - current portion	199,281	183,720
Total Current Liabilities	8,332,893	6,385,938
Long-term Liabilities		
Notes payable, net of current portion	2,198,881	3,108,794
Derivative liabilities	15,854,000	221,900
Lease liabilities - net of current portion	388,928	527,479
Total Liabilities	26,774,702	10,244,111
Commitments and Contingencies		
Stockholders' (Deficit) Equity		
Preferred Stock, Series A par value \$0.001; 10,000,000 shares authorized, 0 and 51 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	-	-
Preferred Stock, Series B par value \$0.001 per share; 100,000 shares authorized, 3000 issued and outstanding as of September 30, 2022 and 0 shares issued and outstanding as of December 31, 2021	-	-
Common stock, par value \$0.0001; 1,000,000,000 shares authorized, 628,811,082 and 544,865,492 issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	62,882	54,487
Additional paid-in capital	11,284,139	8,862,050
Accumulated deficit	(20,275,041)	(8,528,937)
Total Stockholders' (Deficit) Equity	(8,928,020)	387,600
Total Liabilities and Stockholders' (Deficit) Equity	\$ 17,846,682	\$ 10,631,711

See Accompanying Notes to Condensed Consolidated Financial Statements.

Progressive Care Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
For the Three and Nine Months Ended September 30,

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenues, net	\$ 10,143,881	\$ 9,797,523	\$ 30,168,460	\$ 28,999,122
Cost of revenue	<u>7,981,796</u>	<u>6,871,206</u>	<u>23,595,416</u>	<u>21,031,826</u>
Gross profit	2,162,085	2,926,317	6,573,044	7,967,296
Selling, general and administrative expenses				
Bad debt (recovery) expense	(2,300)	30,904	(20,200)	152,953
Share-based compensation	1,366,690	41,667	1,421,690	189,012
Other selling, general and administrative expenses	2,667,384	2,629,810	7,374,069	8,230,678
Total selling, general and administrative expenses	<u>4,031,774</u>	<u>2,702,381</u>	<u>8,775,559</u>	<u>8,572,643</u>
(Loss) income from operations	(1,869,689)	223,936	(2,202,515)	(605,347)
Other (loss) income				
Change in fair value of derivative liabilities	(7,894,100)	225,130	(9,067,500)	913,640
Gain on debt extinguishment	1,015,401	421,400	953,228	1,056,225
Grant revenue	2,079,297	-	2,079,297	-
Other finance costs	(418)	-	(147,622)	-
Abandoned offering costs	(635,545)	-	(635,545)	-
Day one loss on issuance of units	(1,026,155)	-	(1,026,155)	-
Day one loss on debt modification	(523,526)	-	(523,526)	-
(Loss) gain on disposal of fixed assets	-	(8,237)	11,562	(8,237)
Interest expense	<u>(107,893)</u>	<u>(335,750)</u>	<u>(645,183)</u>	<u>(985,163)</u>
Total other (loss) income	<u>(7,092,939)</u>	<u>302,543</u>	<u>(9,001,444)</u>	<u>976,465</u>
(Loss) income before income taxes	(8,962,628)	526,479	(11,203,959)	371,118
Income taxes	-	1,920	(866)	(7,029)
Net (loss) income	\$ (8,962,628)	\$ 528,399	\$ (11,204,825)	\$ 364,089
Series A Preferred Stock dividend associated with induced conversion	(541,278)	-	(541,278)	-
Net (loss) income attributable to Common Shareholders	\$ (9,503,906)	\$ 528,399	\$ (11,746,103)	\$ 364,089
Basic and diluted net income (loss) per common share	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Weighted average number of common shares outstanding during the year - basic	577,261,765	516,284,388	557,350,317	515,389,061
Weighted average number of common shares outstanding during the year - diluted	<u>835,285,339</u>	<u>603,756,129</u>	<u>557,350,317</u>	<u>604,651,456</u>

See Accompanying Notes to Condensed Consolidated Financial Statements.

Progressive Care Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' (Deficit) Equity
Three and Nine Months Ended September 30, 2022

	Preferred Series A \$0.001 Par Value		Preferred Series B \$0.001 Par Value		Common Stock \$0.0001 Par Value		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' (Deficit) Equity
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance December 31, 2021	51	\$ -		\$ -	544,865,492	\$ 54,487	\$ 8,862,050	\$ (8,528,937)	\$ 387,600
Issuance of common stock for services					618,672	62	20,938		21,000
Stock-based compensation					3,478,423	348	104,652		105,000
Net loss for the three months ended March 31, 2022								(1,361,476)	(1,361,476)
Balance March 31, 2022	51	\$ -		\$ -	548,962,587	\$ 54,897	\$ 8,987,640	\$ (9,890,413)	\$ (847,876)
Net loss for the three months ended June 30, 2022								(880,722)	(880,722)
Balance June 30, 2022	51	\$ -		\$ -	548,962,587	\$ 54,897	\$ 8,987,640	\$ (10,771,135)	\$ (1,728,598)
Issuance of common stock for services					27,675,676	2,768	655,914	-	658,682
Stock-based compensation					5,660,172	566	159,434	-	160,000
Issuance of Common Stock for Debt Modification Agreement					21,000,000	2,100	459,900	-	462,000
Issuance of common stock in exchange for redemption and cancellation of Series A Preferred Stock	(51)	-		-	25,512,647	2,551	538,727	-	541,278
Series A Preferred Stock dividend associated with induced conversion								(541,278)	(541,278)
Issuance of Series B Preferred Stock from securities purchase agreement			3,000	-	-	-	-	-	-
Stock Options granted during the period							482,524		482,524
Net loss for the three months ended September 30, 2022								(8,962,628)	(8,962,628)
Balance September 30, 2022	-	\$ -	3,000	\$ -	628,811,082	\$ 62,882	\$ 11,284,139	\$ (20,275,041)	\$ (8,928,020)

See Accompanying Notes to Condensed Consolidated Financial Statements.

Progressive Care Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' (Deficit) Equity
Three and Nine Months Ended September 30, 2021

	Preferred Series A \$0.001 Par Value		Common Stock \$0.0001 Par Value		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' (Deficit) Equity
	Shares	Amount	Shares	Amount			
Balance December 31, 2020	51	\$ -	485,768,076	\$ 48,577	\$ 6,978,301	\$ (8,746,930)	\$ (1,720,052)
Issuance of common stock for settlement of debt principal and interest			32,231,321	3,223	1,038,756		1,041,979
Issuance of common stock for services			1,989,390	199	74,801		75,000
Net income for the three months ended March 31, 2021						26,852	26,852
Balance March 31, 2021	51	\$ -	519,988,787	\$ 51,999	\$ 8,091,858	\$ (8,720,078)	\$ (576,221)
Issuance of common stock for services			107,142	11	5,668		5,679
Net loss for the three months ended June 30, 2021						(191,162)	(191,162)
Balance June 30, 2021	51	\$ -	520,095,929	\$ 52,010	\$ 8,097,526	\$ (8,911,240)	\$ (761,704)
Issuance of common stock for settlement of debt principal and interest			4,945,598	495	199,505	-	200,000
Issuance of common stock for services			2,830,188	282	149,718	-	150,000
Net income for the three months ended September 30, 2021						528,399	528,399
Balance September 30, 2021	51	\$ -	527,871,715	\$ 52,787	\$ 8,446,749	\$ (8,382,841)	\$ 116,695

See Accompanying Notes to Condensed Consolidated Financial Statements.

Progressive Care Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
Nine Months Ended September 30,

	2022	2021
Cash Flows from Operating Activities:		
Net (loss) income attributable to Common Shareholders	\$ (11,746,103)	\$ 364,089
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:		
Depreciation	96,772	135,949
Change in provision for doubtful accounts	(20,200)	45,700
Share-based compensation	1,421,690	189,012
Amortization of debt issuance costs and debt discounts	317,923	729,280
Gain on debt extinguishment	(953,228)	(1,056,225)
Other financing costs	147,622	-
Series A Preferred Stock dividend associated with induced conversion	541,278	-
Day one loss on issuance of units	1,026,155	-
Day one loss on debt modification	523,526	-
Amortization of right of use assets-Finance leases	25,008	25,008
Amortization of right of use assets-Operating leases	111,533	148,986
Change in fair value of derivative liability	9,067,500	(913,640)
Change in accrued interest on notes payable	285,466	198,679
Change in accrued interest on lease liabilities	20,447	14,902
Amortization of intangible assets	23,911	163,235
(Gain) loss on disposal of fixed assets	(11,562)	8,237
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(442,038)	(42,690)
Grant receivable	(1,655,862)	-
Inventory	252,206	(211,976)
Prepaid expenses	715,389	(17,611)
Deposits	-	(2,236)
Increase (decrease) in:		
Accounts payable and accrued liabilities	1,366,335	256,322
Operating lease liabilities	(114,580)	(141,353)
Net cash provided by (used in) operating activities	999,188	(106,332)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(5,838)	(128,280)
Proceeds from disposal of fixed assets	11,562	-
Purchase of intangible assets	(10,000)	(12,659)
Net Cash (Used in) Investing Activities	(4,276)	(140,939)
Cash Flows from Financing Activities:		
Proceeds from issuance of notes payable	-	421,400
Proceeds from issuance of preferred stock allocated to derivative liabilities	6,000,000	-
Payment of stock issuance costs	(579,036)	-
Payment of debt discount and debt issuance costs	(221,964)	-
Payments of notes payable	(229,586)	(126,190)
Payments on lease liabilities	(28,857)	(47,780)
Net Cash Provided by Financing Activities	4,940,557	247,430
Net increase in cash and cash equivalents	5,935,469	159
Cash and cash equivalents at beginning of period	1,412,108	2,100,695
Cash and cash equivalents at end of period	\$ 7,347,577	\$ 2,100,854
<u>Supplemental disclosures of cash flow information:</u>		
Cash paid for interest	\$ 85,147	\$ 57,303
Cash paid for income taxes	\$ 866	\$ 7,029
<u>Supplemental Schedule of non-cash investing and financing activities:</u>		
Debt principal and interest repaid through conversion into common stock shares	\$ -	\$ 1,241,979
Debt extension fees and other financing costs added to note principal	\$ 484,377	\$ -
Issuance of common stock for services rendered	\$ 658,682	\$ 230,397
Insurance premiums financed through issuance of note payable	\$ 128,437	\$ 126,313
Equipment purchase financed through issuance of note payable	\$ 115,111	\$ 14,569

See Accompanying Notes to Condensed Consolidated Financial Statements.

Progressive Care Inc. and Subsidiaries
Notes to the Condensed Consolidated Financial Statements
Three and Nine Months Ended September 30, 2022 and 2021

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 and PharmCoRx 1204 (referred to as "FPRX" historically or "PharmCo 1103" and "PharmCo 1204" currently) (pharmacy subsidiaries collectively referred to as "PharmCo"), and ClearMetrX Inc. (collectively with all entities referred to herein as the "Company", or "we") is a personalized healthcare services and technology company that provides prescription pharmaceuticals and risk and data management services to healthcare organizations and providers.

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 medications to patients in states where we hold non-resident pharmacy licenses as well. We currently hold Florida Community Pharmacy Permits at all Florida pharmacy locations and our PharmCo 901 location is licensed as a non-resident pharmacy in the following states: Arizona, Colorado, Connecticut, Georgia, Illinois, Minnesota, Nevada, New Jersey, New York, Pennsylvania, Texas, and Utah. We are able to dispense to patients in the state of Massachusetts without a non-resident pharmacy license because Massachusetts does not require such a license for these activities.

PharmCo 1103 is a pharmacy with locations in North Miami Beach 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 PharmCo 1103 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.

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

RXMD Therapeutics was formed on October 1, 2019. RXMD Therapeutics had no operating activity to date.

Note 2 Basis of Presentation

The Company's fiscal year end is December 31. The Company uses the accrual method of accounting. The accompanying unaudited interim condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements. The December 31, 2021 balance sheet has been derived from audited consolidated financial statements.

The accompanying unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2022 and 2021 have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for annual financial statements.

The unaudited financial information included in this report includes all adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary to reflect a fair statement of the results for the interim periods. The results of operations for the three and nine months ended September 30, 2022 are not necessarily indicative of the results of the full 2022 fiscal year.

The condensed consolidated financial statements included in this report should be read in conjunction with the financial statements and notes thereto included in the Company's consolidated financial statements for the fiscal year ended December 31, 2021.

Note 3 Summary of Significant Accounting Policies

Principles of Consolidation

The condensed consolidated financial statements include the accounts of Progressive and its wholly-owned subsidiaries as described in Note 1. All inter-company accounts and transactions have been eliminated in consolidation.

Emerging Growth Company

The Company is an “emerging growth company,” as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”), and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the independent registered public accounting firm attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company has elected to opt out of such extended transition period.

Use of Estimates

The preparation of condensed 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 condensed 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 condensed consolidated financial statements and there may be changes to those estimates in future periods. Actual results may differ from these estimates.

Reclassifications

Certain reclassifications have been made to the 2021 financial statement presentation to conform to that of the current period. Total equity and net income (loss) are unchanged due to these reclassifications.

Cash

The Company maintains its cash in bank deposit accounts at several financial institutions, which are insured by the Federal Deposit Insurance Corporation ("FDIC") and at times may exceed federally insured limits. The Company had approximately \$6.1 million that is uninsured at September 30, 2022. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk associated with its cash balances, 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 an original maturities of three months or less to be cash equivalents. The Company had no cash equivalents at September 30, 2022 and December 31, 2021.

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 records 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 nine months ended September 30, 2022:

Payors

A	23%
B	23%
C	19%

The Company generated reimbursements from three significant pharmacy benefit managers (PBMs) for the nine months ended September 30, 2022:

PBMs

A	52%
B	23%
C	11%

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 and testing 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 at September 30, 2022 and December 31, 2021, respectively.

Property and Equipment

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

Description	Estimated Useful Life
Building	40 years
Building improvements	Remaining life of the building
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 during the nine months ended September 30, 2022 and 2021, respectively.

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 assessed 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.

Intangible Assets

Identifiable intangible assets subject to amortization 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 tables presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of:

Description	Level 1	Level 2	Level 3	Balance at September 30, 2022
Derivative Liabilities	\$ -	\$ -	\$ 15,854,000	\$ 15,854,000

Description	Level 1	Level 2	Level 3	Balance at December 31, 2021
Derivative Liabilities	\$ -	\$ -	\$ 221,900	\$ 221,900

The following table is a roll forward from December 31, 2021 to September 30, 2022 of the opening and closing balances for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

	Derivative Liabilities
Opening balance December 31, 2021	\$ 221,900
Total losses for the period:	
Included in net (loss) income for the period	9,067,500
New derivatives	8,042,000
Transfers out	(1,477,400)
Closing balance September 30, 2022	<u>\$ 15,854,000</u>

Change in fair value of derivative for the three and nine months ended September 30, 2022 was included in net income (loss) for the period.

Fair Value of Financial Instruments

The Company's financial instruments consisted of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, lease liabilities, and notes payable. The carrying amounts of the Company's financial instruments other than notes payable and lease liabilities generally approximate their fair values at September 30, 2022 and December 31, 2021 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 lease liabilities 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

The Company evaluates its convertible debt, warrants or other contracts to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for in accordance with paragraph 810-10-05-4 of the FASB Accounting Standards Codification and paragraph 815-40-25 of the FASB Accounting Standards Codification. The result of this accounting treatment is that the fair value of the embedded derivative is marked-to-market each balance sheet date and recorded as a liability. In the event that the fair value is recorded as a liability, the change in fair value is recorded in the Condensed Consolidated Statements of Operations as other income or expense. Upon registration, conversion or exercise, as applicable, of a derivative instrument, the instrument is marked to fair value at the conversion date and then that fair value is reclassified to equity.

The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period. Equity instruments that are initially classified as equity that become subject to reclassification are reclassified to liability at the fair value of the instrument on the reclassification date. Derivative instrument liabilities will be classified in the Condensed Consolidated Balance Sheets as current or non-current based on whether or not net-cash settlement of the derivative instrument is expected within 12 months after the balance sheet date.

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 recognizes testing revenue when the tests are performed, and results are delivered to the customer. Each test is considered an arrangement with the customer and is a separate performance obligation. Payment is generally received in advance from the customer.

Billings for most prescription orders are with third-party payers, including Medicare, Medicaid, and insurance carriers. Customer returns are nominal. Prescription revenues were 93% and 83% of total revenue for the three months ended September 2022 and 2021, respectively, and 90% and 86% for the nine months ended September 30, 2022 and 2021, respectively.

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 three and nine months ended September 30:

	For the Three Months Ended September 30,	
	2022	2021
Prescription revenue	\$ 9,397,483	\$ 8,125,854
340B contract revenue	1,154,166	670,880
Testing revenue	235,221	1,315,946
Other revenue	903	250
	<u>10,787,773</u>	<u>10,112,930</u>
PBM Fees	(643,892)	(315,142)
Sales returns	-	(265)
Revenues, net	<u>\$ 10,143,881</u>	<u>\$ 9,797,523</u>

	For the Nine Months Ended September 30,	
	2022	2021
Prescription revenue	\$ 27,279,141	\$ 24,929,722
340B contract revenue	2,248,223	2,120,701
Testing revenue	1,894,434	2,926,452
Other revenue	2,560	1,575
	<u>31,424,358</u>	<u>29,978,450</u>
PBM Fees	(1,255,898)	(976,127)
Sales returns	-	(3,201)
Revenues, net	<u>\$ 30,168,460</u>	<u>\$ 28,999,122</u>

Grant Revenue

Under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), the Company is eligible for refundable employee retention credits ("ERCs") subject to certain conditions which were met during the nine months ended September 30, 2022. In connection with the ERCs, the Company adopted a policy to recognize the ERCs when earned and report the amounts as grant revenue in accordance with FASB ASC 958-605. Accordingly, the Company recorded approximately \$2.1 million of grant revenue and grant revenue receivable during the nine months ended September 30, 2022. The Company received approximately \$0.4 million of ERC proceeds during the three months ended September 30, 2022, which was credited against grant revenue receivable. Grant revenue receivable balance at September 30, 2022 was approximately \$1.7 million and recorded in Receivables – other on the Condensed Consolidated Balance Sheets.

Cost of Revenue

Cost of pharmacy revenue is derived based upon vendor purchases relating to prescriptions sold, cost of testing supplies for tests administered to patients, 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 Condensed Consolidated Statements 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 2022 claims were charged by these PBMs in July – August 2022). 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 nine months ended September 30, 2022 and 2021, the Company had significant concentrations with one vendor. The purchases from this significant vendor were 95% and 95% of total vendor purchases for the nine months ended September 30, 2022 and 2021, respectively.

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 approximately \$85,000 and \$60,000 for the three months ended September 30, 2022 and 2021, respectively. Advertising expense was approximately \$262,000 and \$177,000 for the nine months ended September 30, 2022 and 2021, respectively.

Stock-Based Compensation

Stock-based compensation expense is recognized for stock options and restricted stock awards issued to employees, based on the fair value of these awards at the date of grant. The Company uses the Black-Scholes and Monte Carlo Simulation models to estimate the fair value of stock options, while the market price of the Company's common stock at the date of grant is used for restricted stock awards.

Stock compensation expense is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation expense is recognized on a straight-line basis over the requisite service period for the entire award. The Company's policy is to recognize forfeitures as they occur.

Stock Warrants

The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant's specific terms and applicable authoritative guidance in ASC 480, *Distinguishing Liabilities from Equity* ("ASC 480") and ASC 815, *Derivatives and Hedging* ("ASC 815"). The assessment considers whether the warrants are freestanding financial instruments pursuant to ASC 480, meet the definition of a liability pursuant to ASC 480, and whether the warrants meet all of the requirements for equity classification under ASC 815, including whether the warrants are indexed to the Company's own common stock, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of warrant issuance and as of each subsequent quarterly period end date while the warrants are outstanding.

For issued or modified warrants that meet all of the criteria for equity classification, the warrants are required to be recorded as a component of additional paid-in capital at the time of issuance. For issued or modified warrants that do not meet all the criteria for equity classification, the warrants are required to be recorded as liabilities at their initial fair value on the date of issuance, and each balance sheet date thereafter. Changes in the estimated fair value of the warrants are recognized as a non-cash gain or loss on the Condensed Consolidated Statements of Operations. The fair value of the warrants issued in the Private Placement transaction was estimated using a Monte Carlo simulation approach (see Note 14).

Offering Costs Associated with the Public Offering

The Company complies with the requirements of ASC 340-10-S99-1 and SEC Staff Accounting Bulletin Topic 5A – *Expenses of Offering*. Offering costs consist principally of professional and registration fees incurred through the balance sheet date that are related to the Company's planned underwritten public offering. Offering costs generally are deferred and reclassified as a charge to APIC upon the sale of securities. Deferred costs for an abandoned offering are expensed.

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 nine months ended September 30, 2022 and 2021 on the Condensed Consolidated Statements of Operations represents the minimum state corporate tax payments. There was no current tax provision for the nine months ended September 30, 2022 and 2021 because the Company did not have taxable income during those periods. Total available net operating losses to be carried forward to future taxable years was approximately \$14.8 million as of September 30, 2022, \$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 September 30, 2022 and December 31, 2021 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 increased by approximately \$1.5 million for the nine months ended September 30, 2022.

The Company accounts for uncertainty in income taxes by recognizing a tax position in the condensed 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 condensed 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 for the nine months ended September 30, 2022 and 2021.

(Loss) Income per Share

Basic loss per share ("EPS") is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period, excluding the effects of any potentially dilutive securities. Diluted EPS gives effect to all dilutive potential of shares of common stock outstanding during the period including stock warrants, using the treasury stock method (by using the average stock price for the period to determine the number of shares assumed to be purchased from the exercise of stock warrants), and convertible debt, using the if converted method. Diluted EPS excludes all dilutive potential of shares of common stock if their effect is anti-dilutive.

The following are dilutive common stock equivalents during the periods ended:

	September 30, 2022	September 30, 2021
Convertible Debt	140,136,867	88,367,068
Stock Warrants	117,886,707	-
Total	258,023,574	88,367,068

Paycheck Protection Program Loan

The Company records Paycheck Protection Program (“PPP”) loan proceeds in accordance with Accounting Standards Codification (“ASC”) 470, Debt. The Company treats the PPP loan as indebtedness, which is extinguished and recorded as a gain on debt extinguishment when legally released by the primary obligor.

Recently Adopted Accounting Standards

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 became effective for the Company in the first quarter of 2022 and did not have a material effect on the Company’s condensed consolidated financial statements.

Accounting Pronouncements 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 condensed consolidated financial statements.

Credit Losses

In June 2016, the FASB issued ASU 2016-13, “Current Expected Credit Losses” (“ASU 2016-13”), which introduces an impairment model based on expected, rather than incurred, losses. Additionally, it requires expanded disclosures regarding (a) credit risk inherent in a portfolio and how management monitors the portfolio’s credit quality; (b) management’s estimate of expected credit losses; and (c) changes in estimates of expected credit losses that have taken place during the period. ASU 2016-13 is effective for fiscal years beginning after December 15, 2022. The Company has not yet quantified the impact of ASU 2016-13 on its condensed consolidated financial statements. However, it is not expected to have a material effect on the Company’s condensed 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 condensed consolidated financial statements.

Subsequent Events

Management has evaluated subsequent events and transactions for potential recognition or disclosure in the condensed consolidated financial statements through November 14, 2022, the date the condensed consolidated financial statements were available to be issued.

Note 4. Liquidity and Going Concern Consideration

The Company has sustained recurring operating losses and negative cash flows from operations over the past years. At September 30, 2022, the Company had an accumulated deficit of approximately \$20.3 million. For the nine months ended September 30, 2022, the Company had a net loss of \$11.2 million. The Company expects to continue to incur significant losses for at least the next 12 months.

The Condensed Consolidated Financial Statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities and other commitments in the normal course of business.

On August 30, 2022, the Company entered into a Debt Modification Agreement (“the Modification Agreement”) with a group of investors led by NextPlat Corporation (the “NextPlat investors”) wherein the terms were modified for the existing Secured Convertible Promissory Note previously held by Iliad Research and Trading, L.P. (“the Note”) and sold to the NextPlat investors. The NextPlat investors purchased the Iliad Note as part of a Confidential Note Purchase and Release Agreement (“the NPA”) between Iliad Research and Trading L.P. and the NextPlat investors. As of the date of the SPA, the aggregate amount of principal and interest outstanding was approximately \$2.8 million. As part of the Modification Agreement, the NextPlat investors agreed to modify the following terms of the Note as follows:

1. The Maturity Date was extended to August 31, 2027.
2. The Outstanding Balance shall bear interest at the simple annual rate of five percent (5%) per annum.
3. The Company is prohibited from prepaying the Note.
4. The Conversion Price for the Note was modified to a fixed price of \$0.02 per share of Common Stock.
5. The Note shall provide for mandatory conversion upon the later to occur of (a) the completion of the Company’s reverse stock split, and (b) the listing of the Company’s common stock on a national exchange, including the Nasdaq Capital Market, the Nasdaq Global Market, or the New York Stock Exchange.

The Company also entered into a Private Placement Transaction wherein the Company raised approximately \$6.0 million in gross proceeds from the sale of Series B Convertible Preferred Stock (see Note 5), which approximately \$0.6 million were withheld from the gross proceeds as it relates to offering costs and approximately \$0.4 million in stock issued for service rendered and derivative liabilities associated with the offering.

Management believes that the above transactions mitigate the previously reported conditions related to the Company’s ability to continue as a going concern over the next twelve months.

Note 5. Private Placement Transaction

On August 30, 2022, the Company entered into a Securities Purchase Agreement with NextPlat Corporation (“NextPlat”) wherein the Company received gross proceeds of \$6.0 million through the sale of 3,000 units. Each unit is made up of one share of Series B Convertible Preferred Stock, \$0.001 par value, and one redeemable warrant (“the Investor Warrants”). Each warrant entitles the holder to purchase one share of Series B Convertible Preferred Stock at an exercise price of \$2,000. The Investor Warrants may also be exercised, in whole or in part, by means of a cashless exercise. The Series B Convertible Preferred Stock has a stated value of \$2,000 per share. Each share of Series B Convertible Preferred Stock is convertible at any time at the option of the holder into shares of the Company’s common stock determined by dividing the stated value by the conversion price of \$0.02. The Company incurred total offering costs associated with the transaction of approximately \$1.0 million, which approximately \$0.6 million in offering costs were withheld from the gross proceeds and approximately \$0.4 million in stock issued for service rendered and derivative liabilities associated with the offering.

In conjunction with the Private Placement Transaction, the Company also entered into a Debt Modification Agreement with NextPlat (see Note 4). The Company also issued placement agent warrants with substantively similar terms as the Investor Warrants.

In connection with the Private Placement Transaction, the Company entered into a registration rights agreement with NextPlat pursuant to which, among other things, the Company agreed to prepare and file with the SEC a registration statement to register for resale the shares of the Company’s common stock upon conversion of the Series B Convertible Preferred Stock, the NextPlat Convertible Note and Warrants.

Note 6. Accounts Receivable – Trade, net

Accounts receivable consisted of the following at:

	September 30, 2022	December 31, 2021
Gross accounts receivable – trade	\$ 2,979,959	\$ 2,395,048
Less: Allowance for doubtful accounts	(187,000)	(207,200)
Accounts receivable – trade, net	<u>\$ 2,792,959</u>	<u>\$ 2,187,848</u>

For the nine months ended September 30, 2022 and 2021, the Company recognized bad debt (recovery) expense in the amount of approximately (\$20,000) and \$153,000, respectively.

Note 7. Property and Equipment, net

Property and equipment, net consisted of the following at:

	September 30, 2022	December 31, 2021
Building	\$ 1,651,069	\$ 1,651,069
Building improvements	513,075	507,238
Land	184,000	184,000
Leasehold improvements and fixtures	276,614	276,614
Furniture and equipment	420,292	330,291
Computer equipment and software	101,230	101,230
Vehicles	75,209	81,633
Total	<u>3,221,489</u>	<u>3,132,075</u>
Less: accumulated depreciation	(773,815)	(708,578)
Property and equipment, net	<u>\$ 2,447,674</u>	<u>\$ 2,423,497</u>

Depreciation expense for the nine months ended September 30, 2022 and 2021 was approximately \$97,000 and \$136,000, respectively.

Note 8. Intangible Assets

Intangible assets consisted of the following at:

	September 30, 2022	December 31, 2021
Trade names	\$ 362,000	\$ 362,000
Pharmacy records	263,000	263,000
Non-compete agreements	166,000	166,000
Software	86,424	-
Website	67,933	67,933
Subtotal	945,357	858,933
Less accumulated amortization	(806,477)	(782,566)
Net intangible assets	\$ 138,880	\$ 76,367
Software not yet placed in service	-	76,424
Total Intangible Assets, net	\$ 138,880	\$ 152,791

Amortization of intangible assets amounted to approximately \$24,000 and \$163,000 for the nine months ended September 30, 2022 and 2021, respectively. The following table represents the total estimated future amortization of intangible assets for the three succeeding years:

Year	Amount
2022 (three months)	15,100
2023	60,260
2024	41,914
2025	21,606
Total	\$ 138,880

Note 9. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following at:

	September 30, 2022	December 31, 2021
Accounts payable – trade	\$ 6,067,607	\$ 4,677,555
Accrued payroll and payroll taxes	85,741	143,074
Accrued DIR fees	575,947	712,002
Accrued legal fees	-	306,588
Accrued share-based compensation	770,000	-
Other accrued liabilities	416,046	160,815
Totals	\$ 7,915,341	\$ 6,000,034

Note 10. Notes Payable

Notes payable consisted of the following at:

	September 30, 2022	December 31, 2021
A. Convertible notes payable and accrued interest – collateralized	\$ 2,802,355	\$ 2,143,891
B. Mortgage note payable – commercial bank – collateralized	1,246,750	1,307,562
C. Note payable – uncollateralized	25,000	25,000
D. Notes payable – collateralized	146,490	52,231
Insurance premium financing	116,504	68,164
Subtotal	4,337,099	3,596,848
Less Unamortized debt discount	(1,919,947)	(198,677)
Less Unamortized debt issuance costs		(575)
Less Unamortized investment length premium	-	(86,618)
Total	2,417,152	3,310,978
Less: Current portion of notes payable	(218,271)	(202,184)
Long-term portion of notes payable	\$ 2,198,881	\$ 3,108,794

The corresponding notes payable above are more fully discussed below:

(A) Convertible Notes Payable – collateralized

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”) in the amount of \$3,310,000 (“the Iliad Research note”). The Iliad Research note accrued interest at the rate of 10% per annum and was convertible into shares of common stock (\$0.0001 par value per share) based on the average of the two lowest closing trading prices during the twenty trading days immediately preceding the applicable conversion. Through a series of extensions entered into, the maturity date was extended to May 15, 2023, at which time all unpaid principal and accrued and unpaid interest were due. The Iliad Research note was acquired as part of the Confidential Note Purchase and Release Agreement entered into between Iliad Research and the NextPlat investors, and the terms of the Iliad Research note were modified as part of the Debt Modification Agreement between the Company and the NextPlat investors (see Note 4).

The provisions of the Iliad Research note contained a weekly volume limitation on the number of shares common stock received from note conversions that can be sold ("Volume Limitation"). In the event of Volume Limitation breach, the Outstanding Balance of the Iliad Research note was reduced by an amount equal to such Excess Sales (the "Outstanding Balance Reduction"). During the nine months ended September 30, 2021, the volume of sales of Conversion Shares exceeded the Volume Limitation, which resulted in an Outstanding Balance Reduction in the amount of \$180,000, which was recorded as a gain on debt extinguishment during the nine month period.

On December 14, 2021, Progressive Care filed a demand ("the Company Demand") with Iliad Research that alleged breaches of the Volume Limitation provisions of the Iliad Research note, as well as a previous note agreement with an affiliate of Iliad Research, Chicago Venture Partners, LP ("CVP"), ("the CVP note"). The CVP Note previously had been paid off in 2020. On January 7, 2022, in response to the Company Demand, Iliad Research and CVP filed a complaint with the Third Judicial District Court of Salt Lake County, State of Utah, as well as an Arbitration Notice pursuant to the CVP and Iliad Research Purchase Agreements.

On January 20, 2022, Progressive Care entered into an agreement with Iliad Research and CVP ("the Settlement Agreement"), in which (1) the maturity date of the Iliad Research note was extended to May 15, 2022, for which the Company paid an extension fee in the amount of approximately \$46,000, (2) the outstanding balance of the Iliad Research note was increased by \$100,000 because the Iliad Research note was not repaid by February 16, 2022, (3) the balance of the Iliad Research note was reduced by \$180,000 (recorded in 2021) as settlement of the alleged breaches of the Volume Limitation provisions of the Iliad Research note, (4) CVP paid \$175,000 to Progressive Care as settlement of the alleged breaches of the Volume Limitation provisions of the CVP note, and (5) Iliad Research and its affiliated entities agreed not to sell any shares of Progressive Care or submit any Redemption Notices for a stated time period ("Standstill Period"). The \$180,000 debt reduction and \$175,000 received were accounted for as gains on debt extinguishment, the \$100,000 was accounted for as interest expense and the \$46,000 extension fee was recorded as other finance costs.

During the second quarter of 2022, the Company and Iliad Research entered into a series of agreements to (i) extend the Standstill Period to July 15, 2022, and (ii) extend the maturity date of the Iliad Research note to May 15, 2023. The fees paid to extend the Standstill Period of approximately \$101,000 were recorded as Other Finance Costs. The fees to modify the terms to extend the maturity date in the amount of approximately \$237,000 were added to the outstanding note balance, resulting in the recognition of a Loss on Debt Extinguishment.

The outstanding balance on the Iliad Research note was approximately \$2,144,000 at December 31, 2021, inclusive of accrued interest in the amount of approximately \$833,000. On August 30, 2022, the Iliad Research note was purchased by the NextPlat investors.

The conversion features embedded within the Iliad Research note represented an embedded derivative. Accordingly, the embedded conversion right was bifurcated from the debt host and accounted for as a derivative liability and remeasured to fair value each reporting period. Fair value was determined using a Monte Carlo simulation model. For the three months ended September 30, 2022 and 2021, the Company recorded in earnings a Change in Fair Value of the Derivative Liability in the amounts of approximately (\$82,000) and \$225,000, respectively. For the nine months ended September 30, 2022 and 2021, the Company recorded in earnings a Change in Fair Value of the Derivative Liability in the amounts of approximately (\$1,256,000) and \$914,000, respectively. Upon the entrance into the Debt Modification Agreement with the NextPlat investors on August 30, 2022, the outstanding fair value of the derivative liability of \$1,477,400 was written off and included in gain on debt extinguishment for the nine month period end September 30, 2022. The derivative liability balance at December 31, 2021 was approximately \$222,000.

Debt Issuance Costs, Debt Discount and Investment Length Premium Associated with the Iliad Research Note

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 were amortized to interest expense over the term of the related debt using the straight-line method. Total amortization expense for the nine months ended September 30, 2022 and 2021 was approximately \$286,000 and \$729,000, respectively.

NextPlat Investors

On August 30, 2022, the Company entered into a Debt Modification Agreement (“the Modification Agreement”) with a group of investors led by NextPlat Corporation (the “NextPlat investors”) wherein the terms were modified for the existing Secured Convertible Promissory Note originally held by Iliad Research and Trading, L.P. (“the Note”) and sold to the NextPlat investors (“the NextPlat Investors Note”). The NextPlat investors purchased the Iliad Research Note as part of a Confidential Note Purchase and Release Agreement (“the NPA”) between Iliad Research and Trading L.P. and the NextPlat investors. As of the date of the SPA, the aggregate amount of principal and interest outstanding on the NextPlat Investors Note was approximately \$2.8 million. As part of the Modification Agreement, the NextPlat investors agreed to modify the following terms of the NextPlat Investors Note:

1. The Maturity Date was extended to August 31, 2027.
2. The Outstanding Balance shall bear interest at the simple annual rate of five percent (5%) per annum.
3. The Company is prohibited from prepaying the Note.
4. The Conversion Price for the Note was modified to a fixed price of \$0.02 per share of Common Stock.
5. The Note shall provide for mandatory conversion upon the later to occur of (a) the completion of the Company’s reverse stock split, and (b) the listing of the Company’s common stock on a national exchange, including the Nasdaq Capital Market, the Nasdaq Global Market, or the New York Stock Exchange.

The outstanding balance on the NextPlat Investors Note was approximately \$2.8 million at September 30, 2022, inclusive of accrued interest in the amount of approximately \$11,000 at September 30, 2022. The Note is reported net of a debt discount of approximately \$1,920,000 on the Condensed Consolidated Balance Sheets at September 30, 2022.

Embedded Derivative Liability

The Company identified an embedded derivative feature in the NextPlat Investors Note and concluded that it required bifurcation and liability classification as a derivative liability. The fair value of the embedded derivative at the issuance date of the Note (August 30, 2022) was approximately \$1,952,000, and the fair value at September 30, 2022 was approximately \$4,130,000. The Company recorded a loss of approximately \$2,178,000 from the change in the fair value of the derivative liability in its Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2022.

Debt Issuance Costs and Debt Discount Associated with the NextPlat Investors Note

Debt Issuance Costs consist of fees incurred from the Placement Agent and Investment Advisor associated with the NextPlat Investors Debt Modification Agreement. Debt Discount consists of the discount recorded from the issuance of approximately 21 million common stock shares to the NextPlat Investors as consideration for the Debt Modification Agreement.

Debt issuance costs and debt discount were amortized to interest expense over the term of the related debt using the straight-line method. Total amortization expense for the three and nine months ended September 30, 2022 was approximately \$32,000.

(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 approximately \$1,247,000 and \$1,308,000 at September 30, 2022 and December 31, 2021, respectively.

(C) Note Payable – Uncollateralized

As of September 30, 2022 and December 31, 2021, 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 approximately \$21,000 and \$40,000 at September 30, 2022 and December 31, 2021, respectively. The promissory note is secured by equipment with a net book value of approximately \$21,000 and \$36,000 at September 30, 2022 and December 31, 2021, respectively.

In April 2021, the Company entered into a note obligation with a commercial lender, the proceeds from which were used to purchase pharmacy equipment in the amount of \$29,657. During September 2021, pharmacy equipment was returned since the installation was cancelled and the note was amended. The amended promissory note payable requires 46 monthly payments of \$331, including interest at 6.9%. The balance outstanding at September 30, 2022 and December 31, 2021 on the note payable was approximately \$10,000 and \$12,000, respectively. The remaining equipment was written off during September 2021.

In July 2022, the Company entered into a note obligation with a commercial lender, the proceeds from which were used to purchase pharmacy equipment in the amount approximately of \$90,000. The terms of the promissory note payable require 6 monthly payments of \$0 starting July 2022, and 60 monthly payments of \$1,859, including interest at 8.78% starting January 2023. The balance outstanding on the note payable was approximately \$90,000 on September 30, 2022. The promissory note is secured by equipment with a net book value of approximately \$87,000 on September 30, 2022.

In September 2022, the Company entered into a note obligation with a commercial lender, the proceeds from which were used to purchase a vehicle in the amount approximately of \$25,000. The terms of the promissory note payable require 24 monthly payments of \$1,143, including interest at 8.29% starting October 2022. The balance outstanding on the note payable was approximately \$25,000 on September 30, 2022. The promissory note is secured by the vehicle with a net book value of approximately \$25,000 on September 30, 2022.

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

In April 2020, the Company applied for forgiveness of a loan received from the Paycheck Protection Program (“PPP”) by PharmCo 1103 in the amount of \$421,400. On January 7, 2021, the Company received notification from the lender that the U.S. Small Business Administration approved the forgiveness of the PPP Loan for PharmCo 1103. The debt forgiveness in the amount of \$421,400 is recorded as a Gain on Debt Extinguishment in the Company’s Condensed Consolidated Statements of Operations for the nine months ended September 30, 2021.

Future principal maturities of notes payable are as follows:

Year	Amount
2022 (three months)	\$ 101,485
2023	201,931
2024	121,119
2025	114,412
Thereafter	3,798,152
Total	\$ 4,337,099

Interest expense on these notes payable exclusive of debt discount and debt issue cost amortization, was approximately \$325,000 and \$250,000 for the nine months ended September 30, 2022 and 2021, respectively.

Note 11. Lease Obligations

The Company has entered into a number of lease arrangements under which the Company is the lessee. Three of the leases are classified as finance leases and three of the leases are classified as operating leases. In addition, the Company has 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 the Company’s lease arrangements.

Finance Leases

In May 2018, the Company entered into a finance lease obligation to purchase pharmacy equipment with a cost of approximately \$115,000. 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 approximately \$42,000 and \$55,000 at September 30, 2022 and December 31, 2021, respectively.

The Company assumed an equipment finance lease obligation for medication dispensing equipment from the acquisition of PharmCo 1002 in July 2018. The lease expired in March 2022. The finance lease obligation was secured by equipment with a net book value of \$0 at September 30, 2022 and December 31, 2021, respectively.

In December 2020, the Company entered into an interest-free finance lease obligation to purchase computer servers with a cost of approximately \$51,000. 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 approximately \$20,000 and \$32,000 at September 30, 2022 and December 31, 2021, respectively.

Operating Leases

The Company entered into a lease agreement for its Orlando pharmacy on August 1, 2020 (the lease commencement date). The term of the lease is 66 months with a termination date of February 1, 2026. The lease agreement calls for monthly payments that began on February 1, 2021, of \$4,310, with an escalating payment schedule each year thereafter.

The Company leases its North Miami Beach pharmacy location under an operating lease agreement with a lease commencement date on September 1, 2021. The term of the lease is 60 months with a termination date of August 31, 2026. The lease calls for monthly payments of \$5,237, with an escalating payment schedule each year thereafter.

The Company also leases its Palm Beach County pharmacy locations under operating lease agreements expiring in March 2024.

The Company recognized lease costs associated with all leases as follows:

	For the Nine Months Ended September 30,	
	2022	2021
Operating lease cost:		
Fixed rent expense	\$ 142,783	\$ 324,174
Finance lease cost:		
Amortization of right of use assets	25,008	25,008
Interest expense	2,419	5,550
Total Lease Costs	\$ 170,210	\$ 354,732

Supplemental cash flow information related to leases was as follows:

	For the Nine Months Ended September 30,	
	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 114,580	\$ 141,353
Financing cash flows from finance leases	28,857	47,780
Total cash paid for lease liabilities	\$ 143,437	\$ 189,133

Supplemental balance sheet information related to leases was as follows:

	September 30, 2022	December 31, 2021
Operating leases:		
Operating lease right-of-use assets, net	\$ 484,255	\$ 595,790
Operating lease liabilities:		
Current portion	164,522	149,744
Long-term portion	357,282	469,665
Finance leases:		
Finance lease right-of-use assets, net	62,150	87,156
Finance lease liabilities:		
Current portion	34,759	33,976
Long-term portion	31,646	57,814

Maturities of lease liabilities were as follows:

Year Ending December 31,:	Finance Lease	Operating Lease	Total Future Lease Commitments
2022 (three months)	\$ 9,268	\$ 48,707	\$ 57,975
2023	35,662	181,787	217,449
2024	20,142	144,583	164,725
2025	5,035	134,933	139,968
2026	-	53,459	53,459
Thereafter	-	-	-
Total lease payments to be paid	70,107	563,469	633,576
Less: Future interest expense	(3,702)	(41,665)	(45,367)
Lease liabilities	66,405	521,804	588,209
Less: current maturities	(34,759)	(164,522)	(199,281)
Long-term portion of lease liabilities	\$ 31,646	\$ 357,282	\$ 388,928

Note 12. Stockholders' Equity

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. On October 15, 2020, the preferred shares were transferred to a trust whose beneficiary is related to the employee. On August 30, 2022, the Company entered into a Share Exchange Agreement with the trust in which the 51 shares of the Company's Series A Preferred Stock were acquired from the trust and cancelled in exchange for the issuance of 25,512,647 shares of the Company's common stock. As a result of the exchange the company recorded a preferred stock dividend of approximately \$541,000 associated with the transaction.

On August 30, 2022, the Company entered into a Securities Purchase Agreement with NextPlat Corporation ("NextPlat") wherein the Company sold 3,000 units, generating gross proceeds of \$6.0 million. Each unit is made up of one share of Series B Convertible Preferred Stock, \$0.001 par value, and one redeemable warrant ("the Investor Warrants"). Each warrant entitles the holder to purchase one share of Series B Convertible Preferred Stock at an exercise price of \$2,000. The Investor Warrants may also be exercised, in whole or in part, by means of a cashless exercise. The Series B Convertible Preferred Stock has a stated value of \$2,000 per share and each Preferred Stock share has the equivalent voting rights of 100,000 Common Stock shares. Each share of Series B Convertible Preferred Stock is convertible at any time at the option of the holder into shares of the Company's Common Stock determined by dividing the stated value by the conversion price which is \$0.02. The Company incurred offering costs associated with the transaction of approximately \$1.0 million.

Note 13. Stock-Based Compensation

On September 13, 2022, the Company issued stock option grant awards to two directors as part of director agreements entered into with each of the directors. The option awards were granted with an exercise price equal to the market price of the Company's common stock at the date of grant. Those option awards have vesting terms based on tranches that are vested upon the achievement of certain market conditions and have 10 year contractual terms.

The fair value of each option award was estimated on the date of grant using the Monte Carlo simulation model that used the assumptions noted in the table below. Expected volatilities are based on historical volatilities of the Company's common stock. The expected term of options granted represents the period of time that options granted are expected to be outstanding, which takes into account that the options are not transferable. The risk-free interest rate for the expected term of the options is based on the U.S. Treasury yield curve in effect at the time of the grants.

The fair value of options granted was determined using the following weighted-average assumptions as of grant date.

Risk-free interest rate	3.4%
Expected term	10 years
Expected stock price volatility	120%
Dividend yield	0%

During 2022, there were 56,592,999 shares granted, and 0 shares exercised, forfeited, or expired. As of September 30, 2022, there was approximately \$1.1 million of total unrecognized compensation cost related to nonvested stock options granted. The cost is expected to be recognized over a weighted-average period of 2.89 years.

Note 14. Warrants Liabilities

As of September 30, 2022, there were 76,100,000 Placement Agent Warrants and 3,000 Investor Warrants issued and outstanding. All of the warrants were issued on August 30, 2022. There were no warrants exercised, forfeited or canceled during the period ended September 30, 2022. Investor Warrants may only be exercised for a whole number of Preferred Stock shares. The Investor Warrants will be exercisable at any time at the option of the Warrant Holders. The Investor Warrants will expire five years from the issue date of the Investor Warrants (September 2, 2027) or earlier upon redemption or liquidation. The exercise price per share of preferred stock under the Investor Warrants is \$2,000. If at the time of exercise hereof there is no effective registration statement registering, or the prospectus contained therein is not available for the resale of the Warrant Shares by the Holder, pursuant to the terms and conditions of the Securities Purchase Agreement, then the Investor Warrants may also be exercised, in whole or in part, at such time by means of a cashless exercise.

The Placement Agent Warrants are exercisable into 76,100,000 shares of the Company's common stock at an exercise price per common stock share of \$0.02. The Placement Agent Warrants may be exercised at any time at the option of the Placement Agent and expire on September 2, 2027. If at the time of exercise hereof there is no effective registration statement registering, or the prospectus contained therein is not available for the resale of the Warrant Shares by the Holder, pursuant to the terms and conditions of the Purchase Agreement, then the Placement Agent Warrants may also be exercised, in whole or in part, at such time by means of a cashless exercise.

The Company determined that the warrants do not meet the definition of a liability under FASB ASC Topic 480. However, they do meet the definition of a derivative under FASB ASC Topic 815 because the Company had insufficient common stock shares to settle the warrants when considering all other commitments that may require the issuance of common stock shares. The Company has elected to classify the preferred stock shares and warrants as liabilities until such time as the Company has sufficient authorized common stock shares. The Company determined that the fair value of the warrants on their issuance date of August 30, 2022 was approximately \$6.1 million. The fair value and outstanding derivative warrant liability related to the warrant shares as of September 30, 2022 was approximately \$11.7 million. The Company recorded a loss of approximately \$5.6 million from the change in fair value of the derivative warrant liability on its Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2022.

The Company's warrants were valued on the applicable dates using the Monte Carlo Simulation Model. Significant inputs into this technique at August 30, 2022 and September 30, 2022 are as follows:

	August 30, 2022	September 30, 2022
Fair market value of the Company's stock ⁽¹⁾	\$ 0.022	\$ 0.038
Exercise price	\$ 0.020	\$ 0.020
Term ⁽²⁾	5 years	5 years
Expected life ⁽³⁾	5 years	5 years
Volatility	90%	90%
Risk-free interest rate ⁽⁴⁾	3.3%	4.1%

(1) The fair value of the stock was determined by using the Company's closing stock price as reflected in the OTC Markets.

(2) The term is the contractual remaining term.

(3) The expected life is the contractual term of the warrants.

(4) The risk-free rates used for inputs represent the yields on the valuation date with periods consistent with the contractual remaining term.

The Company incurred a day one loss of approximately \$1.0 million because the Company had insufficient authorized common stock shares to settle the warrants.

Note 15. Commitments and Contingencies

Legal Matters

On May 3, 2022, a complaint was filed by the Plaintiff Positive Health Alliance, Inc. ("PHA") against PharmCo LLC, a wholly owned subsidiary of the Company, in the U.S. Circuit Court of Miami Dade, Florida, alleging that defendant failed to pay amounts due and owing to PHA under the parties' contract for discounted prescription drugs. PHA is seeking judgment against PharmCo for compensatory damages in the amount of \$407,504, plus attorneys' fees and costs. The \$407,504 was recorded in Accounts Payable and Accrued Liabilities in the Company's Condensed Consolidated Balance Sheets at September 30, 2022 and December 31, 2021. PHA and Pharmco entered into a settlement agreement on July 1, 2022, pursuant to which Pharmco paid to PHA the total amount of \$407,504 in installment payments. The complaint was dismissed with prejudice on July 8, 2022. The balance outstanding was approximately \$248,000 and \$408,000 at September 30, 2022, and December 31, 2021, respectively.

On June 8, 2022, a complaint was filed by the Company against KeyCentrix, LLC ("KCL"), in the U.S. District Court for the Southern District of Florida, alleging fraudulent inducement, breach of express warranty and breach of implied warranty. The complaint stems from an agreement by KCL to license to the Company certain pharmacy management software known as "Newleaf" for use in the operations of pharmacies operated by the Company.

Note 16. Related Party Transactions

During the year ended December 31, 2021, the Company had a consulting arrangement with Spark Financial Consulting (“Spark”), which is a consulting company owned by an employee and beneficial 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 2021. Additionally, Spark may be entitled to additional fees for additional consulting services. During the nine months ended September 30, 2021, the Company paid Spark \$96,000. The agreement was terminated during the third quarter of 2021.

The Company had an employment agreement (the “Agreement”) with a certain pharmacist, Head of the Compounding Department, who is the first paternal cousin to the beneficial 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 nine months ended September 30 2021, payments to the pharmacist was \$63,495. The agreement was terminated during the third quarter of 2021.

Note 17. 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. Through September 30, 2021, the Company matched the employee’s contribution up to a maximum of 3% of the eligible employee’s compensation. The Company contributed approximately \$0 and \$2,200 in matching contributions for the nine months ended September 30, 2022 and 2021, respectively.

Note 18. Subsequent Events

On November 11, 2022, Alan Jay Weisberg, Chief Executive Officer and Vice-Chairman of the Board of Directors of Progressive Care Inc., submitted his resignation effective immediately. The Board of Directors appointed Charles M. Fernandez, Chairman of the Board of Directors, as Chief Executive Officer on November 11, 2022.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the attached unaudited Condensed 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. We strongly encourage investors to carefully read the section entitled "Risk Factors" in our Form 10-12G filed April 7, 2022 for a description of certain risks that could, among other things, cause actual results to differ from these forward-looking statements. We assume no responsibility to update the forward-looking statements contained in this quarterly report on Form 10-Q. The following should also be read in conjunction with the unaudited Condensed Consolidated Financial Statements and notes thereto that appear elsewhere in this report.

Overview

Progressive Care Inc. 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 and PharmCoRx 1204 (referred to as "FPRX" historically or "PharmCo 1103" and "PharmCo 1204" currently) (pharmacy subsidiaries collectively referred to as "PharmCo"), ClearMetrX Inc., and RXMD Therapeutics, 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 Third Party Administration ("TPA"), data management, COVID-19 related diagnostics and vaccinations, prescription pharmaceuticals, compounded medications, tele-pharmacy services, anti-retroviral medications, medication therapy management, the supply of prescription medications to long term care facilities, medication adherence packaging, 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 a patient and provider engagement and our partnerships with payors, pharmaceutical manufacturers and distributors. We offer a broad range of innovative solutions to address the dispensing, delivery, dosing, and reimbursement of clinically intensive, high-cost drugs.

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.

We currently own and operate four pharmacies, which generate most of our revenues.

Our pharmacy revenue is derived from customized care management programs and Medication Therapy Management ("MTM") services 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 that 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, expansion of data management and analytics services to healthcare organizations, and through potential acquisitions.

ClearMetrX

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. According to data from Berkeley Research Group Industry Roundtable Report, 340B gross sales across the program is expected to grow from \$116 billion in 2021 to \$280 billion in 2026. ClearMetrX includes data management and Third Party Administration ("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. The Company's TPA services include management of wholesale accounts and contract pharmacies, patient eligibility with regard to the 340B drug program, development and review of 340B policies and procedures, and management of receivables.

During September 2022, we launched our 340MetrX Platform to help 340B covered entities increase the number of 340B qualified claims and program savings while supporting compliance efforts. The 340MetrX platform is a software product developed by the Company's wholly owned subsidiary ClearMetrX that provides 340B Covered Entities with data insights to effectively operate and maximize the benefits of the 340B program. The platform allows program administrators to manage, in real time, data related to revenue, virtual inventory, drug replenishment and reconciliation, detailed prescription history analysis, customized ordering data with major wholesalers, patient information, drug prescribing trends, and customized financial breakdowns. The software analyzes claim records and provides a complete overview of the financial health of the entity while diminishing the number of ineligible claims through the 340MetrX automated review process. The 340MetrX software enhances the existing third-party administration services ClearMetrX is currently providing to entities by complementing in-house 340B experts with a robust reporting platform aiming to maximize the limited resources in the 340B space through identification and validation of missing claims, increasing the covered entity's revenue. 340MetrX allows our data analytics processes to be significantly more productive, giving our team an ability to seamlessly manage data for a much greater number of 340B Covered Entities in Florida, with potential to be scaled nationwide. We intend to take full advantage of the momentum this sector presents and are excited to now offer customers in every part of our country a solution that allows them to reduce efforts related to compliance and risk mitigation, strengthen the potential to capture more revenue, and simplify the whole 340B process.

Through ClearMetrX, third party administrative and data management fees for the three months ended September 30, 2022 and 2021, was approximately \$0.4 million and \$0.2 million, respectively. Third party administrative and data management fees for the nine months ended September 30, 2022 and 2021, was approximately \$0.7 million for both periods. These fees have gross margins significantly greater than those generated from our pharmacy operations.

Results of Operations - Three Month and Nine Month Comparisons

Our prescriptions revenues were 93% and 83% of total revenues for the three months ended September 30, 2022 and 2021, respectively. Our prescriptions revenues were 90% and 86% of total revenues for the nine months ended September 30, 2022 and 2021, respectively.

For the three months ended September 30, 2022 and 2021, we recognized overall revenue from operations of approximately \$10.1 million and \$9.8 million, respectively. Prescription revenue for the three months ended September 30, 2022 was approximately \$9.4 million when compared to \$8.1 million the same period in 2021, a 16% period over period increase. We have filled approximately 117,000 and 106,000 prescriptions during the three months ended September 30, 2022, and 2021, respectively, a 10% period over period increase in the number of prescriptions filled. Revenue from COVID-19 testing was approximately \$0.2 million and \$1.3 million for the three months ended September 30, 2022, and 2021, respectively. The decrease was primarily due to lower COVID-19 testing sales. As the COVID-19 pandemic faded worldwide, the need for testing has decreased as it relates to travel and business continuity. However, despite the downturn in COVID-19 testing needs, we have generated approximately \$0.2 million in COVID-19 testing revenue for the three months ended September 30, 2022. It is difficult to predict whether these conditions will be recurring given recent COVID-19 pandemic conditions in Florida. We are well positioned to react if another COVID-19 outbreak occurs as we have built a reputation of being a reliable partner for COVID-19 testing solutions. We have built reputable relationships with well-known media productions companies and these relationships provide us with recurring COVID-19 testing revenue.

For the nine months ended September 30, 2022 and 2021, we recognized overall revenue from operations of approximately \$30.2 million and \$29.0 million, respectively, a 4% period over period increase. Prescription revenue for the nine months ended September 30, 2022 was approximately \$27.3 million when compared to \$24.9 million the same period in 2021, a 9% period over period increase. We have filled approximately 346,000 and 330,000 prescriptions during the nine months ended September 30, 2022, and 2021, respectively, a 5% period over period increase in the number of prescriptions filled. We believe this trend will continue through the remainder of the year as the medication adherence measures begin to impact providers performance and their future potential monetary incentives, which are tied to their patient's adherence measures. Revenue from COVID-19 testing was approximately \$1.9 million and \$2.9 million for the nine months ended September 30, 2022, and 2021, respectively. We have recognized record COVID-19 testing revenue in January 2022 as the country was dealing with the Delta and Omicron outbreak during that period. Since January 2022 the demand for COVID-19 testing has slowed down as the need for testing has decreased as it relates to travel and business continuity. It is difficult to predict whether these conditions will be recurring given recent COVID-19 pandemic conditions in Florida. We are well positioned to react if another COVID-19 outbreak occurs as we have built a reputation of being a reliable partner for COVID-19 testing solutions. We have built reputable relationships with well-known media production companies and these relationships provide us with recurring COVID-19 testing revenue.

During 2022 we have experienced significant decreases in the reimbursement rates for uninsured patients enrolled in the Gilead PREP program that became effective beginning the first quarter of 2022 that had an overall unfavorable impact on our 340B contract revenue. Dispensing fee and third-party administration revenue earned on our 340B contracts for the three months ended September 30, 2022 and 2021 were approximately \$1.2 million and \$0.7 million, respectively. Dispensing fee and third-party administration revenue earned on our 340B contracts for the nine months ended September 30, 2022, and 2021 were approximately \$2.2 million and \$2.1 million, respectively. As a result of a decrease in reimbursement rates from the Gilead PREP program, we experienced an unfavorable impact on our 340B contract revenue in the amount of approximately \$0.1 million for the three months ended September 30, 2022, and an unfavorable impact of approximately \$0.4 million for the nine months ended September 30, 2022. Since the beginning of the year, 340B covered entities significantly increased patient enrollment in alternative programs and insurance plans that provide greater reimbursements. We are continuing to strengthen our knowledge and expertise in the 340B arena and working towards diversifying our 340B business as well as expanding it nationwide through the offering of our ClearMetrX software.

We continue to experience an overall reduction in the gross profit per drug prescribed predominantly in high cost brand drugs where in many cases reimbursements are at or below dispensed drug costs. Our gross profit per prescription continued to be eroded through increases in contractual rate adjustments such as generic and brand effective rates. 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. Our pharmacy staff is trained to recognize all opportunities to recommend and dispense less expensive generic drug alternatives to minimize the risk of loss and potentially decrease profit erosion. We believe this approach will benefit our pharmacy operations and attract new business from value-based providers and health care organizations with a focus on minimizing drug spending.

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.

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

NextPlat Investment and Debt Restructuring

During August 2022, we entered into a Confidential Note Purchase and Release Agreement (“Agreement”) for a recapitalization of our current debt and a strategic investment by NextPlat Corp. (NASDAQ: NXPL, NXPLW) (“NextPlat”).

Under the Agreement, the Company received an aggregate proceeds of approximately \$6.0 million from NextPlat in exchange for the issuance to NextPlat of 3,000 units of Series B Preferred Stock as well as warrants to purchase up to 3,000 shares of Series B Preferred Stock at an exercise price of \$2,000 per share. In addition, pursuant to a Securities Purchase Agreement, NextPlat’s Executive Chairman and CEO, Charles M. Fernandez, a board member, Rodney Barreto, and certain other investors (“NextPlat investors”) purchased approximately \$2.8 million of the Iliad Research debt in the Company at an agreed fixed conversion price of \$0.02 per share. The Company and NextPlat investors agreed to reduce the interest rate on the purchased debt from 10% to 5% per annum and extend the maturity date through August 30, 2027. Dawson James Securities Inc. served as the placement agent. The Company intends to utilize a portion of the capital raise proceeds to further fund the deployment of its digital platforms and the development and sale of new health, fitness, and beauty products.

On September 13, 2022, Mr. Fernandez was appointed as Chairman of the Company’s Board of Directors (the “Board”) replacing Alan Jay Weisberg who has stepped down from this position to assume the new role of Vice Chairman, remaining on the Board, while also continuing to serve as the Company’s CEO. Mr. Barreto was appointed to the Board as Vice Chairman. We believe NextPlat’s management team and select members of its Board of Directors will contribute to the Company by providing market-proven experience in healthcare and digital technology including the development of new healthcare and lifestyle products to be sold via NextPlat’s global e-commerce marketplaces. On October 7, 2022, Pedro Rodriguez, MD was appointed to the Board.

Charles M. Fernandez

Over the past 30 years, Mr. Fernandez, age 60, has successfully identified profitable start-up and dislocation opportunities, and built significant shareholder value, executing both private and public exits. Mr. Fernandez’s expertise in technology and healthcare includes co-founding Lakeview Health Systems (acquired by a private equity firm for approximately \$70 million) and Continucare Corporation (acquired by Metropolitan Health Networks, Inc. for approximately \$400 million) where he served as chairman, president and CEO. He also served as an investor, director, and Chairman of the Audit Committee of IVAX Corporation for nearly a decade prior to its purchase by Teva Pharmaceuticals for \$8.7 billion.

Pedro Rodriguez

Dr. Rodriguez, age 74, is a medical professional with over 40 years of experience in the psychiatry field. Currently, Dr. Rodriguez is the Chairman and Medical Director of the Department of Psychiatry at Mount Sinai Medical Center in Miami Beach, FL. Previously, Dr. Rodriguez was the Chairman and Medical Director of the Department of Psychiatry at Cedar’s Medical Center in Miami, FL from 1993-2003. Dr. Rodriguez is a Diplomat in the Specialty of Psychiatry in the American Board of Psychiatry and Neurology and is a member of the State of Florida Board of Medical Examiners. Dr. Rodriguez has been the recipient of numerous awards and recognized in the Miami community as one of the Community’s most eminent physicians. Dr. Rodriguez received his doctorate degree from the University of Salamanca School of Medicine and an MBA from the University of Miami Herbert Business School.

Rodney Barreto

Mr. Barreto, age 64, has extensive leadership and entrepreneurial experience. Mr. Barreto has served on the Board of Directors of NextPlat Corp since January 20, 2022. Mr. Barreto is President and CEO of the Barreto Group and of Barreto Hospitality since their founding. The Barreto Group, which was founded in 1988, is a diversified company specializing in corporate and public affairs consulting, real estate investment, and development. Barreto Hospitality, which was founded in 2020, is the food, beverage, and hospitality arm of Barreto Group, boasting a wide array of dining and entertainment venues across South Florida. Mr. Barreto is also the founding partner of Floridian Partners, LLC. Floridian Partners LLC, which was founded in 2000, is a consulting firm that develops and manages effective corporate and public affairs strategies designed to achieve specific business results. Mr. Barreto has also served as the CEO of Barreto Capital, LLC, a private money lender, since November 2018. Mr. Barreto has chaired the Super Bowl Host Committee a record three (3) times, in the years 2007, 2010 and 2020

Events subsequent to September 30, 2022

Stock Option Agreements

On September 13, 2022, we agreed to issue options to Charles Fernandez. On October 7, 2022, the Company and Mr. Fernandez entered into a stock option agreement (the “Fernandez Option Agreement”), pursuant to which Mr. Fernandez was granted the right to purchase additional shares in accordance with the following vesting percentages: 2% of the Company’s issued stock, which will vest immediately, 1% of the Company’s shares outstanding upon the Company’s market capitalization reaching \$50 million for five consecutive trading days, 1% of the Company’s shares outstanding upon the Company’s market capitalization reaching \$100 million for five consecutive trading days, and 1% of the Company’s shares outstanding upon the Company’s market capitalization reaching \$200 million for five consecutive trading days, as detailed in his employment stock option agreement.

On September 13, 2022, the Company agreed to issue options to Rodney Barreto. On October 7, 2022, the Company and Mr. Barreto entered into a stock option agreement (the “Fernandez Option Agreement”), pursuant to which Mr. Barreto was granted the right to purchase additional shares in accordance with the following vesting percentages: 1% of the Company’s issued stock, which will vest immediately, 1% of the Company’s shares outstanding upon the Company’s market capitalization reaching \$50 million for five consecutive trading days, 1% of the Company’s shares outstanding upon the Company’s market capitalization reaching \$100 million for five consecutive trading days, and 1% of the Company’s shares outstanding upon the Company’s market capitalization reaching \$200 million for five consecutive trading days, as detailed in his employment stock option agreement.

Amendments to Officer Employment Agreements

On October 7, 2022, the Board approved the acceleration of vesting for certain Restricted Stock Units (“RSUs”) previously awarded to Alan Jay Weisberg, the Company’s Chief Executive Officer and co-Vice Chairman and Birute Norkute, the Company’s Chief Operating Officer and entered into amendments to the Company’s respective employment agreements with Mr. Weisberg and Ms. Norkute (the “Amendment to Amended and Restated Employment Agreement”). Pursuant to the Amendment to Amended and Restated Employment Agreement, 15,000,000 RSUs and 5,000,000 RSUs vested and were awarded to Alan Jay Weisberg and Birute Norkute, respectively, as of the date of Amendment to Amended and Restated Employment Agreement

COVID-19 Update

The impact of the COVID-19 pandemic has rapidly evolved around the globe, causing disruption in the U.S. and global economies. Although the global economy continued reopening in 2022 and robust economic activity has supported a continued recovery, certain geographies, most notably China, have experienced setbacks.

The uncertainty surrounding the COVID-19 pandemic, including uncertainty regarding new variants of COVID-19 that have emerged and other factors have and may continue to contribute to significant volatility in the global markets. While vaccine availability and uptake has increased, the longer-term macro-economic effects on global supply chains, inflation, labor shortages and wage increases continue to impact many industries. COVID-19 and the current financial, economic and capital markets environment, and future developments in these and other areas present uncertainty and risk with respect to our performance, financial condition, and results of operations.

The ultimate magnitude of COVID-19, including the full extent of the material negative impact on our financial and operational results, will depend on future developments, such as the duration and severity of the pandemic, the extent of any additional increases in cases across the United States, and the related length of its impact on the global economy, as well as the timing and availability of effective medical treatments and vaccines, which remain uncertain and cannot be predicted at this time. The resumption of our normal business operations may be delayed or constrained by lingering effects of COVID-19 on our customers, suppliers and/or third-party service providers. Furthermore, the extent to which our mitigation efforts are successful, if at all, is not currently ascertainable. Due to the daily evolution of the COVID-19 pandemic and the responses to curb its spread, we cannot predict the full impact of the COVID-19 pandemic on our business and results of operations, but our business, financial condition, results of operations and cash flows have already been materially adversely impacted, and we anticipate they will continue to be adversely affected by the COVID-19 pandemic and its negative effects on global economic conditions. Any recovery from the COVID-19 pandemic and related economic impact may also be slowed or reversed by a variety of factors, such as any increase in COVID-19 infections. Even after the COVID-19 pandemic has subsided, we may continue to experience adverse impacts to our business as a result of its national and, to some extent, global economic impact, including the current recession and any recession that may occur in the future.

For the nine months ended September 30, 2022 and 2021, we earned approximately \$1.9 million and \$2.9 million, respectively from COVID-19 testing. We recognized record COVID-19 testing revenue in January 2022 as the country was dealing with the Delta and Omicron outbreak during that period. Since January 2022 the cases of COVID-19 infections and demand for COVID-19 testing have slowed down. It is difficult to predict whether these conditions will be recurring given recent COVID-19 pandemic conditions in Florida. We are well positioned to react if another COVID-19 outbreak occurs as we have built a reputation of being a highly reliable partner for COVID-19 testing solutions. We have built reputable relationships with well-known media productions companies and these relationships provide us with recurring COVID-19 testing revenue.

With the FDA's recent revision of the drug's emergency use authorization, as of July 7, 2022 our Pharmacists here at PharmCo, with some limitations, can now prescribe Paxlovid, COVID-19 antiviral pill, directly to patients who face high risks for severe COVID-19. Pharmco has Paxlovid and Molnupiravir (COVID positive therapies) in stock and are able to dispense immediately to patients when prescribed to treat and minimize or reduce the symptoms of COVID. Paxlovid is authorized to treat mild to moderate COVID-19 in adults and in kids ages 12 and older who weigh at least 88 pounds. Patients who report a positive test are eligible for Paxlovid under the FDA authorization.

Products and Services and their Markets

Pharmacy operations

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 improve the 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. We also provide patient health risk reviews and free same-day delivery. On a trailing twelve months basis, we fill on average approximately 38,000 prescriptions per month. We believe we are well positioned to continue expanding our market share in the pharmacy industry.

We offer a variety of value-added services for no additional charge that further encourage satisfaction across all medication stake holders and enhance loyalty and key performance metrics. These services include language support for broad demographics, prior authorization assistance, same-day home-medication delivery, on site provider consultation services, reporting and analytics, customized medication adherence packaging solutions, and patient advocacy. Our pharmacies accept most major insurance plans and provide access to co-pay assistance programs, discount and manufacturer coupons, and competitive cash payment options. We sell common blood pressure, statin and other common drugs, and dispense either brand name or generic drugs according to the doctor's prescription. We also offer 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.

We provide contracted pharmacy services for 340B Covered Entities under the 340B Drug Discount Pricing Program. The drugs are owned by the 340B Covered Entity up until sale, so we do not incur out of pocket costs for this drug inventory. 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 and receive a dispensing fee per prescription. These fees vary by the covered entity and the level of service we provide.

For our Long-Term Care customers, we provide purchasing, custom packaging and dispensing of both prescription and non-prescription pharmaceutical products. We utilize a best practice unit-of-dose packaging system as opposed to the traditional vials, using the same robotic packaging systems currently used by chain, mail order, and large-scale pharmacies. We also provide computerized maintenance of patient prescription histories, third party billing and consultant pharmacist services. Our consultant pharmacy services consist primarily of evaluation of monthly patient drug therapy, as well as monitoring the institution's drug distribution system.

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.

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 currently hold Florida Community Pharmacy Permits at all Florida pharmacy locations and our PharmCo 901 location is licensed as a non-resident pharmacy in the following states: Arizona, Colorado, Connecticut, Georgia, Illinois, Minnesota, Nevada, New Jersey, New York, Pennsylvania, Texas, and Utah. We are able to dispense to patients in the state of Massachusetts without a non-resident pharmacy license because Massachusetts does not require such a license for these activities.

Data Management Services

Global healthcare systems have been taxed in recent years with aging populations seeking care in greater numbers. Big data and analytics have seen large increases in the market as healthcare stakeholders seek to use information to increase efficiency, lower costs, improve patient outcomes, and innovate. Frontline and independent providers have benefitted from improvements to their digital systems, but data insights are a rare commodity. Regardless of size, digitization of healthcare as global trend will encourage the usage of data analytics to improve care and allow us to compete in an intense healthcare market. Per Fortune Business Insights Report on the Healthcare Analytics Market, the healthcare analytics market size is projected to reach \$80.2 billion by 2026, exhibiting a compound annual growth rate of 27.5%.

Through our wholly owned subsidiary, ClearMetrX, we offer data management and reporting services to support health care organizations. Our 340MetrX offering includes data management and TPA services for 340B Covered Entities, pharmacy analytics, and programs to manage HEDIS Quality Measures including medication adherence. These offerings address the glaring need for frontline providers to understand best practices, patient behaviors, care management processes, and the financial mechanisms driving decisions. We deliver data access and actionable insights that providers and support organizations can use to improve their practice and patient care.

Remote Patient Monitoring

According to new research from MarketsandMarkets, the global Remote Patient Monitoring (“RPM”) market is projected to reach \$175.2 billion by 2027, growing at a robust 27% compound annual growth rate over the next 5 years. The National Center for Biotechnology Information estimates that approximately 67% of Medicare beneficiaries have two or more chronic conditions accounting for 94% of Medicare spending. Chronic conditions have a significant impact on healthcare spending as well as hospital readmissions. Due to this burden, the Centers for Medicare and Medicaid Services (CMS) developed the Remote Patient Monitoring (RPM) program to mitigate spending and provide clinicians with the digital data to implement more informed treatment plans for patients enrolled in the service.

In August 2022, we completed our web-based platform to provide services in this rapidly growing multi-billion dollar RPM space. Our experience in medication and therapy management and our active participation in data analytics would carry over directly into the RPM marketplace. The implementation of patient-oriented technologies such as wearables and 5 G-powered home devices to track physiological data will enhance our capabilities to provide doctors with usable insights into patients’ overall health. Additionally, it will benefit our existing physician base as well as provide a more complete suite of services for future accounts. CMS authorizes pharmacies to work in collaboration with providers, offering services as employees or contracted personnel and thereby enabling the Company to bill providers and healthcare organizations for RPM services. We believe the RPM space is set to be one of the most important growth areas within the healthcare industry over coming years and our most logical next step given our broad base of patients who have multiple chronic conditions. We have differentiated ourselves from competitors in terms of commitment to medication therapy management. Our reputation among healthcare professionals in this domain is one of our strongest advantages.

Industry Overview and Market Opportunities

Pharmacy operations

The retail pharmacy and pharmaceutical wholesale industries are highly competitive and dynamic and have experienced consolidation and an evolving competitive landscape in recent years. Prescription drugs play a significant role in healthcare, constituting a first line of treatment for many medical conditions. New and innovative drugs will improve quality of life and control healthcare costs.

The U.S. retail pharmacy industry relies significantly on private and governmental third-party payors. Many private organizations throughout the healthcare industry, including PBM companies and health insurance companies, have consolidated in recent years to create larger healthcare enterprises with greater bargaining power. Third-party payors, including the Medicare Part D plans and the state-sponsored Medicaid and related managed care Medicaid agencies in the United States, can change eligibility requirements or reduce certain reimbursement rates.

Changes in law or regulation can also impact reimbursement rates and terms. The Patient Protection and Affordable Care Act was enacted to help control federal healthcare spending, including for prescription drugs. These changes at the federal and state level are generally expected to reduce Medicaid reimbursements in the U.S. When third-party payors or governmental authorities take actions that restrict eligibility or reduce prices or reimbursement rates, sales and margins in the retail pharmacy industry could be reduced. In some cases, these possible adverse effects may be partially or entirely offset by controlling inventory costs and other expenses, dispensing higher margin generics, finding new revenue streams through pharmacy services or other offerings, dispensing a greater volume of prescriptions or any combination of these actions.

Generic prescription drugs have continued to help lower overall costs for customers and third-party payors. In the U.S. in general, generic versions of drugs generate lower sales dollars per prescription, but higher gross profit percentages, as compared with patent-protected brand name drugs. In general, in the U.S., specialty prescription business is also growing and generates higher sales dollars per prescription, but lower gross margin, as compared to generic prescription drugs.

Pharmacists are on the frontlines of the healthcare delivery system, and we believe rising healthcare costs and the limited supply of primary care physicians present opportunities for pharmacists and retail pharmacies to play an even greater role in driving positive outcomes for patients and payors through expanded service offerings such as immunizations and other preventive care, healthcare clinics, pharmacist-led medication therapy management and chronic condition management.

Pharmaceuticals represent a significant and growing total addressable healthcare market. The pharmaceutical market experienced significant growth in recent years as complex chronic conditions, care coordination, technology-enabled patient care, biotechnology research and outcomes-based healthcare have increased in focus.

In light of accelerating usage of mail order and delivery-based services, both before and after the global COVID-19 pandemic, we believe the market for personalized and convenient care access is increasing. We have provided same-day and next-day home delivery services over the past 15 years of our operations. We are uniquely positioned in Florida to gain an increasing market share among a broad demography of patients due to our high-performance scores and value-added services. Additionally, we see value in the opportunity to create strategic partnerships, acquire synergistic operations and expand current operations to round out pharmacy capabilities which could include specialty medications, sterile compounding, and mail-order.

Virtual healthcare services and healthcare technologies

Virtual healthcare services, or Telehealth, is a growing segment of the healthcare sector. It involves remotely exchanging patient data between locations for purposes of obtaining assistance in monitoring and diagnosing. Telehealth allows the healthcare practitioner to easily offer their services on consultation, care management, diagnosis, and self-management services using information and communication technologies. These services are being offered through various modes of delivery, such as on-premise, web-based, and cloud-based delivery. A growing population over the age of 65, the increase in the number of chronic diseases, and a rise in demand for home monitoring devices are the major drivers which are likely to aid the growth of the telehealth market.

In the U.S. and globally there has been a surge in interest in digital health services as the COVID-19 pandemic upended the traditional practice of medicine. The pandemic has encouraged accelerating adoption of digital and remote health technologies by providers, and patients have seen the value in using virtual care services for routine care and consultation. Increased usage of these services has shown new methodologies for reducing healthcare spending and increasing access to patients in both rural and urban settings. CMS has recently adopted CPT codes to allow physicians to bill for virtual healthcare encounters. While those codes are initially expected to be temporarily tied to the pandemic, industry experts anticipate broader adoption of insurance acceptance of virtual healthcare claims as the broader market seeks to use the services to perform triage, lower backlogs, and increase access at lower costs than traditional healthcare encounters.

Virtual healthcare today centers on singular health encounters on an as-needed basis with limited integration into the overall care management plan of the practice or the patient. We see a widening gulf between the intent of virtual care services and actual application. Market opportunities exist for us to leverage existing core competencies in remote patient monitoring and home-based care management to enhance the quality of health services provided virtually, increase connectivity and integration, and focus on the intrinsic value of the relationship between physician and patient.

A growing trend involves the capturing of personal health data by smartphone apps and wearable technology. A patient can easily mislead a care provider on a questionnaire regarding what they ate or how much they exercised, but a wearable device can track and transmit healthcare data in real time without being manipulated. Getting access to personal health and fitness data could favorably impact follow-up care, too, as medical professionals are better able to monitor and communicate with patients after they are discharged from care. Patients may be able to address follow-up care without having to go back to the doctor's office or hospital, saving them time and saving the clinic or hospital money. Better follow-up care is key to lowering hospital readmission rates.

In the current environment, healthcare information is increasingly fragmented with numerous electronic healthcare record platforms, virtual care systems, pharmacy software, and data silos and transmitters which lack fundamental integration. Healthcare stakeholders are often at odds about proper care techniques and this lack of alignment increases burdens on providers and patients alike and is associated with decreasing satisfaction with healthcare services and negative health outcomes. We believe our unique vision of pharmacy enabled health technology will lead the way to independent and integrated health systems.

Data Management Services

The latest trend in healthcare is to use data to improve patient outcomes and quality of life – a practice known as “Applied Health Analytics”. “Data analytics” refers to the practice of aggregating large data sets and analyzing them to draw important insights and recommendations. This process is increasingly aided by new software and technology that facilitates the examination of large volumes of data to detect hidden information.

In the context of the increasingly data-reliant health care system, data management services can help derive insights on systemic wastes of resources, track individual practitioner performance, and identify people within the population that are most at risk for chronic diseases. With this information, the healthcare system can more efficiently allocate resources to deliver individualized patient care at lower costs, improve the health of the population and maximize revenues and margin in the healthcare system.

Insurance companies and healthcare providers are also working to use medical data to identify and better manage high-risk, high-cost patients. Insurance companies and self-funded organizations want to identify these patients to provide early interventions that could keep patients in better health and reduce medical costs later. Another sophisticated use of this kind of healthcare data could be to use algorithms with ICU patients to foresee who is more at risk for readmission. Medical staff can then take different, proactive measures as necessary to try to lower that risk of readmission, such as precise discharge instructions, different prescriptions, or a specific follow-up visit schedule.

We have a different approach to data and how to incorporate it into business and professional practice. The goal of all businesses with access to large data collections should be to harness the most relevant data and use it for optimized decision making. ClearMetrX focuses on using data-driven analytic tools to identify insights targeting three key areas where we see the potential to improve patient outcome and maximize revenue and margin for our clients:

1. Improving medication adherence. Increasing patients’ adherence to medication treatment plans means they will be healthier, reducing costly advanced treatment claims for those patients. Third party payors will see lower claim payments, and the physicians are rewarded with higher reimbursement under managed care contracts with third party payors.
2. Improving patient engagement with their physicians. Reducing abandonment while nurturing patients to comply with their therapy through education, reminder, and medication synchronization will improve refill rates, resulting in healthier outcomes.
3. Optimizing operational efficiency and costs.

As a result, the data provided to our physicians’ practices will help doctors to meet third party payor performance goals which will improve reimbursement payments from third party payors.

RESULTS OF OPERATIONS

Results of Operations for three months ended September 30, 2022 and 2021.

The following table summarizes our results of operations:

	For the Three Months Ended September 30,			
	2022	2021	\$ Change	% Change
Total revenues, net	\$ 10,143,881	\$ 9,797,523	\$ 346,358	4%
Total cost of revenue	7,981,796	6,871,206	1,110,590	16%
Total gross profit	2,162,085	2,926,317	(764,232)	-26%
Operating expenses	4,031,774	2,702,381	1,329,393	49%
(Loss) income from operations	(1,869,689)	223,936	(2,093,625)	-935%
Other (loss) income	(7,092,939)	302,543	(7,395,482)	-2444%
(Loss) income before income taxes	(8,962,628)	526,479	(9,489,107)	-1802%
Income taxes	-	1,920	(1,920)	100%
Net (loss) income	(8,962,628)	528,399	(9,491,027)	-1796%
Series A Preferred Stock dividend associated with induced conversion	(541,278)	-	(541,278)	-100%
Net (loss) income attributable to Common Shareholders	\$ (9,503,906)	\$ 528,399	\$ (10,032,305)	-1899%

For the three months ended September 30, 2022 and 2021, we recognized overall revenue from operations of approximately \$10.1 million and \$9.8 million, respectively. Net pharmacy revenues increased by approximately \$0.3 million for the three months ended September 30, 2022 when compared to the same period in 2021. For the three months ended September 30, 2022, the increase in revenue was mainly attributable to an increase in pharmacy revenue of approximately \$1.3 million and 340B contract revenue of approximately \$0.5 million, which was offset by a decrease in COVID-19 testing revenue of approximately \$1.1 million and an increase in PBM fees of approximately \$0.4 million when compared to the same period in 2021.

Gross profit margins decreased from 30% for the three months ended September 30, 2021, to 21% when compared to the same period in 2022. The 9% period over period decrease is mainly due to the decrease in COVID-19 testing revenues, which have significantly higher margins than pharmacy operations.

The loss from operations increased by approximately \$2.1 million for the three months ended September 30, 2022, when compared to the same period in 2021, due to the decrease in COVID-19 testing revenues and increase in operating expenses, which was offset by an increase in prescription and 340B contract revenue.

Results of Operations for nine months ended September 30, 2022 and 2021.

The following table summarizes our results of operations:

	For the Nine Months Ended September 30,			
	2022	2021	\$ Change	% Change
Total revenues, net	\$ 30,168,460	\$ 28,999,122	\$ 1,169,338	4%
Total cost of revenue	23,595,416	21,031,826	2,563,590	12%
Total gross profit	6,573,044	7,967,296	(1,394,252)	-17%
Operating expenses	8,775,559	8,572,643	202,916	2%
Loss from operations	(2,202,515)	(605,347)	(1,597,168)	-264%
Other (loss) income	(9,001,444)	976,465	(9,977,909)	-1022%
(Loss) income before income taxes	(11,203,959)	371,118	(11,575,077)	-3119%
Income taxes	(866)	(7,029)	6,163	88%
Net (loss) income	\$ (11,204,825)	\$ 364,089	\$ (11,568,914)	-3177%
Series A Preferred Stock dividend associated with induced conversion	(541,278)	-	(541,278)	-100%
Net (loss) income attributable to Common Shareholders	\$ (11,746,103)	\$ 364,089	\$ (12,110,192)	-3326%

For the nine months ended September 30, 2022 and 2021, we recognized overall revenue from operations of approximately \$30.2 million and \$29.0 million, respectively. Net pharmacy revenues increased by approximately \$1.2 million for the nine months ended September 30, 2022 when compared to the same period in 2021. For the nine months ended September 30, 2022, the increase in revenue was mainly attributable to an increase in pharmacy revenue of approximately \$2.4 million and an increase in 340B contract revenue of approximately \$0.1 million, which was offset by a decrease in COVID-19 testing revenue of approximately \$1.0 million and an increase in PBM fees of approximately \$0.3 million, when compared to the same period in 2021.

Gross profit margins decreased from 27% for the nine months ended September 30, 2021, to 22% when compared to the same period in 2022. The 6% period over period decrease is mainly due to the decrease in COVID-19 testing revenues, which have significantly higher margins than pharmacy operations.

The loss from operations increased by approximately \$1.6 million for the nine months ended September 30, 2022, when compared to the same period in 2021, due to the decrease in COVID-19 testing revenue and increase in operating expenses, which was offset by an increase in pharmacy revenue and 340B contract revenue.

Revenue

Our revenues were as follows:

	Three Months Ended September 30,					
	2022		2021		\$ Change	% Change
	Dollars	% of Revenue	Dollars	% of Revenue		
Prescription revenue	\$ 9,397,483	93%	\$ 8,125,854	83%	\$ 1,271,629	16%
340B contract revenue	1,154,166	11	670,880	7	483,286	72
Testing revenue	235,221	2	1,315,946	13	(1,080,725)	-82
Rent and other revenue	903	-	250	-	653	261
	10,787,773	106	10,112,930	103	674,843	7
PBM Fees	(643,892)	-6	(315,142)	-3	(328,750)	-104
Sales returns	-	-	(265)	-	265	-100
Revenues, net	\$ 10,143,881	100%	\$ 9,797,523	100%	\$ 346,358	4%

For the three months ended September 30, 2022 and 2021, we recognized overall revenue from operations of approximately \$10.1 million and \$9.8 million, respectively. Net pharmacy revenues increased by approximately \$0.3 million for the three months ended September 30, 2022 when compared to the same period in 2021. For the three months ended September 30, 2022, the increase in revenue was mainly attributable to an increase in pharmacy revenue of approximately \$1.3 million and 340B contract revenue of approximately \$0.5 million, which was offset by a decrease in COVID-19 testing revenue of approximately \$1.1 million and an increase in PBM fees of approximately \$0.4 million when compared to the same period in 2021.

Prescription revenues represented 93% and 83% of all revenue for the three months ended September 30, 2022 and 2021, respectively. Prescriptions revenues as a percentage of total net revenues for the three months ended September 30, 2022, have increased when compared to the same period in 2021 due to the increase in prescription revenue of approximately \$1.3 million and a decrease in revenue from COVID-19 testing of approximately \$1.1 million when compared to the same period in 2021. Revenue from 340B contracts is 11% and 7% as a percentage of total net revenues for the three months ended September 30, 2022 and 2021, respectively. Dispensing fee and third-party administration revenue earned on our 340B contracts for the three months ended September 30, 2022, and 2021 were approximately \$1.2 million and \$0.7 million, respectively.

We have filled approximately 117,000 and 106,000 prescriptions during the three months ended September 30, 2022 and 2021, respectively, a 10% period over period increase in the number of prescriptions filled.

During 2022 we have experienced significant decreases in the reimbursement rates for uninsured patients enrolled in the Gilead PREP program that became effective beginning the first quarter of 2022 that had an overall unfavorable impact on our 340B contract revenue. Dispensing fee and third-party administration revenue earned on our 340B contracts for the three months ended September 30, 2022, and 2021 were approximately \$1.2 million and \$0.7 million, respectively. As a result of the decrease in reimbursement rates from Gilead PREP program, we experienced an unfavorable impact on our 340B contract revenue in the amount of approximately \$0.1 million for the three months ended September 30, 2022, which was offset by increase in our 340B contract revenue due to new business. Since the beginning of the year, 340B covered entities significantly increased patient enrollment in alternative programs and insurance plans that provide greater reimbursements.

For the three months ended September 30, 2022 and 2021, we have earned approximately \$0.2 million and \$1.3 million, respectively from COVID-19 testing. The decrease was primarily due to lower COVID-19 testing sales. As the COVID-19 pandemic fading worldwide, the need for testing has decreased as it relates to travel and business continuity. However, despite the downturn in COVID-19 testing needs, we have generated approximately \$0.2 million in COVID-19 testing revenue for the three months ended September 30, 2022 compared to approximately \$1.3 million for the same period in 2021. It is difficult to predict whether these conditions will be recurring given recent COVID-19 pandemic conditions in Florida. We are well positioned to react if another COVID-19 outbreak occurs as we have built a reputation of being a reliable partner for COVID-19 testing solutions. We have built reputable relationships with well-known media production companies and these relationships provide us with recurring COVID-19 testing revenue.

	Nine Months Ended September 30,					
	2022		2021		\$ Change	% Change
	Dollars	% of Revenue	Dollars	% of Revenue		
Prescription revenue	\$ 27,279,141	90%	\$ 24,929,722	86%	\$ 2,349,419	9%
340B contract revenue	2,248,223	7	2,120,701	7	127,522	6
Testing revenue	1,894,434	6	2,926,452	10	(1,032,018)	-35
Rent and other revenue	2,560	-	1,575	-	985	63
	31,424,358	104	29,978,450	103	1,445,908	5
PBM Fees	(1,255,898)	-4	(976,127)	-3	(279,772)	-29
Sales returns	-	-	(3,201)	-	3,201	-100
Revenues, net	\$ 30,168,460	100%	\$ 28,999,122	100%	\$ 1,169,338	4%

For the nine months ended September 30, 2022 and 2021, we recognized overall revenue from operations of approximately \$30.2 million and \$29.0 million, respectively. Net pharmacy revenues increased by approximately \$1.2 million for the nine months ended September 30, 2022 when compared to the same period in 2021. For the nine months ended September 30, 2022, the increase in revenue was mainly attributable to an increase in pharmacy revenue of approximately \$2.4 million and an increase in 340B contract revenue of approximately \$0.1 million, which was offset by a decrease in COVID-19 testing revenue of approximately \$1.0 million and an increase in PBM fees of approximately \$0.3 million, when compared to the same period in 2021.

Prescription revenues represented 90% and 86% of all revenue for the nine months ended September 30, 2022 and 2021, respectively. Prescriptions revenues as a percentage of total net revenues for the nine months ended September 30, 2022, have increased when compared to the same period in 2021 due to the increase in prescription revenue of approximately \$2.4 million and a decrease in COVID-19 testing revenue of approximately \$1.0 million when compared to the same period in 2021. 340B contract revenue is 7% as a percentage of total net revenues for both nine month periods ended September 30, 2022 and 2021.

We have filled approximately 347,000 and 330,000 prescriptions during the nine months ended September 30, 2022 and 2021, respectively, a 5% period over period increase in the number of prescriptions filled.

During 2022 we have experienced significant decreases in the reimbursement rates for uninsured patients enrolled in the Gilead PREP program that became effective beginning the first quarter of 2022 that had an overall unfavorable impact on our 340B contract revenue. Dispensing fee and third-party administration revenue earned on our 340B contracts for the nine months ended September 30, 2022, and 2021 were approximately \$2.2 million and \$2.1 million, respectively. As a result of the decrease in reimbursement rates from Gilead PREP program, we experienced an unfavorable impact on our 340B contract revenue in the amount of approximately \$0.4 million for the nine months ended September 30, 2022, which was offset by increase in our 340B contract revenue due to new business. Since the beginning of the year, 340B covered entities significantly increased patient enrollment in alternative programs and insurance plans that provide greater reimbursements.

For the nine months ended September 30, 2022, and 2021, we have earned approximately \$1.9 million and \$2.9 million, respectively from COVID-19 testing. We have recorded record COVID-19 testing revenue in January 2022 as the country was dealing with the Delta and Omicron outbreak during that period. Since January 2022 the demand for COVID-19 testing have slowed down as the need for testing has decreased as it relates to travel and business continuity. It is difficult to predict whether these conditions will be recurring given recent COVID-19 pandemic conditions in Florida. We are well positioned to react if another COVID-19 outbreak occurs as we have built a reputation of being a reliable partner for COVID-19 testing solutions. We have built reputable relationships with well-known media productions companies and these relationships may provide us with recurring COVID-19 testing revenue.

Operating Expenses

Our operating expenses decreased by approximately \$0.2 million, or 2%, for the nine months ended September 30, 2022 when compared to the same period in 2021. The decrease was mainly attributable to the following:

- Decrease in salaries, wages and employee related expenses due to period over period decrease in headcount, and less time invested in training on pharmacy software when compared to 2021 in the amount of approximately \$0.7 million;
- Increase in non-recurring consulting fees for assisting in calculating the employee retention credit in the amount of approximately \$0.1 million;
- Decrease in rent expense due to non-recurring leasehold improvement related expenses in the amount of approximately \$0.2 million;
- Decrease in amortization expense due to intangible assets being fully amortized in the amount of approximately \$0.2 million;
- Decrease in other operating expenses in the amount of approximately \$0.1 million.
- Increase in non-cash share-based compensation due to accelerated vesting of restricted stock units in the amount of approximately \$0.8 million and vesting of stock options in the amount of approximately \$0.5 million.

Other (Loss) Income

Other (loss) income increased by approximately \$10.0 million for the nine months ended September 30, 2022 when compared to the same period in 2021. The increase was mainly attributable to the following:

- An adverse change in the fair value of derivative liability of approximately \$10.0 million due to the embedded derivative associated with the placement and investor warrants, and NextPlat Convertible Note due to insufficient common stock shares to settle these instruments;
- Increase in (loss) gain from debt extinguishment of approximately \$0.4 million due to the decrease from the forgiveness of the Paycheck Protection Program ("PPP") loans in the amount of approximately \$0.8 million in 2021 and non-recurring in 2022, a reduction in the Iliad Research and Chicago Venture Partners notes from the excess sales of converted common stock in the amount of approximately \$0.1 million, an increase in fees associated with the extension of the maturity date of the Iliad Research note in the amount of approximately \$0.2 million, and an increase in debt extinguishment due to modification of the Iliad Research note in the amount of approximately \$1.0 million;
- Increase in other finance cost associated with the Iliad Research note in the amount of approximately \$0.1 million;
- Decrease in interest expense in the amount of approximately \$0.3 million;
- Increase in grant revenue associated with employee retention credit in the amount of approximately \$2.1 million;
- Increase in costs associated with the abandoned offering in the amount of approximately \$0.6 million;
- Increase in costs associated with the day one loss on issuance of units of approximately \$1.0 million and debt modification of approximately \$0.5 million due to insufficient authorized common stock to settle these instruments.

Net (Loss) Income

We had a net loss of approximately \$11.2 million for the nine months ended September 30, 2022, compared to a net income of approximately \$0.4 million for the same period in 2021. As discussed above, the increase in net loss is mainly attributable to non-operating items such as gain on debt settlement, grant revenue, offset by other financing costs, non-cash stock-based compensation, abandoned offering costs, loss from the adverse change in the fair value of the derivative liability, and day one losses on issuance of units and debt modification.

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 (loss) income 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 (loss) income attributable to us, to Adjusted EBITDA for the periods indicated below:

	For the Three Months Ended September 30,	
	2022	2021
Net (loss) income	\$ (8,962,628)	\$ 528,399
Interest expense	107,893	355,750
Change in fair value of derivative liability	7,894,100	(255,130)
Income tax expense	-	(1,920)
Depreciation and amortization expense	49,493	57,884
Consolidated Adjusted EBITDA	<u>\$ (911,143)</u>	<u>\$ 694,983</u>

	For the Nine Months Ended September 30,	
	2022	2021
Net (loss) income	\$ (11,204,825)	\$ 364,089
Interest expense	645,183	985,163
Change in fair value of derivative liability	9,067,500	(913,640)
Income tax expense	866	7,029
Depreciation and amortization expense	145,691	324,192
Consolidated Adjusted EBITDA	<u>\$ (1,345,585)</u>	<u>\$ 766,833</u>

Cash Flows

The following table summarizes our cash flows:

	For the Nine Months Ended September 30, (unaudited)	
	2022	2021
Net change in cash from:		
Operating activities	\$ 999,188	\$ (114,569)
Investing activities	(4,276)	(132,702)
Financing activities	4,940,557	247,430
Change in cash	\$ 5,935,469	\$ 159
Cash at end of the period	\$ 7,347,577	\$ 2,100,854

Net cash provided by operating activities totaled approximately \$1.0 million and a use of cash of approximately \$0.1 million during the nine months ended September 30, 2022 and 2021, respectively. The operational cash flows were positively impacted by the overall change in working capital for the nine months ended September 30, 2022 when compared to the same period in 2021, and the increase was mainly attributable to the increase in pharmacy revenues during the first nine months of 2022 when compared to the same period in 2021, increase in grant revenue, and an increase in accounts payable due to timing of vendor payments towards the end of 2021 compared to the end of September 30, 2022.

Net cash used in investing activities was approximately \$4,000 for the nine months ended September 30, 2022, compared to approximately \$0.1 million for the same period in 2021. The cash outflow in 2022 was attributable to the proceeds from disposal of fixed assets, offset by payments made in developing internal use software. The cash outflow in 2021 was attributable to the completion of the construction at 400 Ansin Blvd.

Net cash provided by financing activities was approximately \$4.9 million for the nine months ended September 30, 2022, compared to approximately \$0.2 million for the same period in 2021. In September 2022 approximately \$5.4 million net proceeds were received from issuing preferred stock in a capital raise from NextPlat Corp., which was offset by payments for debt discount and issuance costs as a result of debt modification of the Iliad Research note and entering into a new debt agreement with NextPlat Investors. During 2021, approximately \$0.4 million in loan proceeds were received from the U.S. CARES Act compared to \$0.0 million loan proceeds received during the same period in 2022.

Liquidity and Capital Resources

Current and Future Financing Needs

We have an accumulated deficit of approximately \$20.3 million through September 30, 2022. We have spent, and expect to continue to spend, additional amounts in connection with implementing our business strategy.

The Company has sustained recurring operating losses and negative cash flows from operations over the past years. For the nine months ended September 30, 2022, the Company had a net loss of approximately \$11.2 million, a loss from operations of approximately \$2.2 million, and net cash provided by operating activities of approximately \$1.0 million. The Company's cash and cash equivalent position was approximately \$7.4 million as of September 30, 2022. The Company expects to continue to incur net losses for at least the next 12 months.

On August 30, 2022, the Company entered into a Debt Modification Agreement ("the Modification Agreement") with a group of investors led by NextPlat Corporation (the "NextPlat investors") wherein the terms were modified for the existing Secured Convertible Promissory Note held by Iliad Research and Trading, L.P. ("the Note") and sold to the NextPlat investors. The NextPlat investors purchased the Iliad Note as part of a Confidential Note Purchase and Release Agreement ("the NPA") between Iliad Research and Trading L.P. and the NextPlat investors. As of the date of the SPA, the aggregate amount of principal and interest outstanding was approximately \$2.8 million. As part of the Modification Agreement, the NextPlat investors agreed to modify the following terms of the Note as follows:

1. The Maturity Date was extended to August 31, 2027.
2. The Outstanding Balance shall bear interest at the simple annual rate of five percent (5%) per annum.
3. The Company is prohibited from prepaying the Note.
4. The Conversion Price for the Note was modified to a fixed price of \$0.02 per share of Common Stock.
5. The Note shall provide for mandatory conversion upon the later to occur of (a) the completion of the Company's reverse stock split, and (b) the listing of the Company's common stock on a national exchange, including the Nasdaq Capital Market, the Nasdaq Global Market, or the New York Stock Exchange.

The Company also entered into a Private Placement Transaction wherein the Company raised approximately \$6.0 million in gross proceeds from the sale of Series B Convertible Preferred Stock (see Note 5).

Management believes that the above transactions mitigate the previously reported conditions related to the Company's liquidity. Therefore, management believes that there is no longer any substantial doubt about the Company's ability to continue as a going concern over the next twelve months.

The significant risks and uncertainties related to the Company's liquidity described above raise substantial doubt about the Company's ability to continue as a going concern over the next twelve months. The Consolidated Financial Statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities and other commitments in the normal course of business. The accompanying Consolidated Financial Statements do not include any adjustments to reflect the possible future effects of these uncertainties.

Critical Accounting Policies

Revenue Recognition

We recognize 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 recognizes testing revenue when the tests are performed, and results are delivered to the customer. Each test is considered an arrangement with the customer and is a separate performance obligation. Payment is generally received in advance from the customer.

We record 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 86% of total revenue for all periods presented.

We accrue an estimate of fees, including 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 Condensed Consolidated Balance Sheets 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.

Accounts Receivable and Allowances

Accounts receivable consist of amounts due from third party medical insurance carriers, pharmacy benefit management companies, patients and credit card processors. Management periodically reviews the accounts receivable to assess collectability and estimates potential uncollectible accounts. Accounts receivables are written off after collection efforts have been completed in accordance with our policies. The uncollectible accounts allowance reduces the carrying value of the account receivable.

Inventories

Inventories are located at our four pharmacy locations. Inventory consists solely of finished products (primarily prescription drugs) and is valued at the lower of first-in, first-out cost (FIFO) or market. Our inventories are maintained on a periodic basis through the performance of physical inventory counts. Our cost of sales is recorded based upon the quantity of prescription drugs dispensed for each prescription filled by our pharmacies and the corresponding unit cost of each drug.

Inventories are comprised of brand and generic pharmaceutical drugs. Our pharmacies maintain a wide variety of different drug classes, known as Schedule II, Schedule III, and Schedule IV drugs, which vary in degrees of addictiveness. Schedule II drugs, considered narcotics by the DEA, are the most addictive; hence, they are highly regulated by the DEA and are required to be segregated and secured in a separate cabinet. Schedule III and Schedule IV drugs are less addictive and are not regulated. The cost in acquiring Schedule II drugs is higher than Schedule III and IV drugs.

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, we believe that we will not be able to realize the full value of deferred tax assets and has increased its valuation allowance to offset completely its deferred tax assets resulting from our net operating losses.

Off-Balance Sheet Arrangements

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company, as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended, for this reporting period and are not required to provide the information required under this Item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

In connection with the preparation of this quarterly report, an evaluation was carried out by the Company’s management, with the participation of the principal executive officer and the principal financial officer, of the effectiveness of the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act (“Exchange Act”) as of September 30, 2022. Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Commission’s rules and forms, and that such information is accumulated and communicated to management, including the principal executive officer and the principal financial officer, to allow timely decisions regarding required disclosures.

Based on that evaluation, the Company’s management concluded, as of the end of the period covered by this report, that the Company’s disclosure controls and procedures were effective in recording, processing, summarizing, and reporting information required to be disclosed, within the time periods specified in the Commission’s rules and forms, and that such information was accumulated and communicated to management, including the principal executive officer and the principal financial officer, to allow timely decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting

There have not been any changes in our internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, during our most recently completed fiscal quarter which is the subject of this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On May 3, 2022, a complaint was filed by the Plaintiff Positive Health Alliance, Inc. (“PHA”) against PharmCo LLC, a wholly owned subsidiary of the Company, in the U.S. Circuit Court of Miami Dade, Florida, alleging that defendant failed to pay amounts due and owing to PHA under the parties’ contract for discounted prescription drugs. PHA is seeking judgment against PharmCo for compensatory damages in the amount of \$407,504, plus attorneys’ fees and costs. The Company has accrued certain amounts, as further described in Note 12 in the Notes to the Condensed Consolidated Financial Statements for the Three and Nine Months Ended September 30, 2022 and 2021. PHA and Pharmco entered into a settlement agreement on July 1, 2022, pursuant to which Pharmco paid to PHA the total amount of \$407,504 in installment payments. The complaint was dismissed with prejudice on July 8, 2022. The balance outstanding was approximately \$248,000 and \$408,000 at September 30, 2022, and December 31, 2021, respectively.

On June 8, 2022, a complaint was filed by the Company against KeyCentrix, LLC (“KCL”), in the U.S. District Court for the Southern District of Florida, alleging fraudulent inducement, breach of express warranty and breach of implied warranty. The complaint stems from an agreement by KCL to license to the Company certain pharmacy management software known as “Newleaf” for use in the operations of pharmacies operated by the Company.

ITEM 1A. RISK FACTORS

As a “smaller reporting company” as defined by Item 10 of Regulation S-K, the Company is not required to provide information required by this Item. Other than described below, there were no material changes to the risks described in the section entitled “Risk Factors” in our Form 10-12G filed on April 7, 2022, or our Form 10-Q filed on May 16, 2022.

Our Chief Financial Officer has additional business activities which may result in periodic interruptions, or business failure.

Although we do not feel there is a conflict of interest, our Chief Financial Officer, Cecile Munnik, pursuant to an amendment to the Amended and Restated Employment Agreement between the Company and Cecile Munnik, may provide up to approximately 30% of her time on a weekly basis to provide services to NextPlat and receive compensation from NextPlat. While Ms. Munnik will continue to serve the Company faithfully and to the best of her ability and shall devote her full time, attention, and energies to the business of the Company during customary business hours, Ms. Munnik must balance her time between both NextPlat and our Company. In the event Ms. Munnik is unavailable during times where she was previously available, it may lead to the periodic interruption in our business and could have a significant negative effect on the success of the business.

Our Chief Executive Officer has additional business activities which may result in periodic interruption, business failure or have a negative impact on our ability to generate revenue.

On November 11, 2022, Alan Jay Weisberg tendered his resignation which the Board approved. On the same date, the Board appointed Mr. Fernandez as our new Chief Executive Officer (“CEO”). Mr. Fernandez is also the CEO of Nexplat. Mr. Fernandez does not have to commit his full time to our affairs, which may result in a conflict of interest in allocating his time between managing the Company and NextPlat. Mr. Fernandez does not have to contribute any specific number of hours to our affairs. While Mr. Fernandez intends to serve the Company faithfully and to the best of his ability, he shall devote his full time, attention, and energies to the business of NextPlat. Mr. Fernandez must balance his time between both NextPlat and our Company. Moreover, because we did not enter into any new compensatory arrangements, nor did we make any additional grants or awards to Mr. Fernandez, it is not clear how Mr. Fernandez will prioritize our business affairs. For example, NextPlat owns 31.9 % of our Company and Mr. Fernandez owns 17% of our convertible debt through eApeiron, Partners, LLC. Mr. Fernandez is the sole member and managing partner of eApeiron Partners, LLC. If any of his other business affairs, primarily as CEO of NextPlat, require him to devote substantial amounts of time to such matters, it could materially limit his ability to devote his time and attention to our business which may lead to the periodic interruption in our business, could have a significant negative effect on the success of the business and our ability to generate revenue.

The transition to our new Chief Executive Officer will be critical to our success and our business may be adversely impacted if we do not successfully manage the transition process in a timely manner.

Our success depends, in part, on the effectiveness of our new CEO. The CEO will be critical to executing on and achieving our vision, strategic direction, culture, products, and technology. The transition may be disruptive to the Company and our relationships with customers and employees. If we are unable to execute an orderly transition and successfully integrate the new CEO into our leadership team, revenue, operating results, and financial conditions may be adversely affected.

Additionally, Alan Jay Weisberg, our former CEO and Vice-Chairman of the Board resigned from his office of CEO and from the Board, and the departure of Mr. Weisberg as our CEO and as a member of the Board has resulted in a loss of institutional knowledge. This loss of knowledge and experience can be mitigated through successful transition, but there can be no assurance that we will be successful in such efforts. The ability of the new CEO to quickly adapt to and understand our business, operations, and strategic plans will be critical to the Board and our management’s ability to make informed decisions about our strategic direction and operations.

ITEM 2. UNREGISTERED SALE OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Given the timing of the following event, the following information is included in this Quarterly Report on Form 10-Q pursuant to Item 5.02 of Form 8-K, "Departure of Directors or Certain Officers: Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers" in lieu of filing a Form 8-K.

Chief Executive Officer Resignation and Appointment

On November 11, 2022, Alan Jay Weisberg, Chief Executive Officer and Vice-Chairman of the Board, resigned effective immediately. Mr. Weisberg's resignation was not due to any disagreement with the Company's operations, policies or practices. Mr. Weisberg has agreed to assist with the transition of integrating our new CEO. The Board agreed to provide \$100,000 severance to Mr. Weisberg due to his service of over ten years to the Company and agreement to assist with the transition.

The Board appointed Charles M. Fernandez, Chairman of the Board of Directors of the Company, to serve as Chief Executive Officer effective November 11, 2022. Mr. Fernandez has no family relationships with any of our executive officers or directors, and there have been no related party transactions between Mr. Fernandez and the Company that are reportable under Item 404(a) of Regulation S-K other than those already disclosed in the Company's condensed consolidated financial statements for the three and nine months for the period ended September 30, 2022 as well as previously reported on Form 8-K. In connection with his appointment as our Chief Executive Officer, we did not enter into any new compensatory arrangements, nor did we make any additional grants or awards to Mr. Fernandez.

Amendment to Employment Agreement of Chief Financial Officer

On November 11, 2022, the Board approved an amendment to the Amended and Restated Employment Agreement between the Company and Cecile Munnik, pursuant to which, the Company agreed that Ms. Munnik may provide up to approximately 30% of her time on a weekly basis to provide services to NextPlat and receive compensation from NextPlat. Ms. Munnik will continue to serve the Company faithfully and to the best of her ability and shall devote her full time, attention, and energies to the business of the Company during customary business hours. Ms. Munnik shall receive a bonus in the amount of thirty thousand dollars (\$30,000) immediately and receive options to purchase 5,000,000 shares under the Stock Option Award Agreement ("Options"). The Options vest immediately.

ITEM 6. EXHIBITS

- 3.1 [Progressive Training Inc. Certificate of Incorporation dated October 31, 2006](#)
- 3.2 [Progressive Care Inc., Certificate of Ownership and Merger of Progressive Care Inc. into Progressive Training, Inc. dated November 23, 2010](#)
- 3.3 [Certificate of Amendment of Certificate of Incorporation dated July 3, 2014](#)
- 3.4 [Certificate of Designations, Preferences and Rights of Series A Preferred Stock dated December 18, 2014](#)
- 3.5 [Certificate of Amendment to the Certificate of Incorporation dated February 26, 2015](#)
- 3.6 [Certificate of Amendment to Certificate of Incorporation dated September 23, 2019](#)
- 3.7 [Certificate of Correction dated September 26, 2019](#)
- 3.8 [Progressive Care Inc., Amended and Restated Bylaws](#)
- 3.9 [Standstill Agreement by and among the Company, Iliad Research and Trading, L.P., dated May 13, 2022](#)
- 4.1 [Promissory Note between Regions Bank and PharmCo, LLC, 400 Ansini Blvd., Hallandale Beach, FL, dated as of December 14, 2018](#)
- 4.2 [Promissory Note between 400 Ansini LLC and Company, 400 Ansini Blvd., Hallandale Beach, FL, dated as of December 14, 2018](#)
- 4.3 [Secured Convertible Promissory Note between Chicago Venture Partners, L.P. and the Company, dated as of January 2, 2019](#)
- 4.4 [Secured Convertible Promissory Note between Iliad Research and Trading, L.P. and Company dated as of March 6, 2019](#)
- 10.1+ [Director Agreement between Jervis Hough and Progressive Care Inc., dated as of August 1, 2017](#)
- 10.2+ [Director Agreement between Oleg Firer and Progressive Care Inc., dated as of September 20, 2017](#)
- 10.3+ [Executive Employment Agreement by and between Alan Jay Weisberg and the Company, dated as of October 15, 2020](#)
- 10.4+ [Executive Employment Agreement by and between Cecile Munnik and the Company, dated as of October 15, 2020](#)
- 10.5+ [Executive Employment Agreement by and between Birute Norkute and the Company, dated as of January 3, 2020](#)
- 10.6 [Membership Interest Purchase Agreement – Touchpoint RX, LLC dated as of March 30, 2018](#)
- 10.7 [Consulting Agreement by and between the Company and Spark Financial Consulting, Inc. dated July 1, 2019](#)
- 10.8 [Membership Interest Exchange Agreement, dated January 5, 2015 \(filed as Exhibit 10.1 to Form 8-K filed on January 9, 2015\)](#)
- 10.9+ [Incentive Stock Plan](#)
- 10.10+ [Amended and Restated Executive Employment Agreement by and between Alan Jay Weisberg and the Company, dated as of November 22, 2021](#)
- 10.11+ [Amended and Restated Executive Employment Agreement by and between Cecile Munnik and the Company, dated as of November 22, 2021](#)
- 10.12+ [Amended and Restated Executive Employment Agreement by and between Birute Norkute and the Company, dated as of November 22, 2021](#)
- 10.13+ [Amended and Restated Employment Agreement by and between Armen Karapetian and the Company, dated as of November 22, 2021](#)
- 10.14+ [Employment Agreement by and between Carlos Rangel and the Company, dated as of November 22, 2021](#)
- 10.15+ [Director Agreement between Alan Jay Weisberg and Progressive Care Inc., dated as of July 21, 2021](#)
- 10.16 [Share Exchange Agreement between the Company and Yelena Braslavskaya 2020 Gift Trust dated November 22, 2021](#)
- 10.17 [Settlement Agreement by and among the Company, Iliad Research and Chicago Ventures Partners, L.P. dated January 20, 2022](#)
- 10.18+ [Director Agreement between Birute Norkute and the Company dated as of December 9, 2021](#)
- 10.19+ [Director Agreement between Joseph Ziegler and the Company dated as of December 9, 2021](#)
- 10.20 [Stock Purchase Agreement by and among certain sellers and Company dated as of March 8, 2019](#)
- 10.21 [Amendment to Stock Purchase Agreement by and among certain sellers and Company dated as of November 1, 2019](#)
- 10.22+* [Amendment to Amended and Restated Executive Employment Agreement by and between Alan Jay Weisberg and the Company, dated as of October 7, 2022](#)
- 10.23+* [Amendment to Amended and Restated Executive Employment Agreement by and between Birute Norkute and the Company, dated as of October 7, 2022](#)
- 10.24+* [Amendment to Amended and Restated Executive Employment Agreement by and between Cecile Munnik and the Company, dated as of November 14, 2022](#)
- 10.25+* [Stock Option Agreement by and between Rodney Barreto and the Company, dated as of September 13, 2022](#)
- 10.26+* [Stock Option Agreement by and between Charles M. Fernandez and the Company, dated as of October 7, 2022](#)
- 31.1* [Certification of Chairman and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 31.2* [Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 32.1* [Certification of Chairman and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 32.2* [Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 101 Interactive Data File. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- 104 Cover Page Interactive Data File. The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

*Filed herewith

+ Management contract or compensatory plan or arrangement

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Progressive Care Inc.

Date: November 14, 2022

By: /s/ Charles M. Fernandez
Charles M. Fernandez
Chief Executive Officer
(Principal Executive Officer)

Date: November 14, 2022

By: /s/ Cecile Munnik
Cecile Munnik
Chief Financial Officer
(Principal Financial and Accounting Officer)

AMENDMENT #2 - EMPLOYMENT AGREEMENT

THIS AMENDMENT #2 TO THE AMENDED AND RESTATED EMPLOYMENT AGREEMENT ("Agreement"), dated November 22, 2021, and effective as of July 19, 2021 (the "Effective Date") is between Progressive Care Inc., a Delaware Corporation, and its wholly owned subsidiaries (the "Employer" or the "Company"), and Alan Jay Weisberg, an individual ("Employee").

RECITALS:

- A. Company and Employee entered into that certain Employment Agreement, effective as of October 15, 2020 (the "Original Agreement").
- B. Employee is knowledgeable with respect to the business of the Company.
- C. Company desires to continue employment to Employee and Employee desires to continue employment by Company.
- D. On November 22, 2021, the Company and the Employee agreed to enter into an Amended and Restated Employment Agreement.
- E. The Company and Employee wish to amend certain compensation provisions of the Amended and Restated Employment Agreement.

NOW, THEREFORE, in consideration of the premises, the parties agree as follows:

- I. Section 4, **Compensation**, is revised and amended as follows:

Paragraphs (d) and (e) are deleted in their entirety and replaced with the following:

- (d) Employee shall be granted fifteen million (15,000,000) restricted stock units (the "RSU's") under and subject to all of the provisions of the related Restricted Stock Unit Agreement (the "Founders Award Agreement"). The restricted shares shall be vested immediately.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

PROGRESSIVE CARE INC.

By: _____ Dated: October 7, 2022
Charles M. Fernandez
Chairman of the Board of Directors

EMPLOYEE

Alan Jay Weisberg, an individual

AMENDMENT #2 - EMPLOYMENT AGREEMENT

THIS AMENDMENT #2 TO THE AMENDED AND RESTATED EMPLOYMENT AGREEMENT ("Agreement"), dated November 22, 2021 (the "Effective Date") is between Progressive Care Inc., a Delaware Corporation, and its wholly owned subsidiaries (the "Employer" or the "Company"), and Birute Norkute, an individual ("Employee").

RECITALS:

- A. Company and Employee entered into that certain Employment Agreement, effective as of January 3, 2020 (the "Original Agreement").
- B. Employee is knowledgeable with respect to the business of the Company.
- C. Company desires to continue employment to Employee and Employee desires to continue employment by Company.
- D. On November 22, 2021, the Company and the Employee agreed to enter into an amended and restated employment agreement.
- E. The Company and Employee wish to amend certain compensation provisions of the Amended and Restated Employment Agreement.

NOW, THEREFORE, in consideration of the premises, the parties agree as follows:

- 1. Section 4, **Compensation**, is revised and amended as follows:

Paragraphs (d) and (e) are deleted in their entirety and replaced with the following:

- (d) Employee shall be granted five million (5,000,000) restricted stock units (the "RSU's") under and subject to all of the provisions of the related Restricted Stock Unit Agreement (the "Founders Award Agreement"). The restricted shares shall be vested immediately.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

PROGRESSIVE CARE INC.

By: _____ Dated: October 7, 2022
Alan Jay Weisberg
Chief Executive Officer

EMPLOYEE

Birute Norkute, an individual

AMENDMENT #1 – TO AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDMENT #1 TO AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this “Amendment”), dated November 14, 2022 (the “Effective Date”) is between Progressive Care Inc., a Delaware Corporation, and its wholly owned subsidiaries (the “Employer” or the “Company”), and Cecile Munnik, an individual (“Employee”).

RECITALS:

- A. Company and Employee entered into that certain Employment Agreement, effective as of October 15, 2020 (the “Original Agreement”).
- B. Employee is knowledgeable with respect to the business of the Company.
- C. Company desires to continue employment to Employee and Employee desires to continue employment by Company.
- D. On November 22, 2021, the Company and the Employee agreed to enter into an Amended and Restated Employment Agreement amended and restating the Original Agreement (the “Original Amended and Restated Employment Agreement”).
- E. In the interest of retaining the services of the Employee, among other reasons, the Company wishes to amend certain compensation provisions of the Original Agreement, and the Employee wishes to enter into this Amendment with the Company.

NOW, THEREFORE, in consideration of the premises, the parties agree as follows:

- 1. Section 3, **Duties**, is revised and amended to read in its entirety as follows:

Duties. Employee shall be employed as the Chief Financial Officer. Employee shall have such duties and responsibilities as are normally associated with the foregoing position and such additional duties and responsibilities as she may be reasonably assigned from time to time by the Chief Executive Officer and/or Board of Directors. The Employee agrees to serve the Company faithfully and to the best of her ability and shall devote her full time, attention, and energies to the business of the Company during customary business hours; provided, however, that is hereby expressly acknowledged and agreed that, notwithstanding the foregoing, the Employee is permitted to provide up to approximately 30% of her time on a weekly basis to NextPlat Corp., an affiliate of the Company (“NextPlat”), for which the Employee is permitted to enter into an employment agreement and receive compensation from NextPlat. The Employee agrees to carry out her duties in a competent and professional manner and to at all times promote the best interests of the Company. Except as expressly provided herein, the Employee shall not, during the Employment Period, engage in any other business, whether or not pursued for profit. Nothing contained herein shall be construed as preventing the Employee from investing in any other business or entity which is not in competition with the business of the Company. Nothing contained herein shall be construed as preventing the Employee from (1) engaging in personal business affairs and other personal matters, (2) serving on civic or charitable boards or committees, or (3) serving on the board of directors of companies that do not compete directly or indirectly with the Company, provided however, that none of such activities materially interferes with the performance of her duties under this Amendment and provided further that the Board of Directors approves of each such proposed appointment which approval shall not be unreasonably withheld. The employee will become a fulltime employee of NextPlat effective July 1, 2023.

2. Section 4, **Compensation**, is revised and amended as follows:

Paragraph (c) is deleted in its entirety and replaced with the following:

- (c) The Employee shall receive a bonus ("Bonus") in the amount of Thirty Thousand Dollars (\$30,000) immediately. The Employee may elect to have up to 100% paid in the form of the Company's common stock.

Paragraph (d) is deleted in its entirety and replaced with the following:

- (d) Employee shall receive options to purchase (5,000,000) shares (the "Options") under the Stock Option Award Agreement (the "Option Agreement") attached as Exhibit A. The Options shall be vested immediately.

3. Except as otherwise provided herein, all other terms and conditions of the Original Amended and Restated Employment Agreement, as so amended, remain unchanged and are hereby ratified and confirmed.

4. This Amendment shall be governed by and construed in accordance with the domestic laws of the State of New York, excluding any conflict of laws, rule or principle that might refer the governance of construction of this Amendment to the law of another jurisdiction.

5. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument. For purposes of this Amendment, use of a facsimile, e-mail, or other electronic medium shall have the same force and effect as an original signature.

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IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first written above.

PROGRESSIVE CARE INC.

By: _____ Dated: November 14, 2022
Birute Norkute
Chief Operating Officer

EMPLOYEE

Cecile Munnik, an individual

**PROGRESSIVE CARE INC.
STOCK OPTION AGREEMENT**

This STOCK OPTION AGREEMENT (the “*Option Agreement*”), effective as of September 13, 2022 (the “*Grant Date*”), is between Progressive Care Inc., a Delaware corporation (the “*Company*”), and **Rodney Barreto** (the “*Optionee*”), the Co-Vice Chairman of the Company’s Board of Directors.

WHEREAS, the Company desires to give the Optionee the opportunity to purchase up to four percent (4%) of the issued and outstanding shares of the Company’s common stock, par value \$0.0001 per share (“*Common Shares*”).

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration, the parties hereto, intending to be legally bound hereby, agree as follows:

AGREEMENT

1. Grant of Option. The Company hereby grants to the Optionee the right and option (the “*Option*”) to purchase up to four percent of the Company’s Common Shares. The Option is in all respects limited and conditioned as hereinafter provided.

2. Exercise Price. The exercise price of the Common Shares covered by this Option shall be **\$0.022** per share, subject to adjustment hereunder (the “*Exercise Price*”).

3. Term. Unless earlier terminated pursuant to any provision of this Option Agreement, this Option shall expire ten (10) years from the Grant Date (the “*Expiration Date*”). This Option shall not be exercisable on or after the Expiration Date.

4. Vesting and Exercise of Option. The Option shall vest as follows:

Incremental Number of Common Shares Vesting Under Option	Vesting Date
6,288,111 Common Shares ¹	Fully vested upon Grant Date
6,288,111 Common Shares ¹	The first Trading Day following the date on which the Company’s market capitalization is \$50 million or more for five consecutive Trading Days.
6,288,111 Common Shares ¹	The first Trading Day following the date on which the Company’s market capitalization is \$100 million or more for five consecutive Trading Days.
6,288,111 Common Shares ¹	The first Trading Day following the date on which the Company’s market capitalization is \$200 million or more for five consecutive Trading Days.

¹ Amount to be equal to 1% of the fully diluted Common Shares outstanding as of the Grant Date.

The Option shall remain exercisable until it is exercised or until it terminates and shall not be forfeited or cancelled. All Options shall vest immediately upon a Change in Control.

“**Trading Day**” means a day on which the principal Trading Market is open for trading.

“**Trading Market**” means any of the following markets or exchanges on which the Common Shares are listed or quoted for trading on the date in question: the NYSE American, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market or the New York Stock Exchange, OTCQB or OTCQX as applicable; if the Common Shares are not then listed or quoted for trading on OTCQB or OTCQX and if prices for the Common Shares are then reported on the Pink Open Market (or a similar organization or agency succeeding to its functions of reporting prices).

5. Method of Exercising Option.

(a) Subject to the terms and conditions of this Option Agreement, the Option may be exercised by written notice to the Company at its principal office. The form of such notice is attached hereto and shall state the election to exercise the Option and the number of whole shares with respect to which it is being exercised; shall be signed by the person or persons so exercising the Option; and shall be accompanied by payment of the full exercise price of such shares. Only full shares will be issued.

(b) The exercise price shall be paid to the Company

(i) in Common Shares newly acquired by the Optionee upon cashless exercise of the Option: or

(ii) at the sole option of the Optionee:

(1) in cash, or by certified check, bank draft, or postal or express money order;

(2) through the delivery of Common Shares previously acquired by the Optionee; or

(3) by delivering a properly executed notice of exercise of the Option to the Company and a broker, with irrevocable instructions to the broker promptly to deliver to the Company the amount necessary to pay the exercise price of the Option;

(4) in any combination of (i), (ii)(1), (ii)(2) or (ii)(3) above.

In the event the exercise price is paid, in whole or in part, with Common Shares, the Company shall issue to the Optionee such number of fully paid and non-assessable Common Shares as are computed using the following formula: $X = Y(A-B)/A$ where: X = the number of Shares to be issued to the Optionee; Y = the number of Shares with respect to which the Option is being exercised (inclusive of the Shares surrendered to the Company in payment of the aggregate exercise price); A = the Fair Market Value of one Share; and B = the exercise price, in this case \$0.022 per share.

Upon receipt of notice of exercise and payment, the Company shall deliver a book entry confirmation representing the Common Shares with respect to which the Option is so exercised. The Optionee shall obtain the rights of a shareholder upon receipt of such confirmation.

Common Shares purchased upon exercise of the Option shall be registered in the name of the person so exercising the Option (or, if the Option is exercised by the Optionee and if the Optionee so requests in the notice exercising the Option, shall be registered in the name of the Optionee and the Optionee's spouse, jointly, with right of survivorship), and shall be delivered as provided above to, or upon the written order of, the person exercising the Option. In the event the Option is exercised by any person after the death or disability of the Optionee, the notice shall be accompanied by appropriate proof of the right of such person to exercise the Option. All Common Shares that are purchased upon exercise of the Option as provided herein shall be fully paid and non-assessable.

Upon exercise of the Option, Optionee shall be responsible for all employment and income taxes then or thereafter due (whether Federal, State or local).

6. Certain Adjustments.

(a) Stock Dividends and Splits. If the Company, at any time while this Option Agreement is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions on Common Shares or any other equity or equity equivalent securities payable in Common Shares (which, for avoidance of doubt, shall not include any Common Shares issued by the Company upon exercise of this Option Agreement), (ii) subdivides outstanding Common Shares into a larger number of shares, (iii) combines (including by way of reverse stock split) outstanding Common Shares into a smaller number of shares, or (iv) issues by reclassification of the Common Shares any shares of capital stock of the Company, then in each case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of Common Shares (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of Common Shares outstanding immediately after such event and the number of shares issuable upon exercise of this Option shall be proportionately adjusted such that the aggregate Exercise Price of this Option shall remain unchanged. Any adjustment made pursuant to this Section 6(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re classification.

(b) Subsequent Equity Sales. If the Company or any subsidiary thereof, as applicable, at any time while this Option is outstanding, shall sell, enter into an agreement to sell, or grant any option to purchase, or sell or grant any right to reprice, or otherwise dispose of or issue (or announce any offer, sale, grant or any option to purchase or other disposition) any Common Shares or Common Stock Equivalents, at an effective price per share less than the Exercise Price then in effect (such lower price, the "**Base Share Price**" and such issuances collectively, a "**Dilutive Issuance**") (it being understood and agreed that if the holder of the Common Shares or Common Stock Equivalents so issued shall at any time, whether by operation of purchase price adjustments, reset provisions, floating conversion, exercise or exchange prices or otherwise, or due to warrants, options or rights per share which are issued in connection with such issuance, be entitled to receive Common Shares at an effective price per share that is less than the Exercise Price, such issuance shall be deemed to have occurred for less than the Exercise Price on such date of the Dilutive Issuance at such effective price), then simultaneously with the consummation (or, if earlier, the announcement) of each Dilutive Issuance the Exercise Price shall be reduced to equal the Base Share Price. Notwithstanding the foregoing, no adjustments shall be made, paid or issued under this Section 6(b) in respect of an Exempt Issuance. The Company shall notify the Optionee, in writing, no later than the Trading Day following the issuance or deemed issuance of any Common Shares or Common Stock Equivalents subject to this Section 6(b), indicating therein the applicable issuance price, or applicable reset price, exchange price, conversion price and other pricing terms (such notice, the "**Dilutive Issuance Notice**"). For purposes of clarification, whether or not the Company provides a Dilutive Issuance Notice pursuant to this Section 6(b), upon the occurrence of any Dilutive Issuance, the Holder is entitled to receive a number of Common Shares based upon the Base Share Price regardless of whether the Optionee accurately refers to the Base Share Price in the Notice of Exercise. If the Company enters into a Variable Rate Transaction, the Company shall be deemed to have issued Common Stock or Common Stock Equivalents at the lowest possible price, conversion price or exercise price at which such securities may be issued, converted or exercised.

(c) **Subsequent Rights Offerings.** If the Company, at any time while this Option Agreement is outstanding, shall issue rights, options or warrants to all holders of Common Shares (and not to the Optionee) entitling them to subscribe for or purchase Common Shares at a price per share less than the closing price on the record date mentioned below, then the Exercise Price shall be multiplied by a fraction, of which the denominator shall be the number of Common Shares outstanding on the date of issuance of such rights, options or warrants plus the number of additional Common Shares offered for subscription or purchase, and of which the numerator shall be the number of Common Shares outstanding on the date of issuance of such rights, options or warrants plus the number of shares which the aggregate offering price of the total number of shares so offered (assuming receipt by the Company in full of all consideration payable upon exercise of such rights, options or warrants) would purchase at such closing price. Such adjustment shall be made whenever such rights, options or warrants are issued, and shall become effective immediately after the record date for the determination of stockholders entitled to receive such rights, options or warrants.

(d) **Pro Rata Distributions.** If the Company, at any time while this Option Agreement is outstanding, shall distribute to all holders of Common Shares (and not to the Optionee) evidences of its indebtedness or assets (including cash and cash dividends) or rights or warrants to subscribe for or purchase any security other than the Common Shares), then in each such case the Exercise Price shall be adjusted by multiplying the Exercise Price in effect immediately prior to the record date fixed for determination of stockholders entitled to receive such distribution by a fraction of which the denominator shall be the closing price determined as of the record date mentioned above, and of which the numerator shall be such closing price on such record date less the then per share fair market value at such record date of the portion of such assets or evidence of indebtedness or rights or warrants so distributed applicable to one outstanding Common Share, as determined by the Board of Directors in good faith. In either case the adjustments shall be described in a statement provided to the Optionee of the portion of assets or evidences of indebtedness so distributed or such subscription rights applicable to one Common Share. Such adjustment shall be made whenever any such distribution is made and shall become effective immediately after the record date mentioned above.

(e) **Fundamental Transaction.** If, at any time while this Option Agreement is outstanding, (i) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Company with or into another Person, (ii) the Company (or any subsidiary of the Company), directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Shares are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding Common Shares, (iv) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Common Shares or any compulsory share exchange pursuant to which the Common Shares are effectively converted into or exchanged for other securities, cash or property, or (v) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off, merger or scheme of arrangement) with another Person or group of Persons whereby such other Person or group acquires more than 30% of the outstanding Common Shares (not including any Common Shares held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) (each a "**Fundamental Transaction**"), then, upon any subsequent exercise of this Option Agreement, the Optionee shall receive, for each Common Share that would have been issuable upon such exercise immediately prior to the occurrence of such Fundamental Transaction, the number of Common Shares of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the "**Alternate Consideration**") receivable as a result of such Fundamental Transaction by a holder of the number of Common Shares for which this Option is exercisable immediately prior to such Fundamental Transaction, as adjusted in accordance with provisions of this Option Agreement. If holders of Common Shares are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Optionee shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Option Agreement following such Fundamental Transaction. The Company shall cause any successor entity in a Fundamental Transaction in which the Company is not the survivor (the "**Successor Entity**") to assume in writing all of the obligations of the Company under this Option Agreement and the other Transaction Documents in accordance with the provisions of this Section 6(d) pursuant to written agreements in form and substance reasonably satisfactory to the Optionee and approved by the Optionee (without unreasonable delay) prior to such Fundamental Transaction and shall, at the option of the Optionee, deliver to the Optionee in exchange for this Option Agreement a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Option Agreement which is exercisable for a corresponding number of shares of capital stock of such Successor Entity (or its parent entity) equivalent to the Common Shares acquirable and receivable upon exercise of this Option Agreement (without regard to any limitations on the exercise of this Option Agreement) prior to such Fundamental Transaction, and with an exercise price which applies the exercise price hereunder to such shares of capital stock (but taking into account the relative value of the Common Shares pursuant to such Fundamental Transaction and the value of such shares of capital stock, such number of shares of capital stock and such exercise price being for the purpose of protecting the economic value of this Option Agreement immediately prior to the consummation of such Fundamental Transaction), and which is reasonably satisfactory in form and substance to the Optionee. Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Option Agreement referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Option Agreement with the same effect as if such Successor Entity had been named as the Company herein. "**Person**" means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

(f) Calculations. All calculations under this Section 6 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 6, the number of Common Shares deemed to be issued and outstanding as of a given date shall be the sum of the number of Common Shares (excluding treasury shares, if any) issued and outstanding.

(g) Notice to Optionee.

(i) Adjustment to Exercise Price. Whenever the Exercise Price is adjusted pursuant to any provision of this Section 6, the Company shall promptly deliver to the Optionee by facsimile or email a notice setting forth the Exercise Price after such adjustment and any resulting adjustment to the number of Common Shares issuable upon exercise of this Option and setting forth a brief statement of the facts requiring such adjustment.

(ii) Notice to Allow Exercise by Optionee. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Common Shares, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Shares, (C) the Company shall authorize the granting to all holders of the Common Shares rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Shares, any consolidation or merger to which the Company (or any of its Subsidiaries) is a party, any sale or transfer of all or substantially all of its assets, or any compulsory share exchange whereby the Common Shares are converted into other securities, cash or property, or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be delivered by facsimile or email to the Optionee at its last facsimile number or email address as it shall appear upon the Option Register of the Company, at least 20 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Shares of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Shares of record shall be entitled to exchange their shares of the Common Shares for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided in this Option Agreement constitutes, or contains, material, non-public information regarding the Company or any of its subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K. The Optionee shall remain entitled to exercise this Option Agreement during the period commencing on the date of such notice to the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

(h) Voluntary Adjustment By Company. Subject to the rules and regulations of the Trading Market, the Company may at any time during the term of this Option Agreement, subject to the prior written consent of the Optionee, reduce the then current Exercise Price to any amount and for any period of time deemed appropriate by the board of directors of the Company.

7. Non-Transferability of Option. This Option is not assignable or transferable, in whole or in part, by the Optionee other than by will or by the laws of descent and distribution. During the lifetime of the Optionee, the Option shall be exercisable only by the Optionee or, in the event of his or her disability, by his or her guardian or legal representative.

8. Disability. If the Optionee becomes disabled prior to the Expiration Date, then this Option may be exercised by the Optionee or by the Optionee's legal representative.

9. Death. If the Optionee dies prior to the Expiration Date, then this Option may be exercised by the Optionee's estate, personal representative or beneficiary who acquired the right to exercise this Option by bequest or inheritance or by reason of the Optionee's death, to the extent of the number of Common Shares with respect to which the Optionee could have exercised it on the date of his or her death, at any time prior to the earlier of (i) the Expiration Date or (ii) one year after the date of the Optionee's death. Any part of the Option that was not exercisable immediately before the Optionee's death shall terminate at that time.

10. Securities Matters.

(a) If, at any time, counsel to the Company shall determine that the listing, registration or qualification of the Common Shares subject to the Option upon any securities exchange or under any state or federal law, or the consent or approval of any governmental or regulatory body, or that the disclosure of non-public information or the satisfaction of any other condition is necessary as a condition of, or in connection with, the issuance or purchase of Common Shares hereunder, such Option may not be exercised, in whole or in part, unless such listing, registration, qualification, consent or approval, or satisfaction of such condition shall have been effected or obtained on conditions acceptable to the Board of Directors. The Company shall be under no obligation to apply for or to obtain such listing, registration or qualification, or to satisfy such condition. The Board shall inform the Optionee in writing of any decision to defer or prohibit the exercise of an Option. During the period that the effectiveness of the exercise of an Option has been deferred or prohibited, the Optionee may, by written notice, withdraw the Optionee's decision to exercise and obtain a refund of any amount paid with respect thereto.

(b) The Company may require: (i) the Optionee (or any other Person exercising the Option in the case of the Optionee's death or disability) as a condition of exercising the Option, to give written assurances, in substance and form satisfactory to the Company, to the effect that such Person is acquiring the Common Shares subject to the Option for his or her own account for investment and not with any present intention of selling or otherwise distributing the same, and to make such other representations or covenants; and (ii) that any certificates for Common Shares delivered in connection with the exercise of the Option bear such legends, in each case as the Company deems necessary or appropriate, in order to comply with federal and applicable state securities laws, to comply with covenants or representations made by the Company in connection with any public offering of its Common Shares or otherwise. The Optionee specifically understands and agrees that the Common Shares, if and when issued upon exercise of the Option, may be "restricted securities," as that term is defined in Rule 144 under the Securities Act of 1933 and, accordingly, the Optionee may be required to hold the shares indefinitely unless they are registered under such Securities Act of 1933, as amended, or an exemption from such registration is available.

(c) The Optionee shall have no rights as a shareholder with respect to any Common Shares covered by the Option (including, without limitation, any rights to receive dividends or non-cash distributions with respect to such shares) until the date of issue of a stock certificate to the Optionee for such Common Shares. No adjustment shall be made for dividends or other rights for which the record date is prior to the date such stock certificate is issued.

11. Authorized Shares. The Company covenants that at all times following the Company's reverse stock split of its Common Shares pursuant to the terms set forth in that certain Securities Purchase Agreement dated as of August 30, 2022, it will reserve from its authorized and unissued Common Shares a sufficient number of shares to provide for the issuance of Common Shares upon the exercise of any purchase rights under this Option Agreement. The Company further covenants that its issuance of this Option Agreement shall constitute full authority to its officers who are charged with the duty of issuing the necessary Common Shares upon the exercise of the purchase rights under this Option Agreement. The Company will take all such reasonable action as may be necessary to assure that such Common Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the Trading Market upon which the Common Shares may be listed. The Company covenants that all Common Shares which may be issued upon the exercise of the purchase rights represented by this Option Agreement will, upon exercise of the purchase rights represented by this Option Agreement and payment for such Common Shares in accordance herewith, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

Except and to the extent as waived or consented to by the Optionee, the Company shall not by any action, including, without limitation, amending its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Option Agreement, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Optionee as set forth in this Option Agreement against impairment. Without limiting the generality of the foregoing, the Company will (i) not increase the par value of any Common Shares above the amount payable therefor upon such exercise immediately prior to such increase in par value, (ii) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Common Shares upon the exercise of this Option Agreement, and (iii) use commercially reasonable efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof, as may be, necessary to enable the Company to perform its obligations under this Option Agreement.

Before taking any action which would result in an adjustment in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction thereof.

12. Governing Law. The laws of the State of Delaware (without reference to the principles of conflict of laws) shall govern the operation of, and the rights of the Optionee and the Options granted herein.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Stock Option Agreement to be duly executed by its duly authorized officer, and the Optionee has hereunto set his hand and seal, all as of the 13th day of September 2022.

PROGRESSIVE CARE INC.

By: _____

Name: Alan Jay Weisberg

Title: Chief Executive Officer

ACCEPTED AND ACKNOWLEDGED

Rodney Barreto

PROGRESSIVE CARE INC.
Notice of Exercise of Stock Option

I hereby exercise the stock option granted to me pursuant to the Stock Option Agreement effective as of September [], 2022, by Progressive Care Inc. (the "Company"), with respect to the following number of shares of the Company's common stock ("Shares"), par value \$0.0001 per Share, covered by said option:

Number of Shares to be purchased: _____

Number of Options to be exercised: _____

Number Options used for cashless exercise: _____

Purchase price per Share: \$0.022

Total purchase price: Cashless Exercise, (see D, below).

A. Enclosed is cash or my certified check, bank draft, or postal or express money order in the amount of \$ _____ in full/partial **[circle one]** payment for such Shares;

and/or

B. Enclosed is/are Share(s) with a total Fair Market Value of \$ _____ in full/partial **[circle one]** payment for such Shares;

and/or

C. I have provided notice to **[insert name of broker]**, a broker, who will render full/partial **[circle one]** payment for such Shares. **[Optionee should attach to the notice of exercise provided to such broker a copy of this Notice of Exercise and irrevocable instructions to pay to the Company the full exercise price.]**

and/or

D. I elect to satisfy the payment for Shares purchased hereunder by having the Company withhold _____ newly acquired Shares pursuant to the exercise of the Option and/or **[circle one]** I elect to satisfy related federal and/or **[circle one]** state tax obligations by having the Company withhold _____ newly acquired Shares pursuant to the exercise of the Option.

Please have the certificate or certificates representing the purchased Shares registered in the following name or names*:

and sent to: _____

DATED:

Optionee's Signature

*Certificates may be registered in the name of the Optionee alone or in the joint names (with right of survivorship) of the Optionee and his or her spouse.

**PROGRESSIVE CARE INC.
STOCK OPTION AGREEMENT**

This STOCK OPTION AGREEMENT (the “*Option Agreement*”), effective as of September 13, 2022 (the “*Grant Date*”), is between Progressive Care Inc., a Delaware corporation (the “*Company*”), and **Charles M. Fernandez** (the “*Optionee*”), the Chairman of the Company’s Board of Directors.

WHEREAS, the Company desires to give the Optionee the opportunity to purchase up to five percent (5%) of the issued and outstanding shares of the Company’s common stock, par value \$0.0001 per share (“*Common Shares*”).

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration, the parties hereto, intending to be legally bound hereby, agree as follows:

AGREEMENT

1. Grant of Option. The Company hereby grants to the Optionee the right and option (the “*Option*”) to purchase up to five percent of the Company’s Common Shares. The Option is in all respects limited and conditioned as hereinafter provided.

2. Exercise Price. The exercise price of the Common Shares covered by this Option shall be **\$0.022** per share, subject to adjustment hereunder (the “*Exercise Price*”).

3. Term. Unless earlier terminated pursuant to any provision of this Option Agreement, this Option shall expire ten (10) years from the Grant Date (the “*Expiration Date*”). This Option shall not be exercisable on or after the Expiration Date.

4. Vesting and Exercise of Option. The Option shall vest as follows:

Incremental Number of Common Shares Vesting Under Option	Vesting Date
12,576,222 Common Shares ¹	Fully vested upon Grant Date
6,288,111 Common Shares ¹	The first Trading Day following the date on which the Company’s market capitalization is \$50 million or more for five consecutive Trading Days.
6,288,111 Common Shares ²	The first Trading Day following the date on which the Company’s market capitalization is \$100 million or more for five consecutive Trading Days.
6,288,111 Common Shares ²	The first Trading Day following the date on which the Company’s market capitalization is \$200 million or more for five consecutive Trading Days.

¹ Amount to be equal to 2% of the fully diluted Common Shares outstanding as of the Grant Date.

² Amount to be equal to 1% of the fully diluted Common Shares outstanding as of the Grant Date.

The Option shall remain exercisable until it is exercised or until it terminates and shall not be forfeited or cancelled. All Options shall vest immediately upon a Change in Control.

“**Trading Day**” means a day on which the principal Trading Market is open for trading.

“**Trading Market**” means any of the following markets or exchanges on which the Common Shares are listed or quoted for trading on the date in question: the NYSE American, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market or the New York Stock Exchange, OTCQB or OTCQX as applicable; if the Common Shares are not then listed or quoted for trading on OTCQB or OTCQX and if prices for the Common Shares are then reported on the Pink Open Market (or a similar organization or agency succeeding to its functions of reporting prices).

5. Method of Exercising Option.

(a) Subject to the terms and conditions of this Option Agreement, the Option may be exercised by written notice to the Company at its principal office. The form of such notice is attached hereto and shall state the election to exercise the Option and the number of whole shares with respect to which it is being exercised; shall be signed by the person or persons so exercising the Option; and shall be accompanied by payment of the full exercise price of such shares. Only full shares will be issued.

(b) The exercise price shall be paid to the Company

(i) in Common Shares newly acquired by the Optionee upon cashless exercise of the Option: or

(ii) at the sole option of the Optionee:

(1) in cash, or by certified check, bank draft, or postal or express money order;

(2) through the delivery of Common Shares previously acquired by the Optionee; or

(3) by delivering a properly executed notice of exercise of the Option to the Company and a broker, with irrevocable instructions to the broker promptly to deliver to the Company the amount necessary to pay the exercise price of the Option;

(4) in any combination of (i), (ii)(1), (ii)(2) or (ii)(3) above.

In the event the exercise price is paid, in whole or in part, with Common Shares, the Company shall issue to the Optionee such number of fully paid and non-assessable Common Shares as are computed using the following formula: $X = Y(A-B)/A$ where: X = the number of Shares to be issued to the Optionee; Y = the number of Shares with respect to which the Option is being exercised (inclusive of the Shares surrendered to the Company in payment of the aggregate exercise price); A = the Fair Market Value of one Share; and B = the exercise price, in this case \$0.022 per share.

Upon receipt of notice of exercise and payment, the Company shall deliver a book entry confirmation representing the Common Shares with respect to which the Option is so exercised. The Optionee shall obtain the rights of a shareholder upon receipt of such confirmation.

Common Shares purchased upon exercise of the Option shall be registered in the name of the person so exercising the Option (or, if the Option is exercised by the Optionee and if the Optionee so requests in the notice exercising the Option, shall be registered in the name of the Optionee and the Optionee's spouse, jointly, with right of survivorship), and shall be delivered as provided above to, or upon the written order of, the person exercising the Option. In the event the Option is exercised by any person after the death or disability of the Optionee, the notice shall be accompanied by appropriate proof of the right of such person to exercise the Option. All Common Shares that are purchased upon exercise of the Option as provided herein shall be fully paid and non-assessable.

Upon exercise of the Option, Optionee shall be responsible for all employment and income taxes then or thereafter due (whether Federal, State or local).

6. Certain Adjustments.

(a) Stock Dividends and Splits. If the Company, at any time while this Option Agreement is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions on Common Shares or any other equity or equity equivalent securities payable in Common Shares (which, for avoidance of doubt, shall not include any Common Shares issued by the Company upon exercise of this Option Agreement), (ii) subdivides outstanding Common Shares into a larger number of shares, (iii) combines (including by way of reverse stock split) outstanding Common Shares into a smaller number of shares, or (iv) issues by reclassification of the Common Shares any shares of capital stock of the Company, then in each case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of Common Shares (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of Common Shares outstanding immediately after such event, and the number of shares issuable upon exercise of this Option shall be proportionately adjusted such that the aggregate Exercise Price of this Option shall remain unchanged. Any adjustment made pursuant to this Section 6(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re classification.

(b) Subsequent Equity Sales. If the Company or any subsidiary thereof, as applicable, at any time while this Option is outstanding, shall sell, enter into an agreement to sell, or grant any option to purchase, or sell or grant any right to reprice, or otherwise dispose of or issue (or announce any offer, sale, grant or any option to purchase or other disposition) any Common Shares or Common Stock Equivalents, at an effective price per share less than the Exercise Price then in effect (such lower price, the "**Base Share Price**" and such issuances collectively, a "**Dilutive Issuance**") (it being understood and agreed that if the holder of the Common Shares or Common Stock Equivalents so issued shall at any time, whether by operation of purchase price adjustments, reset provisions, floating conversion, exercise or exchange prices or otherwise, or due to warrants, options or rights per share which are issued in connection with such issuance, be entitled to receive Common Shares at an effective price per share that is less than the Exercise Price, such issuance shall be deemed to have occurred for less than the Exercise Price on such date of the Dilutive Issuance at such effective price), then simultaneously with the consummation (or, if earlier, the announcement) of each Dilutive Issuance the Exercise Price shall be reduced to equal the Base Share Price. Notwithstanding the foregoing, no adjustments shall be made, paid or issued under this Section 6(b) in respect of an Exempt Issuance. The Company shall notify the Optionee, in writing, no later than the Trading Day following the issuance or deemed issuance of any Common Shares or Common Stock Equivalents subject to this Section 6(b), indicating therein the applicable issuance price, or applicable reset price, exchange price, conversion price and other pricing terms (such notice, the "**Dilutive Issuance Notice**"). For purposes of clarification, whether or not the Company provides a Dilutive Issuance Notice pursuant to this Section 6(b), upon the occurrence of any Dilutive Issuance, the Holder is entitled to receive a number of Common Shares based upon the Base Share Price regardless of whether the Optionee accurately refers to the Base Share Price in the Notice of Exercise. If the Company enters into a Variable Rate Transaction, the Company shall be deemed to have issued Common Stock or Common Stock Equivalents at the lowest possible price, conversion price or exercise price at which such securities may be issued, converted or exercised.

(c) **Subsequent Rights Offerings.** If the Company, at any time while this Option Agreement is outstanding, shall issue rights, options or warrants to all holders of Common Shares (and not to the Optionee) entitling them to subscribe for or purchase Common Shares at a price per share less than the closing price on the record date mentioned below, then the Exercise Price shall be multiplied by a fraction, of which the denominator shall be the number of Common Shares outstanding on the date of issuance of such rights, options or warrants plus the number of additional Common Shares offered for subscription or purchase, and of which the numerator shall be the number of Common Shares outstanding on the date of issuance of such rights, options or warrants plus the number of shares which the aggregate offering price of the total number of shares so offered (assuming receipt by the Company in full of all consideration payable upon exercise of such rights, options or warrants) would purchase at such closing price. Such adjustment shall be made whenever such rights, options or warrants are issued, and shall become effective immediately after the record date for the determination of stockholders entitled to receive such rights, options or warrants.

(d) **Pro Rata Distributions.** If the Company, at any time while this Option Agreement is outstanding, shall distribute to all holders of Common Shares (and not to the Optionee) evidences of its indebtedness or assets (including cash and cash dividends) or rights or warrants to subscribe for or purchase any security other than the Common Shares), then in each such case the Exercise Price shall be adjusted by multiplying the Exercise Price in effect immediately prior to the record date fixed for determination of stockholders entitled to receive such distribution by a fraction of which the denominator shall be the closing price determined as of the record date mentioned above, and of which the numerator shall be such closing price on such record date less the then per share fair market value at such record date of the portion of such assets or evidence of indebtedness or rights or warrants so distributed applicable to one outstanding Common Share, as determined by the Board of Directors in good faith. In either case the adjustments shall be described in a statement provided to the Optionee of the portion of assets or evidences of indebtedness so distributed or such subscription rights applicable to one Common Share. Such adjustment shall be made whenever any such distribution is made and shall become effective immediately after the record date mentioned above.

(e) **Fundamental Transaction.** If, at any time while this Option Agreement is outstanding, (i) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Company with or into another Person, (ii) the Company (or any subsidiary of the Company), directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Shares are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding Common Shares, (iv) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Common Shares or any compulsory share exchange pursuant to which the Common Shares are effectively converted into or exchanged for other securities, cash or property, or (v) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off, merger or scheme of arrangement) with another Person or group of Persons whereby such other Person or group acquires more than 30% of the outstanding Common Shares (not including any Common Shares held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) (each a "**Fundamental Transaction**"), then, upon any subsequent exercise of this Option Agreement, the Optionee shall receive, for each Common Share that would have been issuable upon such exercise immediately prior to the occurrence of such Fundamental Transaction, the number of Common Shares of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the "**Alternate Consideration**") receivable as a result of such Fundamental Transaction by a holder of the number of Common Shares for which this Option is exercisable immediately prior to such Fundamental Transaction, as adjusted in accordance with provisions of this Option Agreement. If holders of Common Shares are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Optionee shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Option Agreement following such Fundamental Transaction. The Company shall cause any successor entity in a Fundamental Transaction in which the Company is not the survivor (the "**Successor Entity**") to assume in writing all of the obligations of the Company under this Option Agreement and the other Transaction Documents in accordance with the provisions of this Section 6(d) pursuant to written agreements in form and substance reasonably satisfactory to the Optionee and approved by the Optionee (without unreasonable delay) prior to such Fundamental Transaction and shall, at the option of the Optionee, deliver to the Optionee in exchange for this Option Agreement a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Option Agreement which is exercisable for a corresponding number of shares of capital stock of such Successor Entity (or its parent entity) equivalent to the Common Shares acquirable and receivable upon exercise of this Option Agreement (without regard to any limitations on the exercise of this Option Agreement) prior to such Fundamental Transaction, and with an exercise price which applies the exercise price hereunder to such shares of capital stock (but taking into account the relative value of the Common Shares pursuant to such Fundamental Transaction and the value of such shares of capital stock, such number of shares of capital stock and such exercise price being for the purpose of protecting the economic value of this Option Agreement immediately prior to the consummation of such Fundamental Transaction), and which is reasonably satisfactory in form and substance to the Optionee. Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Option Agreement referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Option Agreement with the same effect as if such Successor Entity had been named as the Company herein. "**Person**" means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

(f) Calculations. All calculations under this Section 6 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 6, the number of Common Shares deemed to be issued and outstanding as of a given date shall be the sum of the number of Common Shares (excluding treasury shares, if any) issued and outstanding.

(g) Notice to Optionee.

(i) Adjustment to Exercise Price. Whenever the Exercise Price is adjusted pursuant to any provision of this Section 6, the Company shall promptly deliver to the Optionee by facsimile or email a notice setting forth the Exercise Price after such adjustment and any resulting adjustment to the number of Common Shares issuable upon exercise of this Option and setting forth a brief statement of the facts requiring such adjustment.

(ii) Notice to Allow Exercise by Optionee. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Common Shares, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Shares, (C) the Company shall authorize the granting to all holders of the Common Shares rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Shares, any consolidation or merger to which the Company (or any of its Subsidiaries) is a party, any sale or transfer of all or substantially all of its assets, or any compulsory share exchange whereby the Common Shares are converted into other securities, cash or property, or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be delivered by facsimile or email to the Optionee at its last facsimile number or email address as it shall appear upon the Option Register of the Company, at least 20 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Shares of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Shares of record shall be entitled to exchange their shares of the Common Shares for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided in this Option Agreement constitutes, or contains, material, non-public information regarding the Company or any of its subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K. The Optionee shall remain entitled to exercise this Option Agreement during the period commencing on the date of such notice to the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

(h) Voluntary Adjustment By Company. Subject to the rules and regulations of the Trading Market, the Company may at any time during the term of this Option Agreement, subject to the prior written consent of the Optionee, reduce the then current Exercise Price to any amount and for any period of time deemed appropriate by the board of directors of the Company.

7. Non-Transferability of Option. This Option is not assignable or transferable, in whole or in part, by the Optionee other than by will or by the laws of descent and distribution. During the lifetime of the Optionee, the Option shall be exercisable only by the Optionee or, in the event of his or her disability, by his or her guardian or legal representative.

8. Disability. If the Optionee becomes disabled prior to the Expiration Date, then this Option may be exercised by the Optionee or by the Optionee's legal representative.

9. Death. If the Optionee dies prior to the Expiration Date, then this Option may be exercised by the Optionee's estate, personal representative or beneficiary who acquired the right to exercise this Option by bequest or inheritance or by reason of the Optionee's death, to the extent of the number of Common Shares with respect to which the Optionee could have exercised it on the date of his or her death, at any time prior to the earlier of (i) the Expiration Date or (ii) one year after the date of the Optionee's death. Any part of the Option that was not exercisable immediately before the Optionee's death shall terminate at that time.

10. Securities Matters.

(a) If, at any time, counsel to the Company shall determine that the listing, registration or qualification of the Common Shares subject to the Option upon any securities exchange or under any state or federal law, or the consent or approval of any governmental or regulatory body, or that the disclosure of non-public information or the satisfaction of any other condition is necessary as a condition of, or in connection with, the issuance or purchase of Common Shares hereunder, such Option may not be exercised, in whole or in part, unless such listing, registration, qualification, consent or approval, or satisfaction of such condition shall have been effected or obtained on conditions acceptable to the Board of Directors. The Company shall be under no obligation to apply for or to obtain such listing, registration or qualification, or to satisfy such condition. The Board shall inform the Optionee in writing of any decision to defer or prohibit the exercise of an Option. During the period that the effectiveness of the exercise of an Option has been deferred or prohibited, the Optionee may, by written notice, withdraw the Optionee's decision to exercise and obtain a refund of any amount paid with respect thereto.

(b) The Company may require: (i) the Optionee (or any other Person exercising the Option in the case of the Optionee's death or disability) as a condition of exercising the Option, to give written assurances, in substance and form satisfactory to the Company, to the effect that such Person is acquiring the Common Shares subject to the Option for his or her own account for investment and not with any present intention of selling or otherwise distributing the same, and to make such other representations or covenants; and (ii) that any certificates for Common Shares delivered in connection with the exercise of the Option bear such legends, in each case as the Company deems necessary or appropriate, in order to comply with federal and applicable state securities laws, to comply with covenants or representations made by the Company in connection with any public offering of its Common Shares or otherwise. The Optionee specifically understands and agrees that the Common Shares, if and when issued upon exercise of the Option, may be "restricted securities," as that term is defined in Rule 144 under the Securities Act of 1933 and, accordingly, the Optionee may be required to hold the shares indefinitely unless they are registered under such Securities Act of 1933, as amended, or an exemption from such registration is available.

(c) The Optionee shall have no rights as a shareholder with respect to any Common Shares covered by the Option (including, without limitation, any rights to receive dividends or non-cash distributions with respect to such shares) until the date of issue of a stock certificate to the Optionee for such Common Shares. No adjustment shall be made for dividends or other rights for which the record date is prior to the date such stock certificate is issued.

11. Authorized Shares. The Company covenants that at all times following the Company's reverse stock split of its Common Shares pursuant to the terms set forth in that certain Securities Purchase Agreement dated as of August 30, 2022, it will reserve from its authorized and unissued Common Shares a sufficient number of shares to provide for the issuance of Common Shares upon the exercise of any purchase rights under this Option Agreement. The Company further covenants that its issuance of this Option Agreement shall constitute full authority to its officers who are charged with the duty of issuing the necessary Common Shares upon the exercise of the purchase rights under this Option Agreement. The Company will take all such reasonable action as may be necessary to assure that such Common Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the Trading Market upon which the Common Shares may be listed. The Company covenants that all Common Shares which may be issued upon the exercise of the purchase rights represented by this Option Agreement will, upon exercise of the purchase rights represented by this Option Agreement and payment for such Common Shares in accordance herewith, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

Except and to the extent as waived or consented to by the Optionee, the Company shall not by any action, including, without limitation, amending its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Option Agreement, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Optionee as set forth in this Option Agreement against impairment. Without limiting the generality of the foregoing, the Company will (i) not increase the par value of any Common Shares above the amount payable therefor upon such exercise immediately prior to such increase in par value, (ii) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Common Shares upon the exercise of this Option Agreement, and (iii) use commercially reasonable efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof, as may be, necessary to enable the Company to perform its obligations under this Option Agreement.

Before taking any action which would result in an adjustment in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction thereof.

12. Governing Law. The laws of the State of Delaware (without reference to the principles of conflict of laws) shall govern the operation of, and the rights of the Optionee and the Options granted herein.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Stock Option Agreement to be duly executed by its duly authorized officer, and the Optionee has hereunto set his hand and seal, all as of the 13th day of September 2022.

PROGRESSIVE CARE INC.

By: _____
Name: Alan Jay Weisberg
Title: Chief Executive Officer

ACCEPTED AND ACKNOWLEDGED

Charles M. Fernandez

PROGRESSIVE CARE INC.
Notice of Exercise of Stock Option

I hereby exercise the stock option granted to me pursuant to the Stock Option Agreement effective as of September [], 2022, by Progressive Care Inc. (the "Company"), with respect to the following number of shares of the Company's common stock ("Shares"), par value \$0.0001 per Share, covered by said option:

Number of Shares to be purchased: _____

Number of Options to be exercised: _____

Number Options used for cashless exercise: _____

Purchase price per Share: \$0.022

Total purchase price: Cashless Exercise, (see D, below).

A. Enclosed is cash or my certified check, bank draft, or postal or express money order in the amount of \$ _____ in full/partial **[circle one]** payment for such Shares;

and/or

B. Enclosed is/are Share(s) with a total Fair Market Value of \$ _____ in full/partial **[circle one]** payment for such Shares;

and/or

C. I have provided notice to **[insert name of broker]**, a broker, who will render full/partial **[circle one]** payment for such Shares. **[Optionee should attach to the notice of exercise provided to such broker a copy of this Notice of Exercise and irrevocable instructions to pay to the Company the full exercise price.]**

and/or

D. I elect to satisfy the payment for Shares purchased hereunder by having the Company withhold _____ newly acquired Shares pursuant to the exercise of the Option and/or **[circle one]** I elect to satisfy related federal and/or **[circle one]** state tax obligations by having the Company withhold _____ newly acquired Shares pursuant to the exercise of the Option.

Please have the certificate or certificates representing the purchased Shares registered in the following name or names*:

and sent to: _____

DATED:

Optionee's Signature

*Certificates may be registered in the name of the Optionee alone or in the joint names (with right of survivorship) of the Optionee and his or her spouse.

**PROGRESSIVE CARE INC.
CERTIFICATION OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Charles M. Fernandez, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2022, of Progressive Care Inc.;
2. Based on my knowledge, this report 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including the registrant's consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - A) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2022

/s/ Charles M. Fernandez

Charles M. Fernandez
Chairman and Chief Executive Officer
(Principal Executive Officer)

**PROGRESSIVE CARE INC.
CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Cecile Munnik, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2022, of Progressive Care Inc.;
2. Based on my knowledge, this report 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including the registrant's consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2022

/s/ Cecile Munnik

Cecile Munnik

Chief Financial Officer

(Principal Financial and Accounting Officer)

**PROGRESSIVE CARE INC.
CERTIFICATION OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER PURSUANT TO
18 U.S.C SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Progressive Care Inc. ("Progressive Care") on Form 10-Q for the period ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Charles M. Fernandez, Chairman and Chief Executive Officer of Progressive Care Inc., certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2022

/s/ Charles M. Fernandez

Charles M. Fernandez
Chairman and Chief Executive Officer
(Principal Executive Officer)

**PROGRESSIVE CARE INC.
CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Progressive Care Inc. ("Progressive Care") on Form 10-Q for the period ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Cecile Munnik, Chief Financial Officer of Progressive Care Inc., certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2022

/s/ Cecile Munnik

Cecile Munnik

Chief Financial Officer

(Principal Financial and Accounting Officer)
